ESG REPORT
2021-2022
with 2023 updates

Simulation: Green Roof, The Spiral Tower
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A Message from the Chairwoman of Board, Ms. Danna Azrieli

Dear Stakeholders,

Reflecting on the past two years, we find ourselves facing significant challenges. At the time of writing this report, Israel grapples with the aftermath of a brutal attack by the terrorist organization, Hamas. During these trying times, the Azrieli Group remains committed to supporting affected communities and victims, standing united with our nation.

I am delighted to present the Azrieli Group’s ESG report for the years 2021-2022, including updates from 2023. This marks the second bi-annual report by the Azrieli Group, showcasing our work in environmental sustainability and social responsibility and outlining our future priorities.

As Israel’s leading real estate company, we develop and manage properties across the country, creating space for people to connect. Our malls, offices, hotels, senior homes, and residences are designed to be places where people can come together and interact. Our commitment goes beyond physical structures; it’s about creating environments that enhance the experiences of our customers, tenants, and residents while protecting the environment, all without compromising the value for our shareholders.

Our focus remains on building mixed-use real estate projects that seamlessly integrate work, leisure, and living spaces. Our properties exemplify our vision, offering mixed-use spaces that cater to diverse needs, all while adhering to the highest environmental standards.

We are proud to have secured green building certifications for all our designs, as well as international green operation certifications for the properties we manage. To date, seven of our properties are LEED certified, with eight more in the process of obtaining this prestigious certification.

As a pioneer in Israel’s real estate development, we recognize our responsibility to reduce our environmental impact and adapt to a changing landscape, demonstrating our genuine commitment to responsible and sustainable business practices.

We are actively taking measures to minimize greenhouse gas emissions, not only during construction but also in the ongoing operation of our properties.

We incorporate materials with high recycled content into our projects, setting new standards with initiatives such as the Spiral Tower, currently in development. When complete, it will be the world’s tallest tower to use a recycled façade and the largest project in the world using recycled aluminum.

We also strive to influence our tenants’ environmental footprint, encouraging their participation in our Environment Project for recycling and waste reduction. This initiative currently operates in thirteen properties and is set to expand to eighteen by the end of 2023.

We take pride in our strong connection to local suppliers, with 99% of our suppliers being local, contributing to the development and growth of Israel’s economy and local communities.

Our properties receive millions of visitors, and we are dedicated to making a positive impact. Our impact campaigns are committed to raising environmental awareness and inspiring action. Initiatives such as distributing 50,000 reusable environmentally friendly bottles to school children and promoting a circular economy through social recycling hubs in our malls underscore our commitment to environmental protection and social action.

At the Azrieli Group, corporate responsibility is ingrained in our culture, strategies, policies, and governance. We set CSR targets in each operational segment. Our employees are our most valuable asset, driving our commitment to sustainability, community engagement, and environmental stewardship. They are at the core of our ability to create space for people to connect while building a sustainable and responsible future.

We firmly believe that our actions can have a positive impact on the environment, the economy, and society.

Warm regards,

Danna Azrieli
Chairwoman of the Board
Who We Are

A Legacy Building a Future

Azrieli Group is the largest publicly traded real estate company in Israel. We develop and operate office complexes, shopping malls, senior homes, data centers and long-term rental housing. The Group also operates the e-commerce platform, Azrieli.com.

Since building Israel’s first enclosed shopping mall, more than four decades ago, Azrieli Group shapes the way in which people work, shop and lead their lives.

We work according to our motto – building Israel, committed to the environment.

Our Vision

Azrieli Group is an Israeli company that leads and builds experiential and innovative spaces for everyone at all stages of their life. We shape the way in which people work, shop and live, and are committed to business, social and environmental responsibility.

Our Sustainability Vision

Our commitment to sustainability is reflected in adopting advanced environmental undertakings and raising the bar as pertaining to environment friendly behavior.

Sustainability is an integral part of our business operations, which has always been based upon a long-term perspective and acknowledgement of the need to protect the environment.

We strive to be a model for a company that bears responsibility for our environment and the community, to our stakeholders, including the tenants, visitors, residents, employees and suppliers.

Action Plan

We have defined six focal points that help us implement our ESG plans and bring our vision into fruition:

- Corporate Governance and Management
- Construction Practices
- Action for Sustainability and Recycling
- Real Estate Innovation
- Community and Stakeholders
- Human Capital
Our Operating Segments

We own leasable income-producing properties with a gross leasable area (GLA) of approx. 1.4 million sqm, in addition to approx. 0.7 million sqm in projects under development. The average occupancy rate in our properties in Israel is approx. 98%\(^1\), with 91% of the value of our investment and under-construction income-producing real estate (on a consolidated basis) attributable to real estate in Israel\(^2\).

Malls and Retail Centers

We engage in the development, leasing, management and maintenance of 21 malls and retail centers across Israel. Management services are provided by us and/or by special-purpose management companies that we own, at the highest standard and with uncompromising professional quality.

Income-Producing Office Properties

We engage in the development, lease, management and maintenance of 16 office towers and business centers. Many of our income-producing properties are in mixed-use projects that integrate retail space and offices. The properties are home to leading local and global companies in diverse lines of business.

Creating Space for People to Connect

Azrieli Town

Palace Senior Homes

We engage in the development, operation, sale and management of 4 luxury senior homes. The homes are designed for residents who lead an independent life and include the ‘Medical’ and long-term care units, as part of the services offered to the residents.

Rental Housing Properties

In 2022, we completed the construction of Azrieli Town Tel Aviv Residence. Additional projects that are designated, inter alia, for rental housing are currently under construction. For example, in 2023, we won a tender issued by “Dira LeHaskir”, the State-owned rental housing company, for the Glil Yam neighborhood in Herzliya, which includes 147 residential units for 20-year rentals. The new Azrieli Center Modi’in will include a rental housing building with 80 apartments. The project is scheduled for completion by the end of 2023. The Spiral Tower, whose construction is scheduled for completion in 2027, will also include rental housing apartments as part of its mixed-uses.

\(^1\) Excluding areas in properties after construction completion which are in stages of lease up for the first time.

\(^2\) Figures are accurate as of December 31, 2022.
**Data Centers**

We own (indirect) holdings of approx. 32.4% in Compass, a company operating in North America, and have also acquired Green Mountain, a company operating in this industry in Norway. At the beginning of 2023, we closed the acquisition of a data center company in England.

* On June 20, 2023, the Company’s partners in Compass informed that they had entered into an agreement to sell their holdings in Compass, and that, in accordance with the mechanisms determined in the agreement with such partners, the company will join in the sale transaction and sell its minority holdings in Compass.

**Green Mountain**

2021 saw the closing of the acquisition of Green Mountain, a company that operates in the data center industry and is engaged in the design, construction and operation of innovative and sustainable data centers, with high-level information security. The Company currently operates three data centers campuses in Norway and provides advanced service to wholesale customers and organizations.

Green Mountain is a leader in sustainability:

- The Company’s data centers are powered by using 100% of renewable energies, at low cost, and it continues to concentrate efforts to promote energy efficiency also among its customers.
- The Company’s carbon footprint is much lower than the average in the sector, and it is moving toward a target of carbon-neutral operations.
- The Company is involved in projects for use of the heat emitted from the data centers cooling systems.
- Although Norway does not suffer from water shortage, the Company frequently monitors and improves its water use efficiency.
- In 2021, the Company sorted through and recycled 76% of the waste it produced, transferring the rest to be burned for heating.

For further information, please see Green Mountain’s sustainability report for 2021.

**Hospitality**

We own the Mount Zion Hotel in Jerusalem, which is undergoing renovation and expansion work, and have recently acquired the Red Rock Hotel in Eilat. We also promote mixed-use projects. For example, as part of the Spiral Tower in Tel Aviv, a hotel will be built, which is expected to include 250 hotel rooms and suites.

In addition, a project is being built near the Azrieli Modi’in Mall, which will consist of a hotel, rental housing, offices and retail space. The new Azrieli Center Modi’in will include the first hotel in the city, which will have 84 rooms. The project is scheduled for completion by the end of 2023.

**Income-Producing Real Estate in the U.S.**

We own eight office properties abroad, mainly in the United States.

**Azrieli.com**

Our e-commerce website offers marketing and sales solutions to businesses seeking to sell products online. We are developing the platform as part of a multichannel approach to our relationship with our retail customers, which integrates physical commerce with digital commerce, aiming to provide an online/offline platform which can best address the needs of our customers.
Azrieli Group by the Numbers\(^3\)

as of the end of 2022

- **Approx. 1.4 million sqm** of leasable space
- **Approx. 0.7 million sqm** under development
- **21** malls (360 thousand sqm)
- **15** office properties (632 thousand sqm)
- **4** senior homes (115 thousand sqm)
- **8** office properties overseas (241 thousand sqm)
- **2** data center companies overseas
- **2** rental housing properties (29 thousand sqm)
- **10** properties under development (0.7 million sqm)

- **414** employees
- **1,940** mall tenants
- **820** office tenants
- **Approx. 65 million** visitors a year
- **98%** average occupancy rate in properties in Israel\(^4\)

**NIS 1,953 million**

NOI – operating income from income-producing properties (in NIS) in 2022: NIS 1,953 million, up 23% from 2021

\(^3\) The figures as of December 31, 2022.

\(^4\) Excluding properties after construction completion which are in stages of lease up for the first time.
We build mixed-use centers in strategic locations with high transport accessibility that will become part of the urban landscape. When choosing the properties’ location, consideration is given to access roads and public space, with the purpose of creating the best experience for the properties’ tenants and visitors. A special emphasis is placed on mixed use in new construction and in expansions of existing properties, as part of a worldview implementing the vision and values of a property that integrates with its surroundings.

Real Estate Portfolio

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## Azrieli Group Properties with Israeli or International Green Building Certifications

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEED - Leadership in Energy and Environmental Design</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing certified properties</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Pre-certified properties under construction</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Properties under planning and construction, aiming for the up-to-date LEED-Platinum rating</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>Israeli Green Building Standard 5281</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing certified properties</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Pre-certified properties in advanced planning stages</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>LEED O&amp;M</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certified properties in GOLD and PLATINUM ratings</td>
<td>3</td>
<td></td>
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<tr>
<td>Properties in the process of certification</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Property in preliminary planning stages</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Azrieli Center in Tel Aviv**

is the first mall and office tower in Israel to have been certified in Israel in LEED O&M standard
## Memberships of Organizations and Collaborations

### Organizations and Collaborations

- **ILGBC**
  - Israeli Green Building Council
  - In 2022 we joined the Israeli Green Building Council as a Platinum Member.

- **EPRA**
  - Our share is listed in the EPRA Index, which comprises of publicly listed real estate companies in Europe.

- **The Marker’s “Impact 2030”**
  - Our Green Building Architect and Sustainability and Environmental Protection Manager participated in The Marker’s “Impact 2030” 2022 conference, where existing and planned projects and Azrieli’s commitment to green building were presented.

### Awards, Accolades and Ratings

- **Duns 100**
  - For more than 9 years, we at Azrieli Group have been ranked as one of the top two income-producing real estate companies in Israel by Duns 100. In 2022 we came in first, ranking at the top of the list.

- **Globes Brand Index 2021-2022**
  - This is the seventh year in a row that the Group is ranked as one of the top two real estate companies in the real estate sector, both in the 2021 ranking and in the 2022 ranking, the Group was ranked second in the real estate category.

- **Datacloud Awards 2022**
  - Green Mountain AS, our data center company, won the Excellence in Regional Data Centre Europe Award in the Datacloud Awards 2022.

- **Partners for Democracy Award - of the America-Israel Friendship League**
  - Group Chairwoman, Danna Azrieli, won the 2022 Partners for Democracy Award of the America-Israel Friendship League.

- **CTBUH International**
  - The International Council for the Construction of Skyscrapers CTBUH International announced the Azrieli Town project as the outstanding skyscraper for 2022 in the Middle East and Africa.

- **Calcalist Index**
  - Group CEO, Eyal Henkin, was ranked 8th in the Calcalist Index’s 50 Best Executives.

- **Globe’s 2023 Credibility Index**
  - We ranked first among the real estate companies in Globe’s 2023 Credibility Index.
Organizational Structure

- **Danna Azrieli**  
  Chairwoman of the Board

- **Eyal Henkin**  
  CEO of Azrieli Group

- **Irit Sekler-Pilosof**  
  Deputy CEO and CFO – until May 2023

- **Ariel Goldstein**  
  CFO – since May 2023

- **Gideon Avrami**  
  Deputy CEO and Head of Properties

- **Adv. Nirit Zeevi**  
  VP, General Counsel and Company Secretary

- **Israel Keren**  
  COO

- **Rafi Wunsch**  
  VP International Real Estate and DC

- **Sharon Arie**  
  VP Planning, Engineering and Construction

- **Jonathan Yaari**  
  VP Projects and ESG and Innovation

- **Rachel Mittelman**  
  Chief Information Officer

- **Elad Alon**  
  VP Business Development

- **Ofer Yarom**  
  VP Marketing and Digital

- **Michal Alaluf Tamir**  
  VP Human Resources

- **Gabi Boaz-Oved**  
  Chief Architect

- **Eli Maor**  
  Head of Business Development, Hotels

- **Daniel Korn**  
  CEO of Azrieli.com

- **Chairwoman of the Board**

- **Board of Directors**
  - **CEO**
    - VP Human Resources
    - VP Projects, ESG and Innovation
    - VP, General Counsel and Company Secretary
    - Deputy CEO and CFO
    - Deputy CEO and Head of Properties
    - VP Planning, Engineering and Construction
    - COO
    - VP Head of International Real Estate
    - Chief Information Officer
    - VP Business Development
    - VP Marketing and Digital
    - CEO of Azrieli.com
Our View on Environmental, Social and Corporate Governance (ESG) Responsibility

We at Azrieli Group assume the responsibility for sustainable urban planning and management, to maintain the public’s wellbeing and allow for preparation for the challenges of population growth in Israel or extreme climate phenomena. We are committed to Israeli society and the environment as well the reinforcement of the Israeli economy.

We set high sustainability and corporate governance standards and integrate them in all aspects of our business operations. This is the second biannual ESG report that we have released, and we post updates on the developments in this area both to our employees on the intraorganizational portal and to the public and various stakeholders on our ESG website.

ESG Management

ESG Forum
Our ESG Forum convenes once a month, headed by a VP serving as ESG Officer of the Group and attended by representatives of the various departments. The Forum discusses what is being done in this area in every department, the progress toward annual and long-term goals as set in the strategic plans, and arising urgent or important issues. ESG goals have been integrated into the work plans of all departments in order to fully align their performance with the fulfillment of our vision, while considering the environment, society and corporate governance.

Our Chairwoman of the Board, Danna Azrieli, is deeply involved in all ESG aspects, which is reflected in the Company’s conduct and actions in the properties, in the community and for the environment.

ESG Structure
U.N. Sustainable Development Goals

The U.N. Sustainable Development Goals (SDGs) were established as a global agenda, such that their achievement by 2030 would lead to the long-term thriving of society and the economy within a stable ecological environment. In accordance with our ESG approach, we have placed an emphasis on several key goals in our decision-making and ongoing operations (more on the activities related to every goal can be found in the relevant chapter):

**Goal 5 – Gender Equality**
We initiate and act for the promotion of women in the company and for equal pay for men and women.

**Goal 6 – Clean Water**
We have set annual saving targets, including ongoing wastewater processing, sampling, consideration of water seepage to avoid flooding and protect underground water, and optimal water conservation efficiency in every project.

**Goal 7 – Clean Energy**
We initiate and promote projects for the reduction of energy consumption in our properties and take extensive action to reduce greenhouse gas emissions both during construction and during operation of our properties. For example, incorporating energy-efficient air conditioning systems, motion detectors, energy-efficient lighting, shading and thermal insulation systems, installing solar panels, and more. We strive to also influence our tenants by means of electricity saving incentives and encouraging self-exercised control over electricity consumption at various sites.

**Goal 8 – Decent Work and Economic Growth**
We view the protection of employee rights and the promotion of a safe work environment as a top priority. We dedicate great effort and resources to ensure fair employment, constantly caring for the wellbeing and development of our employees. Furthermore, as Israel’s leading real estate company, we act extensively to advance the growth of the local economy. Employing people with disabilities in our environment project is a significant part of our sustainability activities.

**Goal 9 – Industry, Innovation and Infrastructure**
We make use of innovative first-of-their-kind solutions in Israel and strive to receive green building certifications for 100% of the buildings we design and international green operation certifications for the buildings we manage. At the same time, we endeavor to identify and generate strategic collaborations with startup companies to promote innovative technologies in our company in a variety of areas – sustainability, accessibility, operation, customer experience interfaces, and more.

