

Azrieli Group Ltd.

Officer Compensation Policy

1. Introduction

1.1. General Background

- 1.1.1. The Compensation Policy concerns the Terms of Office and Employment of Officers of Azrieli Group Ltd. only.
- 1.1.2. The Compensation Policy was prepared bearing in mind the side of the Company and nature of its operations, the objectives of the Company, its work plan and risk management policy, as defined by the Company's board of directors ("**Board**").
- 1.1.3. The Compensation Policy is intended to provide a sufficiently broad framework to allow the Company's Compensation Committee, Board and CEO, as applicable, to determine a personal compensation plan for each one of the Officers, according to the Company's needs and in keeping with the best interests of the Company, its employees and its shareholders and the Company's overall long-term strategy.
- 1.1.4. The Compensation Policy specifies the principal considerations that guided the Compensation Committee and the Board in its formulation, as well as the rules for implementation of their decisions regarding the grant of compensation to all Officers of the Company and to each of them separately. The various compensation components are intended to encourage and secure the continued employment of the Company's Officers, as well as to allow for the recruitment of new officers who are able to contribute to the Company and the values of excellence and integrity it has set as a maxim, to promote its business goals, to adhere to the high standard of corporate governance that serves as its guiding principle, all while maintaining an appropriate relation between the Company's performance and the salary and compensation granted to Officers.
- 1.1.5. If and insofar as, after approval of the Compensation Policy in accordance with the provisions of the Companies Law, relaxations are determined in the Companies Law, regulations or orders issued thereunder and/or position statements of the Israel Securities Authority (ISA) in relation to mandatory requirements or threshold conditions that are required to be included in the Compensation Policy as of the date of approval hereof, such relaxations shall be deemed to be included in the Compensation Policy notwithstanding any other provision

stipulated herein, all subject to approval by the Board. Insofar as an amendment that is stricter with the Company is applicable, such update will not apply retroactively.

- 1.1.6. The Compensation Policy does not constitute an agreement in favor of any third party, and it does not confer on any serving or future Officer and/or director of the Company any legal rights vis-à-vis the Company, and the rights and obligations of any Officer and/or director shall be determined in an agreement between them and the Company, insofar as duly approved and signed.
- 1.1.7. The Compensation Policy is worded in the masculine gender for solely for convenience, and applies to men and women alike, without any distinction.
- 1.1.8. Nothing in the Compensation Policy shall derogate from the provisions of employment agreements and terms of office of Officers of the Company that were approved prior to the approval hereof. However, the renewal or update of such preexisting agreements and terms as well as the approval of discretionary bonuses under preexisting agreements shall be conducted bearing in mind the provisions of the Compensation Policy and/or in accordance with any law.
- 1.1.9. The Compensation Policy shall be revised as needed and approved once every 3 years, as required by the Companies Law in this regard.
- 1.1.10. The Compensation Policy shall apply to all Officers of the Company, which Officers may be Company employees and/or independent contractors that provide services thereto. Insofar as an Officer provides the Company services in consideration for management fees, the provisions of the Compensation Policy shall apply *mutatis mutandis*. The compensation shall be paid to the Officer against an invoice and the compensation components shall be calculated so as to conform, from an overall economic perspective, with the provisions of this policy, provided that this has no adverse effect on the Company's best interests, condition and plans. In this context, and unless specifically stated otherwise, wherever this policy mentions gross salary regarding an Officer providing the Company with services for management fees, the gross salary shall be calculated according to the result of the division of the monthly fixed compensation component, i.e. – the management fees, by a factor of 1.33.

1.2. **Definitions**

- 1.2.1. **“Company”** – Azrieli Group Ltd.
- 1.2.2. **“Group”** – The Company and the companies held thereby.
- 1.2.3. **“Companies Law”** – The Companies Law, 5759-1999.
- 1.2.4. **“Securities Law”** – The Securities Law, 5728-1968.
- 1.2.5. **“Remuneration Regulations”** – The Companies Regulations (Rules on Remuneration and Expenses for Outside Directors), 5760-2000.
- 1.2.6. **“Compensation Policy”** – This compensation policy.
- 1.2.7. **“Compensation Committee”** – The compensation committee the composition of which is as required by law, as specified in Section 118A of the Companies Law. An audit committee that satisfies the conditions required by law for this purpose may additionally serve as the compensation committee.
- 1.2.8. **“Officer”** – As defined in Section 1 of the Companies Law.
- 1.2.9. **“Terms of Office and Employment”** – As this term is defined in the Companies Law.
- 1.2.10. **“Monthly Employment Cost”** – The aggregate cost, in terms of employer cost, for a full-time (100%) position, of a fixed base payment per month together with all the fixed related benefits per month, and together with the ‘13th salary’ insofar as paid. It is clarified that the reimbursement/payment of expenses, including vehicle, telephone and communication expenses, bonuses (whether cash or equity-based), special related benefits, V.A.T. (in the case of payment against invoice) are not included in the monthly employment cost.