**Goal 11 – Sustainable Cities and Communities**
We choose land for construction with environmental responsibility, placing an emphasis on choosing land in the centers of large cities, avoiding the elimination of raw land to reduce the harm to biodiversity, and proximity to arterial roads and public transport. Our properties are characterized by mixed use with a combination of construction for residence, retail, public institutions, offices and light industry in the same complex, inter alia, aiming to prepare for the population growth in Israel.

**Goal 12 – Responsible Consumption and Production**
As a company that builds and operates income-producing real estate, we place a significant emphasis in our operations on the responsible use of natural resources, from the construction materials to the sustainable operation of our properties, reducing waste by means of recycling, local processing and re-use. Vast resources are dedicated to our compliance with the applicable environmental regulation as well as to actions that exceed the requirements. Every new project includes the appointment of professional environmental consultants that assist and accompany the process from start to finish. We have additionally set a target for the reduction of landfill waste by 50% in 18 of our properties by 2025, and we encourage our tenants to take part in the effort to reduce landfill waste and increase recycling.

**Goal 13 – Climate Action**
We are preparing for climate changes and taking their implications into account. We have adopted some of the strictest green building standards in the world for sustainable operation of the buildings we manage. We also regularly conduct tests and simulations in projects under development, to ensure maximum compatibility with field conditions, weather changes, buildings intended to be built in proximity to our properties and the changes expected consequently to the climate change.

**Goal 17 – Partnerships for the Goals**
We believe in business and intersectoral collaborations and ongoingly cooperate with our tenants, customers, social and environmental organizations and the community in which we operate, for constant improvement of our actions and accomplishment of our goals. We find it important to create partnerships with startup and high-tech companies so as to promote innovation, as well as with our colleagues in the real estate sector so as to share information and mobilize the business sector in order to accomplish the U.N. SDGs, identify the significant challenges we are facing and understand the impact that will arise from our activities.
## Dialogue with Stakeholders

### Stakeholder Identification Process

We believe in balanced and fair business conduct that is based on transparency and ongoing communication with our stakeholders. The dialogue serves as an important tool for mapping out existing disparities and conforming our services to the needs that arise from the field. Listed among the stakeholders that have been identified are employees, tenants, visitors, residents of senior homes and residential properties, the community in the vicinity of the properties, social and environmental organizations, local authorities, investors in the Group’s securities, suppliers and parties along the chain of supply and users of Azrieli.com.

Dialogue with our stakeholders is continuous and ongoing throughout the year – either through their communications or as initiated by us. We strive to constantly improve and advance cooperation and to ensure that it is pleasant, fair and respectful.

### Table of Stakeholders and How Dialogue is Conducted

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>How is Dialogue Conducted?</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Encouraging the employees’ development and growth and caring for their wellbeing. Dialogue is conducted through one-on-one meetings, performance reviews, employee feedback, an open-door policy, the employees’ portal, leadership development programs, organizational initiatives, and more.</td>
<td>Our People</td>
</tr>
<tr>
<td>Tenants (in offices, malls and retail centers)</td>
<td>We believe in holding a transparent dialogue with our tenants, in particular regarding increasing awareness to reduce their environmental impact. We are planning to expand and deepen the dialogue in order to create a continuous discourse that will improve collaboration and increase the wellbeing and satisfaction of our tenants and residents.</td>
<td>Our Tenants, Residents and Customers</td>
</tr>
<tr>
<td>Visitors</td>
<td>We strive for constant improvement of the shopping experience in our properties, with an emphasis on operation, cleaning, maintenance and increased safety and accessibility. Our customer service is available and accessible, with the methods for communicating with HQ management available to the public through social media, our app and our website.</td>
<td>Our Tenants, Residents and Customers</td>
</tr>
<tr>
<td>Residents of senior homes and residential properties</td>
<td>Continuous daily connection and attentive listening to the wishes and needs of the residents in our senior housing, with this dialogue being a material part of running our senior housing chain and residential properties, as well as constant effort to enhance their wellbeing.</td>
<td>Our Tenants, Residents and Customers</td>
</tr>
<tr>
<td>The community and social and environmental organizations</td>
<td>We have formulated a designated donations program and a designated volunteer work program, together with local organizations, to generate collaborations and promote social issues in each one of our properties.</td>
<td>Social Responsibility–Community Engagement</td>
</tr>
<tr>
<td>Local authorities</td>
<td>We maintain dialogue with local authorities on land use planning, infrastructures, future plans, changes in laws and regulations that may affect our business and the formulation of a zoning policy and regulations in new areas in Israel. We also collaborate with other relevant regulatory bodies, such as the Israel Fire and Rescue Service, the Homefront Command, and others.</td>
<td>Safety and Accessibility, Environmental Responsibility, Social Responsibility</td>
</tr>
<tr>
<td>Investors</td>
<td>Our dialogue with Israeli and foreign investors occurs on a regular basis, we release financial statements and hold investor conference calls on a quarterly basis, and we convene shareholders meetings on an annual basis. We maintain direct contact with investors, for the sake of ongoing updates on all the matters that are material to the shareholders, ESG issues included.</td>
<td>About Azrieli Group</td>
</tr>
<tr>
<td>Suppliers</td>
<td>The direct dialogue with service providers on country-wide level is conducted through the Group’s HQ staff as well as the property managers. This dialogue is professional and intended, among other things, to ensure the quality of the service we receive from suppliers, and consequently the quality of service we provide to our tenants, residents and visitors in the Group’s properties.</td>
<td>Responsible Procurement and Supply Chain</td>
</tr>
<tr>
<td>Users of Azrieli.com</td>
<td>Our website users receive a quick response on any issue with the aim of generating complete satisfaction. We work to personalize the content offered to the users and additionally ensure that their privacy is protected.</td>
<td>Our Tenants, Residents and Customers</td>
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ENVIRONMENTAL RESPONSIBILITY

- Sustainable Design
- Sustainable Operation
- Responsibility in Procurement and the Supply Chain

Simulation: The Spiral Tower
Azrieli’s Sustainability Philosophy

A Vision of Sustainability:
Building Israel, Committed to the Environment

As Israel’s leading real estate group, we are committed to building the country while protecting the environment, and we strive to serve as a model for responsible and environmental conduct.

A company that takes responsibility for the environment and the community, both locally and nationally, and for all stakeholders, including tenants, visitors, residents, employees, suppliers, the community and the environment.

Global Environmental Effects

The real estate sector is affected by various global trends, including climate changes, diminished natural resources, population growth and the effects of the Covid pandemic. While awareness of the dangers entailed by the climate crisis has increased, the frequency of climate disasters has also been on the rise: Extreme heat, powerful storms, floods, droughts and fires, pest infestations, extinction of animal species and at-risk ecosystems.

As a leading real estate development company, we have the responsibility to act to reduce our environmental impact and to adjust for the changing reality. The climate crisis is an opportunity to drive innovation and improvement in the sector, inter alia, by implementing a higher construction standard from a long-term perspective in design and in responsible operation.

We are dedicated to the global endeavor to reduce greenhouse gas emissions. In this chapter we will describe our strategy, the goals and the actions we have set and taken to reduce our environmental impact both in the design and in the operation of buildings, all in keeping with action for adaptation, mitigation and resilience.

Environmental Policy

To reduce our ecological and carbon footprint, our properties are built in city centers, without depleting open natural areas, and managed sustainably and with energy efficiency.

For years now, we have been leaders of green building, committed to green building in 100% of our properties, driven by concern for future generations and a genuine commitment to responsible and sustainable business conduct. We strive for all our properties to achieve LEED (Leadership in Energy and Environmental Design) certification for sustainable building and operation.

All of us, from senior management down to the teams on the ground, believe in and are committed to this policy, because we understand that it will generate great value for Azrieli Group and for our stakeholders.
Mixed Use as the Key to Sustainable Urbanism

Mixed use is one of the key principles of modern urbanism, which includes the combination of several land uses at the same site (residence, retail, offices, etc.) to reduce the damage to biodiversity and natural resources and prepare for the constantly growing population.

The mixed-use property principle contributes to the creation of a lively environment at all hours of the day and a significant leisure and work hub, which also has a positive effect on local economy. We accept the complex engineering challenge and examine how the varying needs of the society and the environment may be integrated into every property.

It is our ambition to create mixed-use and optimal utilization of the land in the interest of density and quality urban spaces. Shade and quality urban spaces for pedestrians are factored in, as are the planting of mature trees, cycle paths, seats and designated bicycle parking. Sustainable urban design aspects include:

- Building in city centers, thereby avoiding damage to open natural areas.
- Focusing on central and public transport-oriented areas and main arteries.
- Intense mixed use in the interest of creating sound and compact urbanism.
- Designing urban interfaces on ground floors, creating a busy street and bustling spaces.

- Welcoming and accessible spaces for pedestrians and cyclists, including vegetation and shade which make for pleasant spaces.
- Incorporating employee showers and sheltered bicycle parking in office and retail buildings.
- Reducing urban heat island effects – Using light-colored exterior wall cladding with a low albedo and designing the facades of the buildings to avoid glare and the emission of heat into the public space.
- Designing for the long term – Our buildings are built to contain various changes and scenarios, including their future conversion for other uses.

As part of our vision of sustainability, we initiate environmental projects that engage the community (for more details, see the Social Responsibility chapter). As of the time of the writing of this report, we are in the advanced planning stages for green roofs and community gardens at four of our properties, which we aim to build in 2024. We will continue to plan and implement green roofs and gardens in our properties, with local community engagement.
Management of Sustainability Risks and Climate Change

The Company’s Environmental and Sustainability Risk Management Policy

The primary sustainability risks in the real estate sector have to do with the health and safety of employees, contractors and residents, climate changes, and efficient energy and resource use in buildings. In the context of the Company’s periodic report for 2022, we conducted a general risk mapping and examined the level of the risk factors’ impact on our operations. Legal and regulatory requirements, including ones pertaining to environmental protection, were determined to have a moderate impact.

In recent years, a significant rise in environmental protection activity has taken place in Israel and worldwide, as reflected, inter alia, in oversight and enforcement by government agencies and in the activities of environmental organizations. As we understand that this trend is expected to expand in coming years, we dedicate vast resources to ensure compliance with the provisions of the environmental protection laws applicable to us and to prevent and minimize the environmental risks entailed by our operations. We comply with the provisions and requirements of environmental laws and with the requirements of the various supervising bodies. To that end, we engage professional environmental consultants for every project, to assist and support us from start to finish.

Coping with Extreme Weather Events

In addition to our compliance with the strictest building standards, we are preparing for climate changes, inter alia, by thermal insulation in building walls, state-of-the-art air conditioning systems that allow for withstanding extreme temperatures, surface runoff management plans and wind passage measurements (for more information, see below in this chapter).

Environmental Regulation

We comply with the requirements of environmental regulation, including the Planning & Building Law and the regulations promulgated thereunder, environmental impact surveys, the Water Law, the Water and Sewage Corporations Rules, the Business Licensing Law, the Hazardous Substances Law, the Hazards Prevention Law, the Cleanliness Maintenance Law, etc.

As of the time of this writing, during the report period no sanctions or material penalties were imposed on the Company due to violations of environmental laws and/or regulatory directives.

Management of the Environmental Impact in our Properties

We strive to reduce our environmental impact in our properties through two principal courses of action:

- The design of new construction
- The management and operation of preexisting buildings
Sustainable Design

Whenever we design a new building, we consider the person standing at the heart of the project: The consumer, the resident or the tenant. We examine the process holistically to create an ideal experience in terms of convenience, wellbeing, health, safety and accessibility. **Specific sustainable design for every property and as a leading strategy in the Group results in the formation of sustainable cities that offer value for people and the environment.**

**Building at the Highest Standards**

Studies show that the real estate industry is responsible for about 40% of the world's greenhouse gas emissions, which result from the extraction and manufacture of materials for the construction industry, the transportation of materials and their utilization at construction sites and from the energy consumption in the operation of buildings.

As one of Israel's green building pioneers, we have been applying the Israeli Green Building Standard since 2013. At present, most of our buildings are designed according to the U.S. LEED certification, which is revised every several years and raises the bar according to the trends in green building. Green building standards integrate the environmental impact of the construction and operation processes and generate a comparative rating for the industry.

Moreover, we have set ourselves the **Azrieli Green Building Standard** which aims for a more significant reduction of our projects' carbon footprint. Thereby, we hope to chart a path in the real estate market in Israel and engage in development while truly addressing the climate crisis and creating sustainable solutions for building in Israel.

**The Azrieli Standard** consists of setting numeric green building targets for every building, to which we commit in our work plans every year, thereby ensuring a true and measurable reduction in greenhouse gas emissions in every project. The targets are set according to the nature of the project, the mix of uses and the features of the site and are related to the following: Energy conservation, renewable energy production, reduction of embodied carbon, water conservation and landfilled waste reduction. We dedicate great efforts to maximize carbon reduction in every project and raise the bar every time. Green building processes are managed by our Engineering and Construction Department, and advised by green building consultants.

Further information can be found in our Green Building Policy in the Group’s website.

**Continuing to Lead with the LEED Green Building Certification**

LEED is the world’s leading green building certification, and it allows us to match the standards to which we build to the highest standards in the world. The certification is intended for the design of office and retail buildings and sets carbon footprint reduction standards for us and for our customers during their use of the building.

The certification concerns a reduction of the carbon footprint at the construction stage and at the operation stage, as well as aspects associated with the quality of life of the users thereof, such as air quality, the healthfulness of construction materials and biophilia.

**Israeli Green Building Standard (IS 5281)**

Categories for examination and metrics for the definition of a green building in areas such as energy, water, materials, waste, health, transportation, etc. At present, six of our properties are IS 5281 certified and we aspire to have our new projects certified with a minimum of three stars under this standard according to our green building policy.

In 2022, the Group joined the Israeli Green Building Council as a Platinum member.

Seven of our properties are LEED certified and eight other properties are in the process of obtaining LEED certification. We aspire for every new project to be certified as LEED Platinum according to our green building policy.
Sustainable Design with LEED Standards
Carbon Reduction

In the construction industry, carbon emissions primarily arise from two sources: Energy for the operation of buildings which is consumed over the building’s lifespan, and embodied carbon which originates from the construction process and the extraction, manufacture and transportation processes of the materials that compose the building. Further emissions originate from water consumption, which in Israel also entails the consumption of power for desalination, and from the treatment processes for waste produced in the building. Our design process starts with quantifying the potential environmental effects of the building and devising a reduction strategy that is based on the specified metrics.

Breakdown of Global Carbon Emissions

- Building operation 28%
- Building materials and construction 11%
- Transportation 22%
- Industry 30%
- Other 9%

Source: The Global Status Report for Buildings and Construction, UN, 2022

Measuring the Environmental Effects of the Building

A life cycle assessment (LCA) is conducted for each of our buildings to estimate the carbon emissions throughout the building’s life cycle and understand the effect of the various components of the building on the total amount of emissions. The analysis is conducted during several of the stages of the project and it assists us in devising a reduction strategy and learning from one project to another.

Energy Conservation

Approximately 60% of a building’s carbon emissions result from the consumption of energy over the course of its life, which is why extensive efforts are dedicated as early as the preliminary design stages to achieve maximum energy saving in the building’s consumption. We conduct advanced analyses for estimation and optimization of the energy consumption in the building, which affect the design of the facades and the choice of the systems that will operate in the project.

- **Passive energy design** - Designing the building so that less energy is required to operate it, considering climate adaptive design for the building’s facades, adjusting the size and direction of openings, integrating external shading measures, appropriate glazing and insulation measures.

- **Efficient system design** – Efficient air conditioning and ventilation systems that are compatible with the nature of the project and operate with high efficiency to achieve maximum energy conservation, effective lighting design and the use of natural light in the daytime, choosing elevators and other systems that offer high energy efficiency.

- **Renewable energy production (chiefly solar panels)** – On the rooftop or in the facades of buildings, to reduce the consumption of energy from the national power grid and strive for net zero energy.

Breakdown of Carbon Emissions throughout the Building’s Life Cycle

- Erection of the building
- Renovation and demolition
- Operational carbon

Embodied Carbon
Reduction of Embodied Carbon

During a building’s lifespan, about 40% of its carbon emissions will be released as early as in the construction stage and embodied in the actual building materials and in the processes for their extraction, manufacture, transportation and utilization at construction sites. The reduction of embodied carbon is carried out by means of more efficient planning of the materials for the project.

- Efficient constructive design – Concrete and steel are the components with the highest rate of emissions in a project. The shape of the building and the spacing of the designed columns highly affect its carbon footprint, and any reduction of embodied carbon begins with them.

- Preference of low-emission materials – There is a significant difference between various materials in their manufacturing processes and in the amount of energy required for the processes of extraction, manufacture and processing and transportation to the site. We aspire for our projects to integrate many materials that have high recycled content, materials from renewable sources, and materials that have EPD (Environment Product Declaration) certification, which attests to an analysis of the material’s life cycle and quantification of the carbon emissions generated by extraction and manufacture processes. In addition, we prioritize the use of locally made materials that save the need for polluting transportation processes.

- Separation and recycling of construction waste – We meticulously remove 100% of the construction waste out of our sites to licensed waste disposal sites. At least 75% of the waste is removed to recycling sites that separate the raw materials and repurpose them for reuse. We endeavor to do as much of the waste separation as possible already at the construction site, in order to allow for higher quality recycling of the raw materials.

We strictly install water-saving faucets in all our properties. In all of the new projects, we also install systems for local control and leak detection. Our projects’ landscaping is tailored to the local climate and to water-efficient irrigation, and all of the projects are fitted with systems for the collection and storage of air conditioning-produced water for irrigation purposes. Furthermore, water-based air conditioning systems are fitted with advanced filtering systems that facilitate the reuse of water.

In all of the projects, we integrate surface runoff holding and insertion systems that are designated to relieve the burden carried by the urban drainage system in extreme rain conditions, allowing for the slow infiltration of water back into groundwater.

We create a garbage management and source separation system for all our buildings from the design stage, in order to reduce the amount of garbage removed to the landfill by increasing recycling, local processing, etc.

Before construction starts, soil surveys are conducted as prescribed by the law to ascertain that there is no soil contamination on the project premises.

Reduction of the Impact on Biodiversity

As a rule, we do not build in open areas so as to reduce, as much as possible, the adverse effects on biodiversity and on open areas. In every construction design, we factor in the biodiversity around the property and it is given consideration in terms of reduction of light pollution, integration with the landscape and protection of wildlife corridors.

Quality of Life and Care for the Wellness of Users

We place great importance on creating quality, accessible, safe and pleasant spaces for our customers. Other than ensuring the basic functions of the building, we also see to improving the quality of life and experience therein.

To achieve maximum thermal comfort in our buildings, we integrate an efficient design of the building exterior – to allow natural light in, while keeping radiation and heat out – with the incorporation of advanced systems for air conditioning and bringing in fresh air. The air filters in our buildings are chosen according to their compliance with strict standards and they provide residents with fresh and toxin-free air.

Our buildings are designed so that they are surrounded by vegetation and quality and welcoming outdoor areas. Cycle paths and bicycle parking are incorporated as part of the landscaping for the project, in addition to sheltered bicycle parking and showers. We also take into account wind passage according to accurate international measurements, to prevent the formation of wind tunnels and to create pleasant public spaces around the building.

Reduction of Embodied Carbon

Conducting LCA (Life Cycle Assessment) for Each of Our Buildings

Use of High-Strength Concrete With a Reduced Carbon Footprint

Using Building Materials that have Environmental Product Declarations (EPD)

Using Building Materials with High Recycled Content

Separation and Recycling of Construction Waste

Monitoring waste data is conducted, among other things, by weighing the waste that is being sent for recycling and ensuring that all disposal, sorting and recycling sites to which the construction waste is transferred are authorized by the Ministry of Environmental Protection and a green building consultant and that such sites are capable of receiving the amounts of the waste being removed to them.

We create a garbage management and source separation system for all our buildings from the design stage, in order to reduce the amount of garbage removed to the landfill by increasing recycling, local processing, etc.

Detection and Treatment of Soil Contamination

In every new project, we appoint professional environmental consultants who assist and support us from the beginning of the project until its completion.

New Construction in the Group

The Spiral Tower

The Spiral Tower in Tel Aviv is an innovative project that will be Israel’s tallest skyscraper, with LEED V4 Platinum certification. The building will be 350 meters’ and 91 floors’ high. High-rise buildings allow for maximum land utilization and enhancement of people’s indoor experience.

The design of the Spiral Tower includes:

- An advanced shading system consisting of vertical fins fitted for the round facades of the building. The system helps to reduce the intensity of glare and heat and contribute to the building’s energy efficiency.
- Solar panels for on-site production of renewable energy.
- A state-of-the-art and efficient central air-conditioning system that provides air conditioning for all uses in the building and facilitates energy consumption measurement and conservation.
- Use of special mixtures of high-strength concrete. Mixture composition was devised by concrete specialists and its great strength allows for a considerable reduction in the amounts of concrete in the project. The mixture contains admixtures with a reduced carbon footprint and a high rate of recycled content.
- All of the aluminum in the Spiral Tower project is “post-consumer” recycled aluminum, created from the remains of aluminum profiles that have been dismantled from old buildings and undergone a special recycling process. Using recycled aluminum saves on 86% of the carbon emissions from the material as compared with virgin aluminum, and helps us to significantly decrease the building’s total carbon footprint. When completed, the Spiral Tower will be the tallest tower in the world to use a recycled facade, and the largest project in the world in terms of the amount of recycled aluminum used.
- 915 aboveground and underground bicycle parking spaces and 35 showers for use by visitors.
- A three-floor car park that may be converted into a storehouse, data center or for medical purposes.
- A green rooftop that will be open to the general public will be built between the existing Azrieli complex and the Spiral Tower, creating an unprecedented experience in Israel. The rooftop will have benches, café, bars, play corners, permanent shading and a garden brimming with vegetation.

We are efficiently working toward a goal of embodied carbon reduction and reduction of the carbon footprint of the entire project.

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Azrieli Town

The Azrieli Town office and retail tower is located at the heart of Tel Aviv and is 156 meters high. The tower is certified LEED Gold and its adjacent residential tower is certified under the Israeli Green Building Standard.

Vertical fins were installed on the facades of the building to create shade on the facades, reduce the solar radiation penetrating the building, and produce higher thermal comfort, while significantly saving energy. The fins also contribute to the building’s design by creating a facade with a unique appearance that distinguishes the building.

The towers are surrounded by main traffic arteries, close to a planned Light Railway station, and will be connected to the “Emek HaBracha” Bridge, construction of which is expected to be completed by 2025. The project includes an urban park to be enjoyed by the residents, tenants and visitors.

Azrieli Town, Interior Design

The Azrieli Town Tel Aviv office tower has won two prestigious awards:

1. Best Tall Building Middle East & Africa 2022, on behalf of the Council on Tall Buildings and Urban Habitat, CTBUH International.
2. The Chicago Athenaeum/Europe International Architecture Award in the skyscraper category of the world's leading landscape architecture and urban planning international awards program.
The DNA Area – Conversion of an Operational Area into an Experience-Offering Space

As part of our efforts to provide the visitors of our properties with the most pleasant experience, we launched a project in the Azrieli Tel Aviv Center, where we converted the taxi stand area between the office towers into an experiential culinary and leisure area. The DNA area consists of a leisure space, pedestrian boulevard, food trucks and a bar. The area has become an additional gateway into the Azrieli Center, improving visitors’ experience of entry into the mall.
One of the principal keys for sustainable cities is a significant reduction of greenhouse gas emissions in existing buildings. Therefore, we, as a company that builds and operates multiple-use buildings, have formed a plan for all the office buildings we own to be certified LEED O&M (Operations and Maintenance), which certification addresses the following elements: Energy consumption, water consumption, improvement of indoor air quality, waste management, type of access to the building and tenant satisfaction.

The Azrieli Tel Aviv Center has been certified LEED O&M – Azrieli’s Triangular, Square and Round Towers and Tel Aviv Mall are Israel’s first office towers and mall to receive this certification.

The Towers have also received the prestigious LEED Gold rating.

At the beginning of 2023, Azrieli Sarona Center was certified LEED O&M Gold and Azrieli Town was certified LEED O&M Platinum – the highest rating for this certification.

In addition, Azrieli Holon Business Center, Azrieli Herzliya (Buildings E and G) and Azrieli Rishonim are in the process of being certified.
Sustainable Resource Management

To serve as a model for environmental responsibility, we act toward maximizing saving in resource consumption, inter alia, by transitioning to the use of renewable energies, reducing landfilled waste, using energy and water efficiently and setting targets for the reduction of greenhouse gas emissions. We annually measure energy and water consumption and waste removal in all our properties by means of new meters. In 2022, we installed detergent filling stations in most of our income-producing properties to reduce packaging transportation and use.

In keeping with the global efforts to reduce energy consumption and transition to a low-carbon economy, we examine how to achieve energy efficiency already at the project design stage (further information may be found in the Design chapter). Furthermore, in order to reduce fuel consumption, 100% of the Group’s new vehicles are either hybrid or electric.

### Energy

#### Power Consumption

#### Power Consumption by Sub-Segment (kWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail</th>
<th>Office/Residence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>105,882,206</td>
<td>113,505,241</td>
</tr>
<tr>
<td>2022</td>
<td>146,892,696</td>
<td>166,442,696</td>
</tr>
</tbody>
</table>

#### Normalized Power Consumption per Area Unit (kWh/m²)

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>309</td>
<td>230</td>
<td>256</td>
<td>282</td>
</tr>
</tbody>
</table>

**Notes:**
- Electricity consumption is disclosed for 25 Azrieli properties not including the senior housing assets.
- The retail and residential areas in Azrieli Town have been leased out since 2022, which is why total power consumption has increased.

**Notes:**
- The decrease in power consumption in 2020-2021 results primarily from the reduction in activity during the Covid pandemic.
- The tenants in five of Azrieli’s properties have a direct relationship with the Israeli Electric Corporation (IEC), which is not through Azrieli Group, and the aforesaid power consumption is consequently not reported in this report.
As part of the maintenance of Azrieli Group’s properties, we aspire at all times to have the least effect on the environment and to improve the efficiency of energy use in the ongoing maintenance work in order to make the property management system advanced, innovative, efficient and convenient for employees and the people attending the properties.

- Solar panel systems are currently installed in seven of Azrieli’s properties (Modi’in, Be’er Sheva, Ramla, Haifa, Givatayim, Jerusalem and Akko), and for seven additional properties there is an RFP process for installation of solar rooftops by the end of 2023.

Approximately 70% of the Group’s power is bought from OPC, which uses natural gas.
We strive to lead our industry in the reduction of greenhouse gas emissions that are within our responsibility, according to national and international measurement and reporting standards. Since the beginning of 2022, we have been conducting an intraorganizational strategic process for determining measurable targets, which is led by our Operations Department and the Alpha Projects company, with the purpose of creating a multiyear work plan for the reduction of greenhouse gas emissions in infrastructures.

In 2022, we completed Phase A of the plan, which included, among other things:

1. An in-depth examination of all the elements in the Group responsible for greenhouse gas emissions.
2. Data collection and processing by calculating the carbon emissions attributed to every category in the various scopes for the base year of 2019.
3. An analysis of each category according to three indicators: Future reduction potential, the complexity of emission source data collection and the percentage of real time data.
4. Recommendations for macro-level implementation for the reduction of carbon emissions toward a detailed work plan.

As of the date of this writing, we are in the midst of Phase B, which includes an examination of all the reduction options and the operative and financial implications of the process, as well as the calculation of emissions in the three scopes. The purpose is to take full responsibility and thoroughly and accurately set ambitious targets that are implementable.

### Greenhouse Gas Emissions (tCO₂e)

<table>
<thead>
<tr>
<th>Scope</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>1,505</td>
<td>1,729</td>
</tr>
<tr>
<td>Scope 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenants</td>
<td>69,074</td>
<td>78,267</td>
</tr>
<tr>
<td>Retail</td>
<td>49,789</td>
<td>53,374</td>
</tr>
<tr>
<td>Total Scope 2</td>
<td>118,863</td>
<td>131,641</td>
</tr>
<tr>
<td>Total (Scope 1+ Scope 2)</td>
<td>120,368</td>
<td>133,370</td>
</tr>
</tbody>
</table>

### Total Normalized Scope 1+Scope 2 Greenhouse Gas Emissions per Area Unit (tCO₂e/m²)

- **2021**: 0.12
- **2020**: 0.13
- **2021**: 0.13
- **2022**: 0.13

**Notes:**
- Both Scope calculations are based on the data that we had at our disposal, some of which is estimated data. These calculations are based on the emission factors of the Ministry of Environmental Protection for the years 2021 and 2022 respectively.
- Scope 2 calculation is based on the annual emission factor for the national electricity grid, which is 0.000469 Tons CO2 per KWh, according to data from the Ministry of Environmental Protection as of 2021 and 2022.
- The senior housing assets are not included in this calculation.
Water Consumption

Israel is situated in a region with a shortage of natural water sources and faces various challenges in the management of its water supply to meet the needs of people and the environment. We make every effort to plan correctly for water conservation in the construction and operation stages. In 2022, we started a pilot for the placement of waterless urinals in the Round Tower of Azrieli Tel Aviv Center. We are currently reviewing this pilot to examine its feasibility in the other properties.

Water Consumption by Sub-Segment (m³)

<table>
<thead>
<tr>
<th>Sub-Segment</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office/Residence</td>
<td>369,195</td>
<td>507,141</td>
</tr>
<tr>
<td>Retail</td>
<td>188,644</td>
<td>319,001</td>
</tr>
</tbody>
</table>

Normalized Water Consumption per Leased Area Unit (m³/m²)

<table>
<thead>
<tr>
<th>Year</th>
<th>Office/Residence</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.94</td>
<td>0.56</td>
</tr>
<tr>
<td>2020</td>
<td>0.57</td>
<td>0.57</td>
</tr>
<tr>
<td>2021</td>
<td>0.57</td>
<td>0.83</td>
</tr>
<tr>
<td>2022</td>
<td>0.57</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Note:
- The increase in water consumption in 2022 results from the return of employees to the offices after the Covid pandemic and the expansion of activity.

Waste and Wastewater Management

A considerable part of climate change derives from the deficient management of waste in the world in general and in Israel in particular. Untreated waste causes air pollution, water pollution and soil contamination, harms animals and plants and leads to the loss of expansive areas of land that cannot be rehabilitated.

Garbage management is a material matter for the Group and we act extensively to significantly reduce the amount of waste removed to the landfill, by means of source separation into the various categories that are redirected for recycling, local processing, etc.
Azrieli’s Environment Project

One of our significant initiatives is the “Environment Project”, in which we set the target of reducing the amount of garbage removed to the landfill and increasing recycling rates by 50% by 2025. Reducing landfill waste is done by source separation into various categories and transfer of the waste for recycling, energy recovery, wastewater treatment, and so forth. The project presently operates in some thirteen properties and is expected to expand to about eighteen of our multi-use central properties by the end of 2023.

The project is maintained in collaboration with the “Social Green” initiative – an economic-social venture that facilitates the integration of people with disabilities and special needs in the employment market. The collaboration promotes two objectives that are of extreme importance to us: The reduction of landfilled waste and the promotion of equal and diverse employment. As of the date of this writing, the collaboration has proved highly successful and employs about 31 employees with disabilities.

Organic waste treatment – Organic waste amounts to nearly 40% of the total landfilled waste in most households and retail centers in Israel, which is why we have considered several methods for the reduction thereof. Due to logistical and space constraints, we have chosen the prevalent method in North America in restaurants and hotels: Digester machines. Although the operation of the machine is simple, the separation of organic matter in restaurant kitchens is complicated. By using behavioral economics and design thinking, with intense onboarding work, we have managed to cause half of the restaurants in Azrieli Tel Aviv Center to separate organic waste. We have also mobilized the local Shufersal supermarket branch, which transfers large quantities of organic waste to the digester machine on a daily basis.

The separation of organic waste is also conducted in most of the properties that take part in the Environment Project. Any organic waste, which is not removed to the landfill, reduces health hazards such as air and water pollution and soil contamination and the attraction of pests, and significantly reduces greenhouse gas emissions. At present, owing to the model we have adopted, no few business firms and hospitals are following Azrieli Group’s example and buying the digester machine. We aspire to continue expanding our collaboration with restaurants and delicatessens in our properties.

In Azrieli Tel Aviv Center, as of the beginning of 2023

Approx. 50%

of the restaurants in Azrieli Tel Aviv Mall separate organic waste

Approx. 70%

of the stores separate plastic and cardboard

Approx. 22

of the office tenants have joined the project and separate waste

At the end of a two-year pilot, all of the office buildings and malls of the properties that take part in the project have waste separation infrastructure, and we strive to mobilize more offices, stores and restaurants to recycle as a way of life.

As part of the Environment Project, we continue to create an increasing number of ways that will lead to a behavioral change to maintain a greener and healthier environment.