2. **Considerations, Criteria and Provisions for Examination and Determination of the Terms of Office and Employment of Officers**

As part of the examination of the terms of office offered to Officers, the authorizing functions in the Company will examine the following considerations among others:

2.1. **Considerations**

- 2.1.1. Promotion of the Company’s objectives, work plan and policies from a long-term perspective.

- 2.1.2. Creation of proper incentives for the Company's Officers, considering, *inter alia*, the Company's risk management policy.
- 2.1.3. The size of the Company and the nature of its operations.
- 2.1.4. For the purpose of Terms of Office and Employment that include variable components – the contribution of the Officer to the accomplishment of the Company's goals and maximization of its profits, and all from a long-term perspective and in accordance with the position of the Officer.

2.2. **Factors that must be taken into account**

- 2.2.1. The Officer's education, qualifications, expertise, professional experience and achievements.
- 2.2.2. The Officer's position, responsibilities and previous compensation agreements signed with the Officer.
- 2.2.3. The ratio between the cost of the Terms of Office and Employment of the Officer and the Salary Cost¹ of other employees of the Company, and particularly the ratio to the average salary and median salary of such employees and the effect of the disparities between them on the working relationships in the Company.

The Compensation Committee and Board of the Company have conducted such an examination as of the date of approval of the Compensation Policy and have determined that the ratio² is reasonable considering, *inter alia*, the nature of the Company and its mix of employees, including the responsibilities of the Officers of the Company with respect to all of the Company's employees and not expected to affect the working relationships in the Company. The following table presents the aforesaid ratio as of the date of approval of the Compensation Policy:

¹ "Salary Cost" – Any payment for employment, including employer provisions, payments for departure, vehicle and vehicle usage expenses and any benefit or other payment.

² The calculation of such ratio included the Company's employees and Company Officers who receive consideration for holding office as Officers (with the exception of directors who receive compensation in accordance with the Remuneration Regulations). For the purpose of calculating the ratio, as relating to such Officers, the maximum possible variable compensation as specified in Section 4.4 below, albeit without the special bonus and equity compensation, was included in the Terms of Office and Employment, and as relating to the Company's CEO, the Terms of Office and Employment included were the ones presented for approval by the shareholders meeting in which this Compensation Policy is also presented for approval, without a special bonus, insofar as shall be approved in deviation from the currently-effective compensation policy.

Position	Ratio relative to the Average Salary	Ratio relative to the Median Salary
Active Chairman of the Board	12.3	22.2
CEO	22.9	38.9
Other Officers ³	Not over 3.7	Not over 7.1

2.2.4. Where the Terms of Office and Employment include variable components – the possibility to reduce the variable components according to the Board’s discretion and the possibility to determine a cap for the exercise value of equity-based variable components that are not cash-settled.

2.2.5. Where the Terms of Office and Employment include departure benefits – the term of office or employment of the Officer, the Officer’s Terms of Office and Employment during such term, the Company’s performance during such term, the Officer’s contribution to the accomplishment of the Company’s goals and the maximization of its profits and the circumstances of departure.

2.3. **For variable components of the Terms of Office and Employment:**

2.3.1. Basing the components on performance from a long-term perspective and according to measurable criteria and/or discretionary criteria, as specified in Section 5.3 below.

2.3.2. The ratio between the variable components and the fixed components and a cap for the value of variable components on the date of payment thereof, as specified in Section 6 below; however, for equity-based variable components that are not cash-settled – a cap for their value at the grant date thereof.

2.4. A clause whereby the Officer will repay the Company, on the conditions stipulated in the Compensation Policy, amounts that shall have been paid to the Officer as part of the Terms of Office and Employment, if they shall have been paid based on data that were found to be incorrect and were restated in the Company’s financial statements, as specified in Section 5.3.3.6 below.

2.5. A minimal term of holding or vesting of equity-based variable components in the Terms of Office and Employment, addressing proper incentives from a long-term perspective, as specified in Section 5.3.4 below.

³ With the exception of directors who receive compensation in accordance with the Remuneration Regulations.

2.6. A cap for departure benefits, as specified in Sections 5.2.8 and 5.2.9 below.

3. **Mapping of Positions of Company Officers to which the Compensation Policy applies**

3.1. The Compensation Policy applies to the Company's Officers as exist from time to time.

A switch from employment relations to a service provision relationship and vice versa by Officers of the Company in any position (including ones if they are controlling shareholders or relatives of controlling shareholders), all without the Company's employment costs increasing due to the change of the form of engagement, will not require approval by the general meeting of shareholders and will be approved by the Compensation Committee only.