Our end goal is to bring forth an optimal operational-economic waste management model that reduces the quantities of landfilled waste in multi-use retail centers in Israel and worldwide.
Total Waste

As part of the waste management in our properties, we conduct continuous and annual monitoring of the quantities of waste designated for the landfill or for recycling. In 2022, the waste managed in the Group’s properties\(^8\) totaled 8,670 tons, with 22% of the waste sent for recycling (1,944 tons of waste).

Most of the waste that is redirected for recycling is cardboard waste (approx. 84% of the waste). The volumes of cardboard and plastic products sent for recycling have been gradually increasing in recent years, as a result of which the volume of landfilled waste is decreasing. Furthermore, about 10% of the recycled waste is organic – about 0.5 ton of organic waste is recycled at the Group’s properties every day!

\(^8\) The reported waste data for 2022 include twelve of the Group’s properties: Azrieli Tel Aviv, Ayalon Mall, HaNegev Mall, Herzliya Business Park, Holon Mall, Haifa Mall, Hod HaSharon, Akko, Rishonim, Sarona, Holon Center and Azrieli Town. Among these properties are the Group’s largest and most significant properties in terms of size.
Wastewater

We view this as a matter of great significance, treat wastewater on an ongoing basis and take samples – including fat separation, pumping and removal to licensed sites – in accordance with the requirements of the local authorities. During the report period, to the best of our knowledge, there have been no deviations in the values of wastewater pumped into the municipal sewage system.

Hazardous Substances and Electromagnetic Radiation

Some of our tenants, such as cell companies, use hazardous substances and radiation-emitting devices. As part of the lease agreements between us, they are obligated to obtain all the authorizations required by law for the use of hazardous substances, the setup and operation of antenna and transmitter equipment, and to comply with all the provisions of environmental and safety laws that are applicable to them. In addition, we ensure that any use we make of hazardous substances is made in accordance with the law and ascertain that all chemicals for the cooling towers are kept in spill containment tanks and maintained in accordance with the Hazardous Substances Law.

Training and Instruction in the Operations Department

The Operations Department initiates and promotes instruction and training for employees on various subjects, including safety, recycling and sustainability in malls, security, preparation for crisis, procurement, and, of course, professional training for professionally qualified individuals.

The Operations Department acts extensively for all employees and executives to internalize the field of environment and sustainability. In 2021-2022, annual training sessions were conducted for property, marketing and maintenance managers on “Sustainability, Climate and How they Relate to Azrieli Group”, as well as a tour of Azrieli’s Environment Project. We intend to develop the training and expand the number of executives and employees that participate in the training every year.

Moreover, to expand on and deepen the intraorganizational implementation process, we are planning an “Environmental Protection Week” in 2024, which will include sustainability training for every department in its respective field and explanations on how the department can contribute or have an effect.

Future Goals and Targets

- Achieving LEED O&M certification for 3 properties that comprise of 7 office buildings and 1 mall by the end of 2023.
- Reducing the quantity of landfilled waste in all malls and office buildings by 50% by 2025.
- Placing “green walls” in our properties.
- Installing solar panels in 7 properties by the end of 2023.
- Buying power from renewable energy sources for the Group’s properties.
Responsibility in Procurement and the Supply Chain

In accordance with our code of ethics, we choose suppliers based on professional standards, quality, soundness, reliability of the product or service they offer, and so forth. Choice making and decision making are in keeping with our procedures and conducted fairly, honestly and impartially.

We believe in the values of credibility, decency, professional quality and integrity. The basis on which we establish our business operations and our relationships with stakeholders, including our suppliers, in compliance with the provisions of the law, a commitment to protecting human dignity, offering of equal opportunities to every person as such, a commitment to protecting the environment and community engagement. We expect our suppliers and outside service providers to conduct themselves in accordance with these values and to comply with all laws and regulations.

Supplier Preference – Responsible and Green Procurement

In RFPs for our construction contractors, we stipulate environmental prerequisites and prefer to work with suppliers that meet those prerequisites. The criteria include the procurement of building materials that have Environmental Product Declarations (EPD), building materials with high recycled content, low-VOC materials that do not pose a breathing hazard, etc. Furthermore, we incorporate requirements for the separation of waste into various categories in RFPs, require evidence of the manner in which waste is removed and ensure that the process is indeed carried out properly.

We act to incorporate the use of environmentally friendly detergents, and have installed, since 2022, detergent filling stations in most of our income-producing properties, which save extensive transportation of detergents and packaging.

In addition, we have recently compiled a booklet that specifies all the “green” building materials that are not more expensive than environmentally unfriendly materials. We plan to distribute the booklet at all the sites as early as the coming year.

Local Supplier Preference

Since most of our operations are conducted in Israel, and owing to our business responsibility for and commitment to the development of the Israeli economy, we prioritize procurement from local suppliers in all our procurement processes. We strive to reduce the environmental impact that results, among other things, from the transportation of goods, expand the local employment circle and empower local businesses, enhance community strength and the local community’s income level, and consequently contribute to the encouragement and development of the Israeli economy. This is evidenced by the fact that 99% of our suppliers are local.

Breakdown of Suppliers Engaged in 2021
- Local Supplier Percentage: 85%
- International Supplier Percentage: 15%

Breakdown of Suppliers Engaged in 2022
- Local Supplier Percentage: 99%
- International Supplier Percentage: 1%

Percentage of Expenditure on Engagement of Local Suppliers out of Total Expenditure on Engagement of Suppliers

- 2021: 83%
- 2022: 98%

99% of our suppliers are local
Changes in the Supply Chain

We aim to maintain the stability of relationships with suppliers and their satisfaction with the mutual working relationship, and have solid long-term and mutually beneficial relationships with most of our suppliers. At the same time, we demand that all our suppliers comply with all regulations and laws and set a high standard with respect to the reduction of environmental impact.

Future Goals and Targets

- 100% of the contracts vis-à-vis construction contractors will include clauses pertaining to the proper management of construction waste at construction sites.
- Requirement to work with green materials in the renovation of existing properties – a document on this matter has been issued and will be backed up by a procedure.
- Incorporation of additional clauses on environmental and social matters in contracts with construction contractors and suppliers.
- We are in the process of establishing and writing a sustainable procurement policy.
- Prioritization of small/local businesses/NPOs/environmental and social organizations in the procurement of gifts for Group employees.

Contractor Training

We act for the certification of contractors that work at the sites and their training for familiarization with the Group Pledge. Furthermore, we have arranged for uniform work orders/agreements that will be distributed and implemented at all our sites in the coming year.
SOCIAL RESPONSIBILITY

- Our People
- Community Engagement
- Our Tenants, Residents and Customers
- Safety & Accessibility
Our employees are the key to the Group’s business success. Their dedication, professionalism and commitment make us a better company. We are committed to encouraging, promoting and developing our workers and employees, both professionally and personally, and to improving their welfare in the work environment.

The Group’s management holds ongoing, open and regular dialogue with our employees with the aim of learning and maintaining good working relations and encouraging values of partnership, commitment and mutual respect.

As of the end of 2021, Azrieli employed 391 male and female employees, 34 of whom at management level (management level includes the members of management and the property managers). 45% of the employees were women. By the end of 2022, we had grown to 414 employees. The percentage of female employees remained unchanged, and at management level there was no change – 10 female managers and 24 male managers.

Further information can be found in our Human Rights Policy in the Group’s website.

<table>
<thead>
<tr>
<th>All Azrieli Group Employees</th>
<th>All Azrieli Group Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>45% Woman</td>
<td>29.5% Woman</td>
</tr>
<tr>
<td>55% Man</td>
<td>70.5% Man</td>
</tr>
</tbody>
</table>

391 employees Azrieli employed as of end 2021
414 employees Azrieli employed as of end 2022
109 new employees were hired in 2021 (56 women and 53 men)
102 new employees were hired in 2022 (46 women and 56 men)
Occupational Diversity and Equality

To ensure connections between the employees and to improve relationships within the Group, we create a diverse, innovative and creative work environment. Throughout the year we have held meetings with various bodies and NPOs that promote diverse populations to create collaborations for the promotion of employment of such populations at Azrieli Group. We also regularly inform relevant NPOs of job vacancies to recruit minorities, with the aim of promoting and integrating diverse populations in various positions, both at our head office and in our properties.

In 2023-2024, we will shape a policy and innovative tools to maximize our human capital, adapt work processes and teach various management tools to male and female managers. The plan will be implemented throughout the Group with the support of an independent consultant to map gaps, build a short- and long-term strategic plan to implement diversity and inclusion, including training sessions and workshops for the organization’s employees and managers to bring them on board.

Integration of Minorities

As part of a collaboration with the NPO Israel Elwyn, which provides professional training to young persons with disabilities and helps them enter the job market, in 2022 we employed a person with disabilities in our IT department. We are guided by the NPO’s professional and dedicated team, which helps us best manage the integration process. We intend to continue supporting other young persons in their integration into the job market also in years to come.

Geographic Diversity

Our properties span the length and breadth of Israel, and so too our employees. We employ persons from all corners of the country, from Kibbutz Ein Zivan in the north to Eilat in the south.

<table>
<thead>
<tr>
<th>Geographic Breakdown</th>
<th>Percentage of the Company’s total employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haifa and the North</td>
<td>7.6%</td>
</tr>
<tr>
<td>Sharon Region</td>
<td>11.3%</td>
</tr>
<tr>
<td>Central Israel</td>
<td>61%</td>
</tr>
<tr>
<td>In and around Jerusalem</td>
<td>10.8%</td>
</tr>
<tr>
<td>The South (including Eilat)</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

Age Diversity

Recruiting and retaining employees of various ages ensures collaborative ideation and business resilience. As of the end of 2022, we employ 22 persons over the retirement age (14 men and 8 women), 5.3% of our 414 employees.

Gender Equality and Diversity

In 2022, around one third of the senior management positions at the Group were filled by women. We emphasize and work for promotion of women and equal pay for men and women. An equal pay report is posted annually on Azrieli Group’s website.
Our Employees’ Welfare

Considerable resources are invested in boosting the welfare, the sense of belonging and the personal and professional development of our employees. Our investment in fair and adequate employment conditions allows them to have a healthy work-life balance, flexibility in working hours as necessary, and encourages employee initiative. We also operate aid programs, benefits and a host of teambuilding events and activities.

Activities for Employees’ Welfare

We are with our people as they and their families celebrate the holidays and significant events in their personal and professional lives, such as birthdays, holidays, weddings of employees and their children, bar/bat mitzvahs, starting first grade, drafting into the army and starting national service. We also stand by them in difficult situations such as hospitalizations and bereavement. We hold orientation meetings to create an in-depth understanding of the organization and its values and to reinforce new employees’ sense of belonging. Each year we also celebrate our veteran employees, marking their 10th, 20th and 30th anniversary with Azrieli.

In 2022 we started a tradition of monthly ‘happy hour’ events.

To show our appreciation for employees who surpass expectations, once a year we recognize outstanding employees who are selected by a special committee at a gala event attended by all of the employees, and award them certificates and gifts.

In the spirit of good sportsmanship, our employees can choose to join the running club and the women’s Netball club, who represent us well in competitions and at sporting events. In 2022, our women’s Netball team won first place in the workplace league tournament!

The Scholarship Program for Employee Families

This is the third year of our scholarship program, established to nurture the learning and education of our employees and to realize their aspirations. Each year we grant around 36 scholarships to employees and employees’ children and grandchildren for academic degrees, associate degrees and professional development as well as personal development and enrichment.

The value of the scholarships awarded under the program as of the end of 2022 was NIS 568,149.

Retention and Promotion of Human Capital

Transfers within the Company

With the aim of developing and promoting our employees, both professionally and managerially, we identify employees with managerial potential and promote them, with the right training and supervision. We are proud that in 2022 around 26% of the appointments in the Group were of employees who were promoted or transferred to more senior positions.

Employment Contracts

Employees are employed under personal contracts, and no collective bargaining agreements are applicable. The vast majority of our employees receive 13 salaries a year.

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th></th>
<th>2022</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women</td>
<td>Men</td>
<td>Total</td>
<td>Women</td>
</tr>
<tr>
<td>Percentage of employees in full-time positions</td>
<td>33%</td>
<td>53%</td>
<td>86%</td>
<td>37%</td>
</tr>
<tr>
<td>Percentage of employees in part-time positions</td>
<td>9%</td>
<td>5%</td>
<td>14%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Study Funds and Pension Funds

The vast majority of our employees are entitled to a study fund with high contributions of 7.5% and 2.5% from their first day of employment. Moreover, as part of the efforts to improve the terms and conditions of the pension fund, our employees receive a significant discount on pension fund management fees.

Seniority

The average seniority of our employees is proof of their strong connection to our values and organization. Long-time employees are skilled, professional and dedicated workers, leading to excellence and business achievements.

In 2021, the average seniority of our employees was seven years, and in 2022 6.6 years. In 2021, seven employees retired, and five in 2022.

Staying in Touch also After Retirement

Retired employees continue to receive holiday gifts from Azrieli and are eligible to participate in our scholarship program. To date, five pensioners have received a scholarship. Employees who reach retirement age receive a gift as recognition of their work over the years, and we make sure that they have access to all of the information about their rights.

Seven employees retired in 2021, and five in 2022.
Taking Care of Our Employees’ Security and Health

Our employees are entitled to full payment for sick leave from the first day, and to assistance and support in cases of serious illness and hospital stays. As part of our commitment to physical and mental health, we provide them with relevant resources online. Our employees are also invited, each year, to receive the flu vaccination, to be checked by a breast surgeon, and to lectures and content concerning health and welfare, as well as healthy nutrition, parenting, positive psychology, time management, and more.

All of our employees are entitled to significant funding and high-quality group health insurance which addresses a range of medical needs. In addition, they and their families are eligible for affordable and subsidized extended health insurance. We also maintain a designated budget to help employees who are facing distressing (economic, medical and emotional) situations.

As part of our welfare approach, employees and their families are entitled to counselling sessions, psychological assistance and support, to give them tools for handling stress and personal challenges on various issues, such as parenting and raising children, anxiety, relationship crises, dealing with elderly parents, financial advice, etc. All counselling is confidential.

Prevention of Workplace Bullying and Sexual Harassment

Azrieli does not tolerate harassment and bullying of any kind, whether of a sexual or other nature. The prevention of sexual harassment policy and code of conduct are intended to ensure a pleasant and safe workplace.

All employees are committed to completing prevention of sexual harassment courseware and refresher courses. We have an open-door policy for approaching the Prevention of Sexual Harassment Officer and the Human Resources Department.

Employees who wish to file a complaint may do so by submitting a written or oral report to the Prevention of Sexual Harassment and Bullying Officer, the Group’s General Counsel, Adv. Nirit Zeevi, or approaching the Human Resources Department directly. Their identity and details will be kept confidential by everyone involved. We also created a procedure which protects the reporting employee, based on the Protection of Employees Law, 5757-1997.

No Discrimination

Our decision-making is based on relevant considerations, without discrimination based on religion, ethnicity, gender, age, sexual orientation, disability of any kind or other characteristics. Employment decisions, including promotions, salary and transfers, are based on skill, performance and suitable experience only.

To ensure fairness and non-discrimination, we do not allow the employment of immediate relatives of employees. The success of the actions for the prevention of discrimination is reviewed in conversations with managers during the hiring process.

Any complaint raised by a specific employee or employees generally of a sense of discrimination, is addressed on a case-by-case basis. Throughout 2021-2022, one complaint was received from an employee regarding racism. The incident was investigated, conversations were held with the supervisors and the employees, and the complaint was handled.

Further information is available in our Human Rights Policy.

Employee Training and Development

Based on a managerial approach which focuses on professional and personal development of the employees, we regularly provide managerial and professional training on various issues.

Training provided over the last two years included a development program for senior managers, a development program for property managers, professional training for the operations department, Excel courses, safety training, information security training, and service training for control and parking employees.

In addition, over the course of the year, employees were invited to attend development and enrichment lectures on a range of subjects, such as personal branding, business English, presentation design, effective communication, time management, and more. Each year, a focused one-day training seminar is held for employees and officers in various fields, such as planning, construction and land, employment law, environmental protection, safety and accessibility, prevention of sexual harassment, consumer protection and other issues in accordance with our internal enforcement program.

In 2022, after the outbreak of the war between Russia and Ukraine, we supported every employee who has relatives in Ukraine through a financial advice, to give them tools for handling stress and personal challenges on various issues, such as parenting and raising children, anxiety, relationship crises, dealing with elderly parents, financial advice, etc. All counselling is confidential.

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Contract Workers

Every year an audit is carried out by the Security Officer and the Chief Controller of the employment conditions of contract workers in the fields of security and cleaning in our properties. The audit includes a review of the pay slips of the contract workers to ensure compliance with the procedures, payment of social benefits by law and no withholding of wages. The pay slips are then sent for independent review by an auditing firm, for preparation of a salary audit report on contract workers.

It is also important for us that employees keep informed of updates in their field, and therefore we encourage them to participate in conferences, conventions, trade shows, seminars and professional training programs, and give them professional tools to maintain optimum professional competence.

Examples of programs held during 2022:

- A development program for managers – monthly meetings with the organization’s property managers, led by a professional moderator, with the aim of enhancing the Group’s senior managers’ managerial toolbox and facilitating peer learning.

- A ‘qualified electrician’ course – allowing general maintenance workers who are not licensed electricians to deal with faults in the electricity systems in buildings. The course is intended to develop and promote the professionalism of the maintenance workers in our properties.

- National conference for the maintenance managers of the Group’s properties, at which the managers underwent training sessions on security, lifesaving systems, fire extinguishing, renewable energies, recycling and sustainability, and more.
Dialogue With Employees

An open and transparent dialogue with the employees is critical to strengthening our relationship with them and to the success of everyone at the company. Each quarter, a representative from the human resources team visits each property to listen to the employees and hold an open dialogue with them.

Twice a year, a ‘round table’ meeting is held, attended by the Group's CEO and VP Human Resources. Employees from all of our business segments participate in the round table, raise significant issues and receive updates on the Group’s activities and organizational strategy. After the meetings, management is informed of the issues that came up at the round table and make decisions accordingly.

To further strengthen communication within the organization, a digital organizational portal was launched for employees in 2022, announcing unique benefits, welfare activities, updated job vacancies to reinforce promotions within the Group, regular updates and news on the Group’s activities, introduction of new employees, birthdays, updated services and procedures, enrichment programs and lectures, our ESG policy, and more.

The portal is a key platform for communication within the organization, provides employees with information on their rights and serves as a channel for the distribution of information and knowledge management. Furthermore, in 2023 we will conduct an employee engagement survey, in order to deepen the dialogue with them and reinforce their sense of belonging and satisfaction.

Future Goals and Targets

We strive to maintain and develop the activities held in 2022, to set new targets and to work towards achieving the targets that we set in our first ESG report, for the next five years:

- Expansion of the range of professional training courses for specific professions within the Group.
- Provision of a range of volunteering opportunities during the course of the year, in addition to group volunteering.
- Implementation of additional courseware for employees.
- Continued promotion of an organizational culture which encourages diversity and equality to reach 5% employee diversity by 2025.
- Progress towards the gender equality target of 40% female managers at the Group by 2025.
- Increasing the number of employees who receive feedback and evaluation to 95%.
- In view of our business development, in 2022 we reviewed the Group’s organizational structure together with an international consulting firm for appropriate long-term organizational preparedness.

In the first quarter of 2023, a restructuring of the company was made in which mall management was consolidated with office management. The objective of the restructuring is more effective, cross-organizational work between business segments and between head office units, so as to develop an organizational culture that values communication and collaboration, and to expand the value proposition to our business and private customers while preserving the DNA of Azrieli Group.

Our top concern will continue to be employee security, welfare and professional and personal development.
Community Engagement

Azrieli Group develops and manages many mixed-use properties, in which hundreds of thousands of people work, live, shop and spend time each day. We realize the extent of our impact on the public landscape, society and environment in which we operate, and therefore are committed to develop and boost the Israeli economy, nurture the relationship with the community both locally and nationwide, and enhance the commitment to environmental protection.

Azrieli’s Community Engagement Policy

In 2020, we adopted an ESG plan which defines our commitment to social and business responsibility, building Israel and protecting the environment. On 18 August 2020, the board approved an annual budgetary framework of up to 1.5% of the consolidated9 annual net profit or NIS 20 million, whichever is higher, for the implementation of the plan, including our donation policy which consists of donations in money and/or money equivalent.

Community Engagement Strategy

Our community engagement strategy is reflected in four aspects:
1. Community projects in our properties
2. Impact campaigns
3. Donations and support for organizations and NPOs
4. Employee volunteering for the community

1. Creating Impact – Community Projects In Our Properties

In accordance with our core business activity, in the malls and offices, we create community projects that engage the Company’s employees, tenants, residents and customers. The common theme of the projects is environmental protection further to the Company’s vision. We promote areas where we can have impact and create added value for the community:
- Projects for waste reduction and increased recycling;
- Creating green rooftops and community gardens in our properties;
- Food rescue projects.

We encourage our employees to initiate and join projects to increase our impact on the local communities. In each project we strive to collaborate with organizations and NPOs operating in the field to maximize the positive impact of our activity. Our employees play a key role in our community projects, from the initial idea for the project through its actual realization to its long-term operation, while connecting the project to the day-to-day activity in the properties.

In 2022, we held a conference at the Council for a Beautiful Israel, where we presented our community projects and the Group’s ESG work. The conference was attended by the Group’s Chairwoman and CEO, who presented their personal and professional ESG vision. Lectures and workshops were delivered by ESG professionals from the non-profit and private sectors, examples of community projects were presented by environmental and social organizations, and a sustainable community leadership workshop was held for all of the participants.

Our target is to have at least 5 projects nationwide each year.

9 Net of fair value adjustments of investment property, net of tax.
Projects We Launched In 2021-2022

Over Passover 2022, in collaboration with Pitchon Lev, we invited the general public to bring second-hand clothing to Azrieli malls throughout Israel at defined collection points. Thanks to the activity, over one ton of clothing was sorted and handed out, and another nine tons of clothing was sent for recycling. With the public’s help, tens of thousands of shekels worth of food vouchers were also purchased. In view of the project’s success, we expanded the activity with Pitchon Lev, and ahead of Passover 2023 we set up the family recycling center at five Azrieli centers. Multi-use centers, with a mall, retail and offices, were chosen to participate in the project to best meet the needs and serve the visitors to the properties. The site is a public service and offers a convenient and sustainable way to dispose of unused items. The public donates clothes, shoes and e-waste in designated bins. Pitchon Lev’s workers (underprivileged persons employed by Pitchon Lev) collect and sort the items and transfer them to the aid centers.

At the aid centers, the clothing is meticulously sorted such that:

1. High-quality clothing is handed out in the weekly food distribution or, alternatively, is delivered to Bazaar Mikol Halev stores to be sold to the general public. The proceeds are used to buy food baskets for families in need.
2. Worn-out and low-quality clothing is cut up and weighed at the recycling plant of Pitchon Lev, which employs persons with disabilities. The fabric is used for cloths and sold to industry, and these proceeds too are used for the purchase of food baskets.
3. E-waste is transferred to a recycling plant which collaborates with Pitchon Lev.

We are proud to play a role in a project which is helping to end poverty in Israel, based on values of circular economy. We will continue to encourage and incorporate values of collaborative community and sustainable development in our activity. As part of the launch of the sites, we took part in the fundraising campaign of Pitchon Lev over Passover 2023.

In December 2022, we set up a travelling popup built from natural and recycled materials, which serves as a retail space for young fashion entrepreneurs dedicated to sustainable fashion for vintage, upcycling designers and second-hand stores. The first popup operated for around one month at Azrieli Ayalon mall, and in view of its success, the concept was expanded to other malls. We also invited shoppers to leave items at a clothing donation station which was placed at the site, whose content was delivered to Pitchon Lev families. Following the venture’s success, we were delighted to take part in Kornit Fashion Week Tel Aviv 2023 FAC, which highlighted sustainability and community giving – values which are cornerstones of Azrieli Group. Throughout the show, female and male models from diverse populations walked the catwalk wearing upcycled designer clothing. All of the clothes modelled in the show were put up for sale at a special stand set up at Azrieli Tel Aviv mall during Fashion Week, and all of the revenues from the sales were transferred to Imahot Fund in collaboration with the Tel Aviv Foundation, which funds extracurricular activities and assessments for children of single mothers in south Tel Aviv. We aim to continue operating the venture at other malls nationwide, to host other entrepreneurs and to provide a space in the malls for sustainable and responsible fashion.
A “donate and package” event at the Herzliya Business Park in December 2022. In this first-of-its-kind project we set up a collaborative donation site shared by Azrieli employees and the office tenants. Around 220 volunteers from some 18 companies whose offices are located in the park participated in this unique event and joined the collaborative and experiential group volunteering activity, which created a shared feeling of community among workers from the various offices in the park, and a significant sense of social action. During the course of the project, 2,400 food parcels were packaged for families in need. The project gained enormous exposure on social media, helping spread the word about Latet’s activity.

Approx. 220 volunteers
Approx. 18 companies whose offices are located in the business park
Approx. 2,400 food parcels were packaged for families in need

Local initiatives in the properties
We encourage our properties to take part in community activity and to promote local initiatives, together with social organizations, with the aim of using the space in the malls, which welcome hundreds of thousands of visitors each day, for community causes, such as:

“Braid of power” event
In December 2022, Azrieli Ayalon mall hosted Zichron Menachem’s and the haircare brand Pantene’s annual campaign for collecting hair donations to make wigs for cancer patients. Hair donations for wigs enable cancer patients to at least partially feel like themselves again.

“Make a Wish”
Azrieli Jerusalem Mall and Azrieli Tel Aviv Center collaborated with Make-A-Wish Israel in making the dreams of two girls with cancer come true. The girls were welcomed at two malls where they fulfilled their wishes of having a fun-filled day that included a shopping spree and unlimited giving. A variety of stores and restaurants in the malls wholeheartedly welcomed and pampered the girls.

Reading of the Book of Esther (Megillat Esther) at the malls on Purim
Children and parents, secular and religious, young and old, men and women were all invited to celebrate in costumes, to read the megillah together, and to receive Purim baskets ( mishlochei manot) at Azrieli malls in collaboration with Tzohar, a Jewish Movement for all Jews in Israel.

Accessibility initiatives
Making Azrieli malls accessible to blind or visually impaired persons
As part of our equality policy that guides us at Azrieli Group, around six years ago we launched a project to make all of our malls accessible to blind or visually impaired people, using RightHear technology, a very advanced spatial orientation app which allows blind or visually impaired people to interpret and understand their surroundings. The venture’s success and its significant impact spurred us on to extend it by another three years for 2023-2026. To further expand the positive impact of the venture, we proposed that mall tenants make their stores accessible.

“Quiet hour” initiative at Azrieli Jerusalem and Tel Aviv malls in collaboration with Kesher and the Parents Association
An initiative whose goal is to allow adults and children with sensory sensitivity and their families to enjoy a pleasant experience at the mall, while making special adjustments for them to make the spaces accessible. During the ‘quiet hours’, no use was made of PA systems, flickering screens and children’s games with flashing lights were turned off and no music was played. The mall tenants made the aisles, access routes to the stores and changing rooms more accessible, and the staff was trained on providing adapted assistance.
2. Campaigns With Environmental Impact

We believe that our role is not merely to build Israel, but also to protect it for future generations. Millions of people visit our properties around the country, and therefore we believe that we can make a difference, and that spreading the message and giving the public tools to protect the environment will ultimately inspire action. In a campaign we launched we hoped to relay the environmental message and illustrate how each one of us, at any age, is responsible for and capable of having a positive impact on the world in which we live.

“Message in a bottle”
In August 2022, towards the beginning of the school year, we distributed 50 thousand reusable, environmentally-friendly bottles for school children with the aim of raising awareness of using reusable solutions and reducing the environmental damage as a result of using polluting plastic bottles throughout the year. In order to involve the public, we brought a world of content into the project, in collaboration with Zalul, which helped us share content, research and facts. The campaign was accompanied by information and explanations on the importance of reducing and limiting the use of plastic, we shared vital information and tips, and we posted the content in clips at the distribution stands, on the campaign’s website and on social media. The campaign reached millions of viewers and internet users. A survey carried out after the campaign showed that:

- **50,000** reusable, environmentally-friendly bottles were distributed to school children
- **87%** of persons exposed to the campaign believe the campaign is getting the message across
- **95%** of persons exposed to the campaign said that the message resonated with them

Going on a picnic and protecting the environment
In May 2023, to celebrate Israel’s 75th Independence Day, we handed out, at Azrieli malls nationwide, 25 thousand reusable and environmentally-friendly picnic sets, packaged in a cotton tote bag, and garbage bags. The campaign was accompanied by information and explanations on reducing the use of single-use plastic products, and provided useful items for an environmentally-friendly picnic. On Independence Day, around 10 information stations of the Society for the Protection of Nature in Israel were set up around Israel at various nature reserves, where qualified instructors provided information about the importance of protecting nature and picking up garbage, and gave tips to visitors on environmentally-friendly practices.

- **25,000** reusable and environmentally-friendly picnic sets, packaged in a cotton tote bag, and garbage bags were distributed as present
3. Azrieli Group Donations

In 2022, we donated around NIS 3.5 million in money and money equivalent to social organizations and NPOs focusing on the Group’s goals: Protecting the environment together with community engagement.

We set up a donations committee which reviews initiatives, responds to donation applications and discusses the Group’s annual donations budget. The donations committee works according to a donations procedure adopted by the Company. The committee, headed by the Group’s Chairwoman, Ms. Danna Azrieli, convenes once a quarter, and comprises representatives of the Human Resources Department, the Legal Department, the Marketing Department, the Properties Department and more.

In 2022, the donations plan focused on promoting initiatives in the field of protecting the environment together with community engagement. However, at Azrieli Group we follow current affairs in Israel and around the world and also provide aid in humanitarian crises. Azrieli Group only supports non-political organizations and NPOs.

The total donations given in 2022 was estimated at over NIS 3.5 million and 268 employee volunteer hours.

Investment in the community – budget breakdown by area of impact in 2022 (NIS)

<table>
<thead>
<tr>
<th>Area of Impact</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment</td>
<td>84.55%</td>
</tr>
<tr>
<td>Humanitarian Aid</td>
<td>15.45%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sum of donations in 2022 (NIS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In money</td>
</tr>
<tr>
<td>In money equivalent</td>
</tr>
</tbody>
</table>

We regularly review and measure the impact of our donations by obtaining reports from the donation recipients which present the extent of the change and its impact on the communities or the initiatives for which aid was given. We also examine the impact of our donations independently for purposes of setting targets.

The main NPOs to which we donated are JDC Israel, Latet, Green Horizons of KKL-JNF, the Society for the Protection of Nature in Israel and Venatata.
Support for Environmental Organizations

As part of our vision, we maintain an ongoing dialogue with environmental organizations to promote initiatives of environmental protection, cleanup of open spaces, support restoration efforts and raise public awareness, and promote educational and cleanup activities.

“For a Cleaner Israel” Venture of KKL-JNF Green Horizons

Green Horizons is a national educational body which organizes weekly meetings, hikes, camps and trips during the vacations and holidays, focusing on the environment, nature and connection to the land.

The “For a Cleaner Israel” venture, which was launched in September 2022, includes a significant educational journey in which the students receive training, prepare a plan of action and go into the field to clean up the paths where they hike.

The cleanup activity is preceded by educational activity for increasing proactivity, involvement and awareness of the fact that a simple act by an individual or group can generate significant positive change. In May 2023, our employees also took part in the cleanup efforts.

Around 48 of the Group’s employees, including members of management and the Chairwoman of the Board, Ms. Danna Azrieli, participated in the activity. The Green Horizons instructors, high-school graduates taking a gap year to volunteer, led activities in which we learned about biodiversity in urban nature, picked up garbage and prepared lunch from rescued food.

Donation to the Society for the Protection of Nature in Israel for cleaning up Israel – in the “Raising a Clean Israel” project

We support extensive physical and digital activity of the Society for the Protection of Nature in Israel for cleaning up Israel. The activities include cleanup days for schools in urban nature, activities for families and children, and support for the development of “For Nature” – a free app which allows hikers to report and receive information on cleanliness and crowds, with the aim of spurring a change in the public’s awareness of cleanliness in public spaces and proactive involvement in cleaning up the streams, sea, beaches, open spaces and urban nature sites.

By the end of the academic year 2023, around 102 school classes and 58 family groups from around Israel of every background are expected to participate in cleanup days.

- 3,000 Garbage bags filled
- 12 Tons Garbage collected
- 500 Sites in Israel cleaned up
- 16 Schools
- 4,000 Students in Green Horizons groups
- 4,000 Garbage bags filled
- 12 Tons Garbage collected
- 500 Sites in Israel cleaned up
- 16 Schools
- 4,000 Students in Green Horizons groups
Environmental Responsibility

Venata works to develop and cultivate ecological forests in cities and villages, with the aim of contributing to the balance of local ecosystems, and strengthening the social periphery. Venata’s “forest city” vision encourages initiatives which promote urban nature and strengthen the connection between people and nature in cities. We are proud to support the 100 thousand trees campaign that was launched on Tu B'Shevat 2023, as the primary sponsor of Israel’s largest urban planting campaign. As part of our support for the project, our employees participated in volunteering days and planted trees in rehabilitative gardens. We also broadcasted Venata’s public invitation to participate in the campaign on huge screens at Azrieli Tel Aviv center, we hosted teens on the Azrieli Tel Aviv center rooftop to produce content for social media, spreading word about the project to hundreds of thousands of teens online.

Azrieli Group’s aid plan for the refugee crisis in Ukraine

In March 2022, we joined an emergency campaign of the JDC, MDA, the Ministry of Welfare and Social Affairs and the Israel Volunteer Council – which was set up with the aim of immediately addressing the needs of persons fleeing the war in Ukraine and seeking temporary refuge in Israel, and who are not eligible for citizenship under the Law of Return, allowing them a dignified stay in Israel until their return to Ukraine. We helped with an immediate donation for food vouchers worth NIS 315,000. Following the refugees’ arrival, we organized recreation and respite days at Azrieli malls for hundreds of families fleeing Ukraine for Israel. The need arose, in conversations held by the volunteers with the refugee families, mainly for the children who have lost their structure and routine. The families and children enjoyed movies, lunch and gift vouchers for stores in the mall. Around 861 families took part in the activities which were hailed as a great success. The families also said that their experience at the mall was an “island of sanity”. The vouchers were distributed by 21 volunteers at stands around the malls.

We also prepared an aid plan for the families of our employees who are located in warzones or who came to Israel during the war, by providing a living stipend and supplying furniture from Azrieli Palace senior homes.

Future Goals and Targets

- Establishing a sustainability center (community green rooftop / garden) at 3 of our malls by the end of 2024.
- Promoting at least 5 community projects each year.
- Promoting 3 campaigns with environmental impact each year.
- Donations totaling at least NIS 4 million each year.

Thank You

We would like to thank Azrieli Group again for your generous support in the purchase of food vouchers for Ukrainian refugees. This budget has allowed us to provide an initial and urgent response to such refugees who found themselves in a difficult positions without basic provisions, before any state or other budget was available. Moreover, the budget also allowed us to raise matching funds for the purchase of food vouchers, and encouraged the government and other donors to allocate budgets to this important issue.

Your donation is heartwarming and attests to Azrieli Group’s commitment to basic humanitarian aid for people in distress.

Yossi Heymann
CEO of JDC-Eshel
Our Tenants, Residents and Customers

Service Concept

We serve everyone, in all stages of life, all day long.

Individuals and corporations, walk-ins and regulars, tenants and residents.

Children, teenagers, adults, senior citizens.

In the course of the working day, during family time, when hanging out with friends and when running errands, in the malls and online.

We believe in courtesy, excellent, credible and friendly service, high availability, quick response and a high standard of service.

We aspire to provide all our visitors with a unique experience, innovative, convenient and accessible service, and a pleasant space for work, residence and leisure. We will continue to ensure that our tenants, residents and customers enjoy their time in our properties regardless of their faith, race, age, sex or disabilities. We will listen to them and strive to provide responses and solutions that they find satisfactory.

In 2022, Azrieli Group held a training workshop for its marketing managers and mall security officers on good manners and etiquette. The training placed an emphasis on principles of service and customer experience in the malls, the courteous and respectful treatment of all people, being willing to help, a clean environment and the proper welcome of mall visitors.

Our Target Audiences

Our target audiences are mall visitors, office tenants, store tenants, senior home residents, residential properties’ residents and Azrieli.com customers.

The high and consistent occupancy rates in the malls and offices offer the best testimony to the quality of the service and infrastructures that we provide.

Azrieli Tel Aviv Service Center | Optimal Model of Service in a Mixed-Use Property

The Service Center constitutes the core of Azrieli Tel Aviv Center. Our door is open to any request, complaint or criticism in order to improve on every level related to the service experience of our customers: tenants, suppliers and mall visitors, and they are welcome to contact us on any subject through various and diverse service channels that include, inter alia, telephone calls, designated email distribution list, social media, WhatsApp, the VISITT platform (for tenants – further information is presented below), and others.

The Service Center is responsible, among other things, for the Azrieli Center’s public passageways, support of and assistance to the management and maintenance companies, direct contact with suppliers, budget management, and more.

Our properties’ occupancy rates*

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Occupancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malls</td>
<td>99%</td>
</tr>
<tr>
<td>Offices</td>
<td>98%</td>
</tr>
<tr>
<td>Senior homes</td>
<td>97%</td>
</tr>
<tr>
<td>Rental housing</td>
<td>100%</td>
</tr>
</tbody>
</table>

* The occupancy rates do not include areas, the construction of which has been completed and that are at stages of occupancy for the first time.
Tenants of Malls and Offices

We are proud to service some 1,940 mall tenants and 820 office tenants in Israel, to whom we offer the best space for their businesses. We conduct long-term business relations with various quality and experienced tenants that enable us to provide visitors with a good service experience to our properties.

We conduct surveys among our tenants in order to improve the methods of management and maintenance in the buildings, and examine the disparities and requests that are brought up in the surveys in the utmost consideration. We endeavor to implement solutions and fix what needs to be fixed, wishing to provide the ideal experience to all visitors of the properties.

Approx. 1,940 Tenants of Malls

Approx. 820 Tenants of Offices

Azrieli Sarona Center – Tenant Relationship Leaders!

At Azrieli Sarona, we have developed a unique tenant management system, which integrates the VISITT system with a unique technological platform built specifically for the needs of Azrieli Sarona Center, which combines offices and a mall. Through the system, we strive to integrate the employees in the offices as an integral part of the tower’s maintenance by involvement in initiating calls.

For such purpose, on central posts on the office floors, monitors are placed which display various issues about which calls may be initiated by a simple click. Calls can include issues that relate to the repair of deficiencies, such as lavatory cleaning, clogging, elevator malfunctions, public area cleaning, as well as requests to call outside service providers. Clicking on the desired issue initiates a call to the relevant maintenance worker, supervised by their direct manager, and the malfunction is addressed accordingly. To overcome language barriers, the call is received in the form of an icon that visually presents the subject of the call. The system allows for 24-hour availability and monitoring by management of the status and handling of calls.

The malls’ management conduct ongoing round-table dialogue with the tenants, to understand their needs and improve service conditions accordingly. The system was developed in early 2022 and upgraded according to the suggestions by various tenants.

The system creates full transparency: Every call, including the response time and manner of treatment, are documented. As a result, response speed is high, the relationship with the tenants has tightened and the Group’s credibility in the tenants’ view has significantly improved.

Following the success of the process, we are considering the implementation of this system in all of our properties!

The VISITT System

The VISITT system is a management system that allows for speedy computerized reports on malfunctions and for transmission of requests with regards to service, maintenance and cleaning. The system produces and sends a report to cleaning/maintenance workers. This system is implemented in all of the Group’s properties.
In 2022, we launched unique work complexes in Azrieli Tel Aviv Center and Azrieli Sarona, that offer a flexible solution for companies and businesses of all sizes and stages. These complexes offer a work environment that combines the best services that allow to work with maximum productivity and comfort, among them, offices for lease in a variety of sizes, meeting rooms equipped with advanced technology, equipped kitchens, lounges, a gym with attached showers, a conference complex for networking meetings and belonging to a quality community of entrepreneurs and companies. Our complexes are accessible to people with disabilities, abundant with vegetation and contain recycling bins in the kitchenettes and shredding bins next to the printers. For the ongoing maintenance of the complexes and also for special events held therein, we give priority to working with small, local suppliers who employ people with disabilities and special needs.

In order to strengthen the connection with the community, we integrated various social initiatives in the POINT complexes during 2022, for example:

- Hosting the Spoken-art project which presented artificial intelligence-based art that discussed the connection between man and nature, global warming and Biomimicry.
- Hosting the UNISTREAM association, which trains youth from the geographic and social periphery to the worlds of entrepreneurship and high-tech, in which the trainees practiced presentation skills and presented their ventures to the members of the complex.
- Hosting Israeli students from Ethiopia for a lecture by representatives of leading high-tech companies in order to receive practical tools for integration into the high-tech industry.
- Hosting a paramedical team from Schneider Hospital in a conference room free of charge.

We also held a wellness week for the members of the complex, which included activities that combine body and mind health, including yoga classes, pilates, reflexology, fitness classes and more.
Mobilizing Tenants and Residents for the Environment Project

As part of the Environment Project, we have set ourselves the target of reducing 50% of the amount of landfill waste in all malls and office towers by 2025 (further information about the project can be found in the Environmental Responsibility chapter under “Sustainable Operation”). The tenants’ cooperation is vital in order to meet this target.

We dedicate vast efforts in order to mobilize the tenants to collaborate for the common target. We understand that the project’s success is highly dependent on behavioral changes, which is why we have taken numerous steps, including, among others:

- **Design of the space** – Remodeling and rebranding waste disposal rooms and hallways, use of clear and colorful signage that conveys the message of encouraging recycling in several languages and utilizes clear icons.
- **Making the waste disposal route accessible and giving incentives** – For example, making waste disposal routes accessible by creating ramps, procuring carts with wheels that are large and compatible with the route, arranging for doors, placing multiple containers to shorten the walking distance, collecting recyclable waste directly from businesses or their nearby surroundings to spare the walk to the waste disposal room, supplying designated garbage cans and bags, and more.
- **Raising awareness** by using graphics on monitors and installation art with respect to recycling in several properties.
- **Making relevant information accessible for the purpose of correct waste separation** – Through presentations, informational leaflets and signs that explain the type of waste matching every garbage can.

- **Joint workshops** – Joint brainstorming with tenants’ representatives to mobilize their employees, recommendations of relevant contents for intraorganizational events, tips on dealing with objections and barriers amongst employees, and more.
- **Direct Informational and instructional activity** – informational rounds, meetings with office managements, instructive sessions for cleaning crews, tours to expose the Environment Project.
- **Intraorganizational implementation** – A seminar on sustainability and environmental protection in Azrieli Group, focusing on the Environment Project for property managers, maintenance managers and marketing administrators.

**Recycling and Learning at Azrieli Sarona**

Toward Israel’s National Recycling Day, an art installation was placed at the entrance to the office tower, for the second year running, describing the operational activity inside the tower – advanced recycling of packaging, papers, cardboard, electronic waste and deposit bottles. The installation was made of recycled iron nets with around 2,000 deposit bottles sandwiched between them. The iron nets create a pentagon with transparent boxes inside that contain various recycled materials – paper, glass, cans and batteries. The installation included information about recycling data for the tower and for Azrieli Group in general.

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**Fox Group**

We are proud to collaborate with Azrieli Group in a deep and years’ long strategic partnership that is based on values of transparency and mutual trust. Fox Group has dozens of stores in Azrieli malls. Beyond our productive ongoing work cooperation, the Group initiates and allocates vast resources to the promotion of sustainability and also encourages its partners to join the effort. We are happy to jointly develop innovative initiatives with the Group that offer value to society and the environment and to move forward on our joint path.

**Meta**

The working relationship with Azrieli Group is based on mutual trust, openness, and partnership. The relationship is highly reliable, with ongoing and open dialogue that includes mutual learning, listening and openness to special needs. Beyond the ongoing working relationship, the Group promotes learning and implementation of sustainability and waste recycling.
Residents of Residential Properties and Senior Homes

Residents of Residential Properties

In 2022, we started leasing out residential apartments in Azrieli Town Tel Aviv, under the concept of long-term rental housing, whereby a new apartment can be leased from Azrieli Group and the lease agreement can subsequently be renewed by an easy and simple process and without the cost of real estate broker fees.

The tower includes, among other things, equipped and designed apartments, balconies that overlook the sea and innovative services that provide the residents with a unique residential experience, including a high construction standard, meticulous management and close service by a maintenance and operation crew.
As of the end of 2022, there are some 1,500 residents in the senior homes of our Palace chain. Aiming to create a rich, nurturing and stimulating residential experience for them, we provide a professional and devoted staff that provides support and personal consideration, with full availability and customization to the needs of every resident. The staff conducts routine house calls and personal meetings to attend to the residents’ physical and mental wellbeing.

In the Palace chain, the resident is always the focus. New residents are welcomed in accordance with a detailed “New Resident Welcoming Procedure”, which is intended to lead to an optimal welcoming process and instructs the staff on how to provide the resident with safe, accessible, customized and pleasant service. We are apprised of the medical condition of the new resident at the time of his arrival, in order to monitor and raise the alarm in unusual circumstances, and we keep informed of the condition of each and every resident.

We maintain ongoing, warm and daily contact with the residents and their families, in cooperation with the homes’ social workers and medical committee. We also conduct dialogue with the residents’ board, which is elected by them once every two years, and includes representatives in every area (culture, health, and others). The residents’ board meets with the general managers of the homes and is in touch on a regular basis with the other homes’ management. The homes’ management frequently considers the residents’ input in order to improve service.

The needs of every resident are taken into account in the many and diverse cultural and sports activities on offer, including individual solutions for the unique needs of the various residents. We continue to personalize activities also according to changes in the resident’s condition.

A weekly training program is devised for every resident according to their needs, free time, current health condition and interests. Sports activities include daily sessions such as aqua gym, Pilates, balance and posture, stretching, diverse outdoor activities, a gym, a swimming pool and more. We are implementing innovative technologies to increase the homes’ accessibility by means of various devices for the improvement of eyesight, hearing, balance and more.

Residents are also offered diverse cultural activities that include art classes and workshops such as painting, beading, sewing, knitting, flower arranging and more. The homes also offer events inside the home such as folk dancing and movie nights, alongside events outside the home such as shows, exhibitions, tours and others.

To cultivate a sense of belonging and camaraderie amongst the residents, We initiate several significant activities: we welcome the residents to sit down and have coffee and cake together every day, we hold birthday celebrations every month together with the families, the home’s social worker holds special group meetings to talk about life in the golden years, and there are same-floor neighbors meetings, a reading club, music groups, classes and enrichment meetings, and more.

In addition, to encourage social cohesion and our team pride as a chain, residents are invited to participate in competitions between the homes, such as bridge tournaments bingo games, chain-wide concept trips, a joint mega march to mark World Walking Day, table tennis competitions, and the like.

We consider it a top priority to include the residents of our homes in mutually beneficial activities in the community, such as, among many others:

- Special days for lone soldiers at the senior homes
- The preparation of dolls for kindergartens for special needs’ children
- Tutoring of special needs’ children by the residents
- Collection of donations for children with cancer
- Resident knitting groups that each knit for a different purpose, for example – for soldiers, for the Department of Oncology in the Soroka Medical Center, for at-risk teenage girls, and other causes
- Numerous collaborations with the Scouts Youth Movement
- Individual animal assisted therapy sessions for residents with students of therapeutic dog training
- Cooperation with kindergartens and schools – we plan to reopen in the coming year the kindergarten in Palace Ra’anana that was previously closed due to the Covid pandemic

We will continue to expand community activities in our senior homes and remain open to collaborations at any time.
Our Customers

Azrieli Group’s Marketing Concept

It is very important to us that our marketing and advertising activities be consistent with the Group’s values. Responsible marketing in accordance with the Azrieli brand values allows us to create long-term value for our customers. Our marketing team places the customers at the heart of their daily work, which includes fruitful dialogue and feedback implementation. We invite our customers to contact us for any purpose by telephone, on our Group website or on social media.

We have also set the goal of continuing to promote diverse, inclusive and socially and environmentally responsible advertising as much as possible.

Mall visitors

Our properties are visited by around 65 million people every year. It is important to us to provide them with a fully enjoyable and safe experience – from their arrival at the mall to their departure from the premises. We are expanding the available range of stores, restaurants and coffee shops and upgrading the leisure facilities in the public areas, like the DNA area – an experiential space and an innovative leisure spot that replaced in 2022 the area of taxi stands between the Azrieli Tel Aviv Towers (further information can be found in the Environmental Responsibility chapter under “Sustainable Design”).

A2Z Office Employees Community

In September 2022, we launched the A2Z Community, a shared platform for the employees of offices at Azrieli Sarona, Azrieli Town and Azrieli Tel Aviv Center. The purpose is to generate synergy and connect Azrieli Group’s operating segments – malls, residence, Azrieli.com – with the community, increase the range of services and include the community in innovative, environmental and social ventures.

The A2Z community is a community that invites its members to connect, cooperate, develop business relationships, have a good time and generate a positive impact in the world of business. Membership in the A2Z community offers the office employees the opportunity to enjoy networking events, enriching talks, a world of benefits and a wellness program that includes sports classes, such yoga, Pilates, running group and more.

At this time, the A2Z community has about 3,500 members. We are working to expand the community by 2024 such that it also includes the Azrieli Herzliya Business Park and Azrieli Holon Center, thereby connecting thousands of additional employees.

Azrieli App

The Azrieli App is an exclusive digital platform that brings together in one place services, offers, special benefits and sales in our malls and retail centers, the option to pay for parking and receive useful information for visitors. In order to continue enriching and upgrading visitors’ experience in our malls and retail centers, we have recently incorporated several innovative features into the app:

- **BringEat** – A feature that enables users to preorder food from the food businesses in the mall, receive a message when the order is ready for pick-up, and save standing-in-line time. A2Z community members can also order food deliveries to their office without being charged delivery fees during lunch hours. As of the date of release of this report, the service is defined as a pilot and operated only at the Azrieli Tel Aviv Center.

- **FIND** – An augmented reality (AR) feature that enables mall visitors to navigate in the car park and find the elevator closest to their car and navigate back from the mall to their car. In addition, the service enables navigation to stores inside the mall and coupon distribution stands across the mall and art installation display. The service is offered in collaboration with Resonai, and as of the date of release of this report, it is defined as a pilot and operated only at the Azrieli Tel Aviv Center.

Future Goals and Targets

- To integrate environmental aspects into lease agreements in order to mobilize the tenants in the effort to reduce the Group’s environmental impact, and to incorporate incentives for improvement of their environmental performance.

- To expand the A2Z community such that it also includes the Azrieli Herzliya Business Park and Azrieli Holon Center.

- To implement a digital management system, for complaints and requests in the field of cleaning and light maintenance, in other properties in 2024.

We will continue to work to improve our customers’, tenants’ and residents’ experience at any time, everywhere and in any way!
Safety & Accessibility

We invest many resources to ensure safety in our properties, for the employees, visitors, tenants, residents and the public. We make every effort to meet the requirements of the law and the standards, in the relevant directives and procedures relating to safety and accessibility.

Safety

We have a policy of risk identification and do our best to prevent accidents in advance. The Company adopted detailed and in-depth safety procedures. The procedures specify, inter alia, the goals, work rules, responsibilities, instructions, method of handling equipment, instructions for preventive actions and actions in emergencies and reporting.

In the case of a safety incident or work accident, we carry out investigations to identify the causes for the incident, and immediately take corrective actions to prevent recurrence of the incident or accident.

The field of safety is divided into two:
1. Safety in the existing properties, which is coordinated by the Operations Department;
2. Building site safety, which is the responsibility of the construction contractors and supervised by the Construction Department.

Azrieli Group’s management is involved in and supervises the field of safety in its properties, as part of work plans, training and findings of reports presented for its approval. The management sets annual targets with respect to the mitigation of the number of safety incidents and for professional training to increase awareness of the issue.

Safety in existing properties

The Chief Operating Officer, who has completed a professional safety course, is head of safety in our properties.

In addition, ongoing responsibility for safety in the Group is shared by Head of Property Operation, Azrieli Group’s safety officers, the management team in each property and the safety specialists in each property (head of operations and head of maintenance).

The Group includes two safety officers who regularly underwent and undergo intensive training and work according to an annual work plan on safety in properties.

The officers carry out annual safety surveys in each property and ensure that all of the Group’s properties and areas meet all of the necessary and accepted standards. Upon completion of the surveys, the findings are documented in a detailed report that is circulated to the HQ functions and to the property’s managers for remediation.

The surveys check, among other things:

- The adequacy of certificates and documents (for example periodic equipment testing certificates, drills, etc.).
- Hazards and risks (for example electrical outlets, signs, construction equipment, electrical wire insulation, etc.).
- A summary, follow-up instructions, and determination of timetables for elimination of the hazards found.

Implementation of the recommendations and remediation of the failures is followed up by the properties’ head of operations, who regularly visits and tours the properties.

The safety specialists of each property: Each property has appointed safety specialists who are duly certified and have successfully completed training by an external entity. The safety specialists comply with a procedure which defines their responsibilities, their professional supervisors and the method of reporting. Their responsibilities include, inter alia, employee implementation of safety procedures, ongoing supervision of external workers employed in the properties, monitoring of the correction of deficiencies, etc.

Asset managers: At each site, the asset manager is directly responsible for safety.

Organizational safety team chart

In order to meet the highest safety standard, the Group engaged with an outside safety consultant who is fully available to us, as well as Lavetach which acts as a safety officer at Azrieli Tel Aviv center, according to the directives of the Ministry of Labor supervisor.
Analysis of risk factors and risk assessment

As part of the policy adopted by the Group, we do our best to address and mitigate the risks identified. To map and control the risks, an IAC process was carried out (identification of the risk factors, risk assessment, risk control).

The risks are ranked by severity: A risk defined as “severe” requires discontinuation of work in order to take immediate action to mitigate the risk or eliminate the hazard. A risk defined as “medium” requires action for mitigation thereof but does not require immediate discontinuation of work, and a risk defined as “acceptable” requires the taking of permanent measures to keep it at such level, for example employee training and determination of safety instructions.

Contractor work procedure

Contractors are retained from time to time in the Group’s properties for renovations, electricity, air-conditioning, construction work, etc. To ensure that the work in the properties is carried out in compliance with the law, including the Work Safety Ordinance, the accepted safety rules and regulations, we put together a “contractor work safety procedure”.

The procedure was drafted according to a very high safety standard and includes safety instructions, conditions and undertakings, and guarantees that all of our safety procedures apply also to any and all contractors and subcontractors retained in our properties.

Any contractor retained by us or by our tenants is obligated to present a work license, appropriate insurance coverage, and required permits, to sign an undertaking to comply with the procedure and the annexes thereto, and to also sign the Group’s compliance with the safety rules.

In addition:

- After a lease agreement is signed, which includes construction work in the leased property, the tenant is required to have its work plan approved by the property’s management, and to sign a procedure that regulates the performance of such work.

- The contractors are obligated to appoint a qualified work manager, a safety officer and a safety specialist on their behalf for designated areas and as necessary.

- The contractors are obligated to undergo a safety briefing which includes issues such as hazardous work and work at height, work on roofs, high-heat work or welding, correct use of electricity, etc.

- The maintenance manager, the security officer and a representative of the management company for the property oversee the activity of the contractors, carry out inspections of the adequacy of the work and of the equipment.

Building site safety

Safety on the sites is the responsibility of the performance contractors with whom the Group engages. The Group invests considerable resources in the performance of safe construction and planning processes, above and beyond the legal requirements imposed on us as a developer.

Each site has a safety officer and work managers on behalf of the performance contractor, who comply with the safety standards. In addition, Lavetach supervises the activity on the sites for us. Lavetach carries out monthly inspections to ensure, among other things, the sites’ fencing, signage, access and passage routes within the site, adequate dining and rest areas, accessible toilets, appropriate employee certification and licenses, an up-to-date and signed safety management plan, the adequacy of the engineering equipment, first aid equipment, etc.

Lavetach produces and delivers a report documenting all of the inspection’s findings, specifying the risks and deficiencies observed and appropriate action items.

Inspections on our behalf are for supervision purposes, and do not derogate from the contractor’s duty and responsibility for workers on the site and persons passing by and visiting the work vicinity. The contractor’s site team is responsible for handling the work safety arrangements on an ongoing basis, for correcting the deficiencies arising from the inspections and delivering evidence of handling of the deficiencies.

Regulation and supervision

Regulation, control and supervision processes are carried out on an ongoing basis by internal and external bodies, such as inspections by the police, the Fire & Rescue Authority, etc. Additional inspections are also carried out in existing properties, such as inspection of the electrical panels once every five years by a qualified engineer, fire department equipment inspections, provision of training and maintenance of extinguishing and safety systems, etc.

Periodic checks

Periodic checks are carried out by the maintenance manager of each property. The checks are carried out on the various systems and equipment, such as the electrical system, fire detection system, gas detection system, stairs, elevators, etc.

Safety incidents

Every safety incident or ‘near-miss’ incident is reported according to a reporting procedure, investigated and documented. The report is circulated to all of the Group’s properties, with the intention of implementing the conclusions and recommendations and reducing the number of incidents. The reports are held by the safety officer for follow-up, review of trends, prevention of recurrence of incidents and compliance with targets. Once every quarter we carry out an across-the-board analysis and mapping of the safety incidents in the properties and release a report for all of the properties’ CEOs.

Safety training

According to the annual work plan on safety in properties, every new employee must undergo training by an outside safety consultant and by the department manager, according to the Group’s safety procedures and according to his profession. The managers train the employees according to written procedures, integrate in the training sessions investigations of accidents, and drills are held for response to typical emergencies.

Each year, all maintenance workers undergo four 8-hour training sessions each one on various safety issues. These training sessions include, inter alia, training on use of designated equipment, work at height, response to emergencies, elevator rescue, etc. In addition, several times a year a managers’ forum and seminar days are held where the O&M managers of the Group’s properties take part, in which training by outside instructors is held.

In June 2022, all of the maintenance workers of the Group’s properties participated in an O&M managers conference which included training sessions on work safety rules and training on scaffolding and work at height (following which these employees were issued a work at height license). In addition, in 2022, electrical safety training was given to 18 employees from the various properties, who completed the “qualified electrician” course.

Road safety

There are defined procedures for use of the Company’s cars. In addition, the employees are obligated to undergo training upon receipt of a company car and to fill out a health and driving fitness declaration.

Number of safety incidents in the properties

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>208</td>
</tr>
<tr>
<td>2022</td>
<td>124</td>
</tr>
</tbody>
</table>

Notes:

- Most of the incidents are classified as ‘minor’ severity, such as falls, cuts, etc.
- The data presented for each year are measured from H2 of such year until the end of H1 of the following year.
Future Goals and Targets

- 10% decrease in work accidents involving injuries compared with the previous year.
- 80% performance of Job Safety Analysis (JSA) processes per work station (or relevant processes in routine maintenance operations) once every three years.
- Continued employment or engagement where 100% of employees and service providers are qualified and certified as required for performance of the work, and full use by all of the relevant parties of the personal protective equipment required for the work.
- 100% reporting of accidents and safety incidents and documented investigations into safety incidents involving injuries.
- 100% performance of the recommendations for which “immediate” urgency was determined and 90% of the other recommendations within three months at most.
- Provision of training for 100% of the new employees before commencement of employment, both by the safety officer and by the direct manager, and documentation of all of the training.

Security Issues

Azrieli Group’s head of security provides professional guidance to all of the security managers in the Group’s properties and is responsible for ensuring compliance with procedures, updates, inspections and drills.

Mall security is structured according to business licensing provided by the Israel Police, and the head of security regularly works with outside bodies in charge of civil security and protection, including security companies that provide services to the Group’s properties, the Israel Police, the Fire & Rescue Authority, etc.

Security training

Every security guard in the Group’s properties undergoes training at an external security school under the responsibility of the contractor companies/security companies that provide us with guarding and security services. In addition, the security guards undergo first aid training, Fires and rescue and relevant security training which is adapted for specific risks of each property.

Response to emergencies and drills

As part of the annual security plan, we perform regular drills for handling emergencies: fires, earthquakes, rocket attacks and crowd clearing, floods and hostilities. Designated emergency teams undergo training to respond to emergencies, if any occur.

The head of security performs covert and overt inspections on a monthly basis. In these inspections, the head of security ensures compliance with the procedures, identifies potential security breaches or deficiencies and examines the security guards’ fitness and readiness. If any security deficiency or gap is discovered, the issue is documented in a report and handled immediately.

Accessibility

We are committed to making 100% of our properties accessible to people with disabilities. We are constantly working to improve and upgrade the accessibility systems, and to implement additional technologies in the world of accessibility, to allow as wide a range of people with various disabilities as possible to integrate with dignity, equality and independence.

Each year, our accessibility coordinator carries out a survey in all of the properties to supervise the existing accessibility accommodations and to examine opportunities for improvement, modification or remediation according to regulation updates or unique needs. Upon completion of the surveys, survey summaries are circulated to the asset managers, with timetables for correction of deficiencies. The last survey was carried out in the summer of 2022.

Each property has an appointed local accessibility officer who undergoes training and instruction by the accessibility coordinator, and is responsible for accessibility in the property. Each local accessibility officer is responsible for making the accessibility accommodations, assimilating the issue of accessibility with the property’s employees and tenants and posting a detailed description of the accessibility arrangements on the property’s website. Moreover, the local accessibility officer provides training on the subject to the service providers and the security teams, in order to lead and advance the field and integrate the accessibility requirements in decision-making processes and annual work plans.

In addition, the Group’s accessibility coordinator also gives training on the subject to managers.

As part of our efforts to encourage innovation and create a pleasant and accessible experience for all visitors, all Azrieli malls use Right Hear technology, a spatial orientation app which provides talking signage, allowing people who are blind or visually impaired to interpret and understand their surroundings (further information in the Community Involvement chapter). In addition, signage is installed at all of the pay stations and entrance and exit barriers in the parking garages displaying a telephone number for accessible service.

Further information can be found in our Accessibility Policy in the Group’s website.

In addition to our physical properties, we also make our digital assets accessible so that every person can enjoy our online platforms. In this context, Azrieli Group’s websites are fully accessible according to the required standards, and telephone service is available from the online service representatives.

This year, we made the Group’s financial statements accessible, and from this point forth all of the Group’s financial statements will be accessible.
MANAGEMENT RESPONSIBILITY

- Corporate Governance
- Ethics
- Information Security and Privacy
- Innovation and Technology
Corporate Governance

Our Corporate Governance Approach

As a public company which places great importance on corporate governance and proper management, we have, at all times, orderly and efficient processes in place for compliance with all of the legal provisions applicable to us.

Our Board of Directors

Our Board's Approach

The board operates by virtue of the authority vested therein by law, outlines the general policy and supervises the ongoing management, including in the ESG fields. In early 2023, we included ESG targets in the annual work plans of the various departments, which set out our commitment to social, business and environmental responsibility in all of our activity.

Board Members

- Danna Azrieli – Chairwoman of the Board
- Naomi Azrieli – Director
- Dr. Sharon Azrieli – Director
- Varda Levy – Outside Director
- Yossi Shachak – Outside Director
- Dr. Ariel Kor – Director
- Menachem Einan – Director
- Oran Dror – Independent Director
- Dan Gillerman – Independent Director

The board includes four women (44.44%), five men (55.56%), two outside directors and two independent directors. The percentage of independent board members (including “outside directors”, as defined in the Companies Law) is approx. 45% (four out of nine). The board also comprises four directors with accounting and financial expertise and four directors with professional qualifications.

In 2021, 12 board meetings were held, and in 2022, 14 board meetings were held, with an average attendance rate of 97%.

Gender Diversity on the Board

Four women out of nine board members serve on our board, constituting approx. 44% of the board members, and the board's Chair is a woman. We champion gender equality and are proud to serve as an example to trickle down from the Company’s management throughout the Group.

The board's Chairwoman, Ms. Danna Azrieli, was chosen by Globes as one of the 50 most influential women in Israel in 2022.

Board Training

Once a year, we hold a training day for the board members and managers, which includes a refresher on existing procedures, presentation of new procedures, a review of key issues on relevant topics from the previous year and highlighting the importance of internal enforcement. In addition, special board meetings are held for deep dives into the Company's core business. We also deliver a seminar which includes an introduction to and training about the Company and its operating segments to every new incoming director of Azrieli Group. Once a year a directors’ tour is also held in the Group's properties for the directors to visit the properties and experience them first-hand.

Board Committees

Subcommittees whose role is to handle material issues for the Company and ensure proper management.

In 2021, 11 board committee meetings were held, and in 2022, 16 meetings were held, with an attendance rate of 97%.

The Enforcement Committee is a designated committee for the discussion of necessary adjustments to the enforcement outline and management of the enforcement program at the Group, in accordance with the unique structure, our operating segments and in accordance with legal provisions and regulatory changes applicable to us. The board is also responsible for electing an internal enforcement officer, who coordinates the internal enforcement and reports once a year to the committee. Each year the officer submits a proposed annual work plan in coordination with the Chairwoman of the Board and the Group’s CEO.

The Audit Committee is responsible for the Group’s internal audit. Its roles include monitoring implementation of the internal auditor’s work plan, discussing the issues in its purview under any law. The audit committee comprises four directors with accounting and financial expertise. The committee held three meetings in 2021 and four meetings in 2022, with an average attendance rate of 100%.

The Financial Statements Review Committee (FSRC) is convened once a quarter to review the financial statements and formulate a recommendation to the board regarding approval thereof. The corporation’s auditor participated in all of the committee’s meetings in 2021-2022.

During 2022, we began making the Company’s reports accessible and we are setting this as a standard for our reports henceforth, as part of our equality strategy. For reading the Company’s reports click here.

The Compensation Committee – The committee operates by law and holds discussions on the terms of employment and compensation granted to the Company’s senior officers and interested parties. The committee held three meetings in 2021 and five meetings in 2022, with an average attendance rate of 96%.
Proper Management

Effectiveness of the Internal Control
Our management, under the supervision of the board, reviews and assesses the internal control over the financial reporting, the disclosure in the corporation and the effectiveness of the control process. In accordance with the assessment carried out in 2022, the board and the corporation’s management are of the opinion that the internal control is effective.

In 2022, we adopted a Competition Law Enforcement Program, in which several work procedures were adopted which derive from the provisions of the Economic Competition Law, 5748-1988, such as the: (a) Communication and Handling of the Group’s Documents Procedure; (b) Interaction with Competitors Procedure; (c) Obtaining Legal Advice according to the Group’s Operating Segments Procedure; (d) Enforcement Program Implementation Procedure.

Over the course of the year, we have provided training for all of the employees, and the program has been fully implemented.

Holdings of the Group’s Shares and Voting Rights
As specified in the Group’s public reports, the voting rights of Azrieli Foundation (Israel) are held by Azrieli Holdings.

As stated in the Group’s reports, the Company’s controlling shareholders are Sharon Azrieli, Naomi Azrieli and Danna Azrieli.

Below are details of the holdings of the Company’s interested parties:

Breakdown of holdings of the Group’s shares (%)
- Azrieli Holdings 55.62%
- Publicly held 30.14%
- Azrieli Foundation 8.55%
- Azrieli Foundation (Israel) 5.69%

Prevention of Conflicts of Interest
To prevent any type of conflict of interest as required by law, we have a “Definition of Business” procedure which defines the activity of the Company’s directors and controlling shareholders. The procedure states criteria which prevent directors from taking part in certain activities which may create a conflict of interest in Israel or overseas. The procedure determines the types of activities in respect of which the Company’s directors and controlling shareholders may not engage in transactions in Israel and overseas, and the method of disclosure to the Company prior to engagement in transactions and the method of deciding whether the transactions are relevant to the Company. In addition, our code of ethics outlines appropriate conduct for employees to avoid any type of conflict of interest – with our business partners, relatives or acquaintances.

Risk Management

Risk Management Policy
Due to the risk factors to which the Group is exposed – macroeconomic, financial, real estate and construction-specific risks – we regularly review and manage financial risks based on a cost-benefit analysis. Our CFO, Irit Sekler-Pilosof¹, is responsible for management of the Group’s financial risks. We have formulated a policy to address financial risks at various probabilities¹², including extreme scenarios. In addition, the FSRC discusses, once a year, the Group’s exposure to the financial risks in the market and actions the Group takes to mitigate them.

Method for Determining Officers’ Compensation
The ratio between the cost of the terms of office and employment of the officers and the cost of the salary of the Company’s other employees, and specifically the ratio to the average salary and the median salary of employees:

<table>
<thead>
<tr>
<th>Position</th>
<th>Ratio to the average salary</th>
<th>Ratio to the median salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairwoman</td>
<td>12.5</td>
<td>23.2</td>
</tr>
<tr>
<td>CEO</td>
<td>13.3</td>
<td>24.6</td>
</tr>
<tr>
<td>The other officers¹¹</td>
<td>Does not exceed 4.8</td>
<td>Does not exceed 8.3</td>
</tr>
</tbody>
</table>

The compensation committee and the board performed a review and determined that the ratio is reasonable and is not expected to affect working relations at the Company.

¹ Except directors who receive compensation pursuant to the Compensation Regulations. Calculated according to other officer average.
² Since May 2023, Mr. Ariel Goldstein has served as the Group’s CFO.
¹¹ The policy is reported in Notes 30-31 to the 2022 financial statements.
Our Ethics Approach

Ethical conduct guides us in our day-to-day activity at the Company. We are proud of the high moral and ethical standard of our employees and strive to reflect it in every business action or process.

Code of Ethics

Our Code of Ethics is based on our vision and values and is our “compass” for the appropriate behavior that is expected of all Group employees. The code brings together all of the standards, ethics, ties and relations between us and all of our stakeholders, and the importance of contributing to the community and social and environmental responsibility. It is intended to instill, establish and strengthen behavioral norms. The code was written in 2010 and updated in 2018.

We encourage the employees to talk with their supervisors or with any other appropriate staff member about unethical conduct, and irregular cases may also be reported directly to the CEO. Aside from voluntary reporting on grey-area cases, any employee who is exposed to behavior which violates or is inconsistent with the code is obligated to report it, either anonymously or non-anonymously.

The “Whistleblowers” procedure provides reporting methods for any employee wishing to complain, whether anonymously or non-anonymously. In addition, as part of the annual training day, training sessions are held on the issue of ethics at the Company with an emphasis on the possibility of reporting any ethical dilemma or violation observed by the employees.

View the Code of Ethics.

Human Rights Policy

We protect human rights and treat all people, employees and managers, tenants, residents and all of our stakeholders with dignity. We take great care to ensure that the rights of our suppliers and contract workers are protected. We require respectful behavior among all of our stakeholders.

We comply with all of the provisions of the Law for Increased Enforcement of Labor Laws, 5772-2011, to ensure that the manpower agencies take action to protect the rights of their workers, including salary checks by an outside inspector once a year.

Further information can be found in our Human Rights Policy in the Group’s website.

Any complaints of harassment or ethical violations that were made in 2021-2022 have been addressed.

Regulation, Compliance and Legal Proceedings

Compliance and Legal Mechanisms

Our diverse areas of business are subject to extensive regulation, including: the Securities Law and the regulations promulgated thereunder, the Planning and Building Law, environmental protection laws, the Senior Housing Law, the Consumer Protection Law, the Economic Competition Law, municipal bylaws in each of the local authorities where our income-producing properties are located, and more.

As of the date of writing the report, no cases of non-compliance with any regulatory provisions have been identified and no penalties / sanctions / arbitration proceedings have been imposed on the Company due to violations of law and/or any regulatory provisions.

Legal Proceedings

As of the date of writing the report, the Company and/or the Group’s companies are not a party to material pending legal proceedings other than two proceedings which are specified in the financial statements for 2022.
Information Security

Information Security and Privacy
We place great importance on the protection of information, supervision and enforcement of protection of privacy and information security – for the Group, our employees, customers and business partners.

As a public company we are subject to all ISOX and ITGC provisions, including in terms of cyber and information security, which includes authorizations, management of sensitive information, documentation, supplier access to information, cyberattacks, etc. In addition to the regulation to which we are subject, we follow internal information security procedures for engagements with suppliers and business partners.

As of the date of writing the report, there were no complaints of violations of the privacy of customers, employees or business partners or of cyber incidents.

Penetration Tests
Once every eighteen months, penetration tests and security surveys are carried out by an external company. The last test was conducted in October 2022, and any deficiencies discovered are duly addressed.

Due to a different infrastructure configuration to ensure security and separation of systems, cybersecurity reviews are carried out for the Company’s control systems on an individual basis.

Cyber and Information Security Training
Our procedures require every new employee to undergo training and to sign an undertaking to maintain confidentiality and information security. In Q4/2022, we conducted cyber and information security training for 100% of the employees. Information security training is provided once a year and is updated according to technological changes and threats. We also conducted awareness training and simulations for employees to raise awareness of internet fraud and disclosure of inside information. Cyber and information security courseware will be launched in 2023.

The procedures for reporting of information security incidents are known and circulated to the employees. Any suspected incident is reported to the relevant functions and investigated accordingly.

Infrastructure Upgrades
As part of our strategy to enhance information security at the organization and to adapt the organization to the global cyber climate, we are transitioning to a secured Office 365 solution. At the same time, core systems at the organization, such as Enterprise Resource Planning (ERP) are being upgraded, while implementing standard security practices and adjusting to the new climate.

Disaster Recovery
- In 2021, we completed the transfer of all of the organization’s ongoing backup to the cloud to guarantee business continuity and survivability in the event of a disaster. For the sake of redundancy, the backup is available also offline at an outside provider, and all of the backups are fully checked once a year.
- In early 2022, we installed a ransomware detection system which is capable of detecting all threats and is supported by EDR.

Future Goals and Targets
- Management of all of the endpoints connected to the organization, mobile device management and completion of the transfer of all users to Office 365.
- Transition to and encryption of laptops at all the work stations.
- Creation of courseware for and simulation of awareness of information security threats and internet fraud by mid-2023 and performance thereof by all of the Group’s employees.
Innovation and Technology

Innovation Leaders

In recent years, we at Azrieli Group have been following a strategic innovation policy that involves all echelons of the organization, from the Chairwoman of the Board down to the last of the employees, as a means to accomplish the fulfillment of business needs.

The purpose of the Innovation Department is to think about the future needs of customers and create the compatible infrastructure for technological development and user experience design, in view of our guiding principle – to provide our customers with the best user experience. The Innovation Department operates on two levels:

1. Internal Innovation
   Building an intraorganizational innovation culture that encourages independent innovation drivers in every business unit.

2. Open Innovation
   Finding technological solutions outside the organization and incorporating them into the operations.

Internal Innovation – Innovation Amongst Group Employees

The Innovation Department is an organization-wide unit aimed at understanding our and the stakeholders’ material needs and finding the most effective and creative solutions available in the market for the needs so identified. In every area within the Group, we have trained an Innovation Lead that liaises between their original department and the Innovation Team to raise any needs in this area. We encourage creativity in our employees, which is a basic component of the innovative spirit and a “safe place to fail”.

In order for our employees to absorb the area of innovation, we have established an intraorganizational communication channel that provides tools and knowledge about innovative developments around the world, updates on innovation projects, Proof of Concept (POC) methodologies and more.

The Innovation Team holds intraorganizational training sessions for employees and management members and, once a year, it also tours each one of the properties in order to map out the technological needs required to be met to make the work more efficient, safe and innovative, and integrate such needs into the following year’s work plans.
Open Innovation – Technological Collaborations

In 2021 and 2022, we completed over 20 POC processes, many of which have already been incorporated into our operations. In March 2022, we launched the first startup innovation program: Azrieli Innovation Sprint. The purpose of the ‘Sprint’ is to find innovative solutions that are related to our operating segments and shorten the POC timeframe. Toward the ‘Sprint’, four central challenges were identified and released in a Request for Proposals, together with a clear promise of entry into a legal agreement within 24 hours of Sprint Day. The program garnered extensive coverage in view of the exceptional message for a corporation of this magnitude. About 200 startups and technology companies applied for the program, with four solutions eventually chosen and making it to Sprint Day. Three of these were launched as pilots in September 2022:

Save-It

One of the challenges we posted was the need to monitor waste recycling efforts in the properties and develop a smart waste disposal room. The Save-It company has developed for the Azrieli Town building a data collection system by waste flow and by tenant, with the objective of reducing waste quantities and increasing recycling rates. 100% of the offices in the building participated in the pilot and we managed to redirect more than 3 tons of waste to recycling rather than the landfill! Furthermore, the total number of offices that engage in waste separation surged from 10% to 70%. We are very excited about the results and hope to move forward and improve the system, so that in later stages it will also be possible to process organic waste data and integrate the solution in additional properties.

BettEar

We strive for our senior homes to bring to improvement in the quality of our residents’ lives and delay, to the greatest extent possible, any significant deterioration in their condition, while using technologies and tools to alleviate their condition. We have found that people who are assisted by hearing aids are unable to enjoy cultural events in the senior homes, because hearing aids do not pick up clear speaker-produced audio. The BettEar company offered a solution for making audio accessible to the elderly by means of advanced technology that enables reception of speaker-produced audio and connection to a sound system. This system translates audio waves into WiFi waves that connect to the resident’s telephone and then their hearing aids. It also customizes speaking pace and volume levels according to individual needs. Launched in the Palace Lehavim and Palace Tel Aviv senior homes, the pilot proved successful and will consequently be implemented in the coming year in Palace Modi’in as well.

Teedis

The Treedis company has created a virtual simulation for marketing the properties of the Group. By using Treedis’ technology, prospective tenants are able to take a virtual tour of proposed offices together with the Group’s marketing and sales people, with all the relevant data presented to them within the software, thereby allowing them to make a decision about the lease even without being physically present in the property. The pilot saves time, travel and flights, making it also energy-efficient and effective from an environmental perspective.

As part of the program, we have cut pilot operation time by 50%, without compromising the quality of the process.
We have also launched innovative pilots in Azrieli Tel Aviv Towers:

1. **Improved orientation experience in the car park and mall and immersive customer experience** – in collaboration with Resonai, an Israeli company. The customer is able to save the car’s location and navigate to the car when ready to leave the mall, navigate to various stores inside the mall and have multiple other experiences such as games and an AR (augmented reality) art exhibition.

2. **Upgraded means of entry into the building and offices** by use of an app in lieu of magnetic cards, in collaboration with the OpenPath company. The Group’s properties are visited by approx. 65 million people yearly. Thus, implementing this pilot in all the properties will save dozens of millions of paper and plastic cards every year.

3. **Examination of technology for improvement of the air quality in the building and efficient energy consumption** in collaboration with the Urecsys company.

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**Future Goals and Targets**

- Develop and promote additional Israeli startups, moving ahead technologically and fulfilling as many operational, environmental and physical needs innovatively. We aspire to support young ventures that can benefit the tenants, residents, customers, environment and the public using our properties.

- In the coming year, we will expand existing pilots to additional properties and support additional technologies in the interest of reducing our ecological footprint. Thus, the second Innovation Sprint, which took place in July 2023, was focused on green building, among other things.

- Continue to establish the work mechanism for the Group’s innovation processes by setting up a cross-organizational innovation forum for making decisions in this area and launching an intraorganizational innovation plan for training the innovation leads in all departments.

- The technological flagship project for 2023 is the Sarona Center, which will become a hub for technological, intellectual and artistic creation. The hub will provide budding artists with the opportunity to present Israel-made innovative concepts that will emphasize messages that are important to the community and coincide with the values of Azrieli Group.
ABOUT THE REPORT & INDEXES
Environmental Responsibility

About Azrieli Group

Social Responsibility

Management Responsibility

About The Report & Indexes

About The Report

This report is Azrieli Group’s second ESG report. This report is written in accordance with the Global Reporting Initiative (GRI) Universal Standards and under the Sustainable Accounting Standards Board (SASB) guidelines, combined with reference to topics appearing in two real-estate specific standards – GRESB and EPRA (European Public Real Estate Association).

The report focuses on income-producing real estate activity in Israel in the following sectors: Retail centers and malls in Israel, office and other space for lease in Israel, and residences in Israel, which constitute, as of 31 March 2023, around 67% of the Group’s operations.

In the process of formulating the report we held interviews with the Chairwoman of the Group’s board, the CEO, VPs, managers and employees, visits in Company premises, collection of documents, meetings with the ESG Forum, collection of data in various fields, drafting of policy documents, background studies, tours in the field, real estate benchmark study, review of international standards, collection of analyst metrics to improve the score, etc. Azrieli Group intends to report its ESG activity regularly and transparently, once every two years. In accordance with the GRI reporting standard, we performed a materiality analysis with stakeholder engagement and validation vis-à-vis management, while updating the Group’s material topics since the previous ESG report. The topics were approved by the ESG Forum, representatives from all of the departments and the highest management.

This report was prepared with the assistance of Good Vision - a Corporate Responsibility Consulting Firm, a member of the Fahn Kanne & Co. Grant Thornton Group, a GRI organizational Stakeholder and a member of the SASB Consultant Content Program.

For any questions or enquiries regarding the report, contact:

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We would like to take this opportunity to thank all those who invested their time and helped with the data collection, analysis, drafting and design of the report.

Editing and copywriting: Publishares – Brand Content Ltd.
Translation into English: Legal Translations Ltd.

In 2018, we performed a process for identification of our material topics in line with the GRI reporting standard. In 2022, in order to update the Group’s material topics since our last ESG report, in accordance with the GRI reporting standard, and after reviewing global literature and an industry-wide benchmark, we performed a materiality analysis with stakeholder engagement and validation vis-à-vis management. We place great importance on updating the material topics from time to time to guide the Company’s conduct and to highlight the issues with the most significant impact on the Company’s activity. It is also important to us to fully engage our stakeholders in the process, as part of our sustainability and ESG strategy as a company.

Our Material Topics

List of the material topics:

<table>
<thead>
<tr>
<th>Report Topic</th>
<th>Chapter</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable construction design</td>
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