4. **Compensation of Officers of the Company**

The total compensation of Officers may comprise several components:

- 4.1. **Fixed base payment** – This is intended to compensate Officers for the services provided to the Group and the time dedicated to the performance of their job on an ongoing basis. The base pay takes the Officer's qualifications into account as well as the demands of the position and the responsibilities and authorities borne by the Officer. In addition, insofar as concerning an incumbent Officer, the Officer's term of office and the unique experience the Officer has accumulated at the Group and the need to retain the Officer will also be examined.
- 4.2. **Fixed related benefits** – Some of these benefits are defined and determined by law (e.g., pension savings, provisions for severance, income protection insurance, days of leave, sick leave, recuperation, etc.) and some arise from market conditions or a generally accepted practice in the job market relevant to the Company's Officers (e.g., study fund savings).

The cap for the Monthly Employment Cost of Officers of the Company shall be as follows (NIS in thousands):

Position	Monthly Employment Cost Cap
Active Chairman of the Board	330(*)
CEO	389(**)
Deputy CEO or VP or other non-director Officers	300(**)

(*) The said amount will be linked to the rate of increase of the Consumer Price Index (CPI) for May 2022 as released on June 15, 2022,

plus an increase of 5% every year on top of the said cap from August 2022 (over and above indexation).

(**) The amounts will be linked to the rate of increase of the Consumer Price Index (CPI) for February 2024 as released on 15 March 2024, plus an increase of 5% every year on top of the said cap (over and above indexation).

- 4.3. **Special related benefits** – Special related benefits may be added to the related benefits (e.g., vehicle use, cell phone and communication expenses, signing bonus, exemption, indemnification and insurance, prior notice and departure benefits, holiday gifts, expense reimbursement and other benefits), which are not included in the Monthly Employment Cost cap.
- 4.4. **Variable compensation** – This compensation is intended to reward Officers for their achievements and contribution to the accomplishment of the Company's goals during the period for which the variable compensation is paid. The weight of this component in the total compensation package may vary between one Officer and the next.

Cash variable compensation component – An annual, measurable and/or discretionary incentive, which is based on the Group's performance from a long-term perspective and on the Officer's contribution and incentivizes the Officer to act for promotion of the Group's business results, in general, and for promotion of the business matters entrusted to and within the responsibility of the Officer by virtue of the Officer's position, in particular.

Equity-based variable compensation component – An incentive that ties the Officer's compensation to the creation of value for the Company's shareholders and is designed for incentivizing the Officer to promote the best interests of the Company and the best interests of the stakeholders thereof and the maximization of its profits in the long term.

In order to ensure correspondence between the entire compensation package and the contribution of the Officer, the Compensation Committee and the Board, when deliberating approval, will be presented with each one of the components of the Officer's compensation and the Officer's entire compensation package.

The cap for the value of variable components of Officers of the Company shall be as follows (on an annual basis)⁴:

Position	Variable Components		
	Annual Bonus (including a Discretionary Bonus)****	Special Bonus***	Equity Compensation*
Active Chairman of the Board	An amount equal to 9 times the Monthly Employment Cost (without a discretionary bonus)	-	-
CEO**	A total equal to up to 12 gross salaries, of which up to 3 times the gross salary may be designated for a discretionary bonus	-	A total equal to up to 18 gross salaries for every year of vesting
Deputy CEO, VP or other non-director Officers	A total equal to up to 12 gross salaries, as a measurable bonus, of which up to 3 times the gross salary may be designated for a discretionary bonus	A total equal to up to 18 gross salaries <u>during the term of the compensation policy</u>	A total equal to up to 6 gross salaries for every year of vesting

* As concerns the calculation of the equity-based variable component, as listed in the above table, the aggregate annual fair value of the equity compensation to be granted to Company Officers, at the grant date, which will be valued according to the total economic value at the grant date divided equally by the number of years until full vesting, and which is not necessarily consistent with the expense amounts recorded in the financial statements according to the accounting principles applicable to the Company. In cases of cash-settled equity compensation (such as “phantom” options), the total fair value of the equity compensation will be calculated according to the total economic value at the payment date (as opposed to the value at the grant date).

⁴ The gross salary, for the purpose of calculating the cap of the bonuses (annual, special, and equity) according to this section, with respect to Company Officers (who are not the Chairman of the Board) who provide services to the Company in consideration for management fees, shall be the result of the division of the fixed monthly compensation component, i.e. – management fees, by a factor of 1.33.

** In any case, in no calendar year will the bonuses in total (cash and equity) exceed 30 times the gross salary in the aggregate.

*** A special bonus will be paid, insofar as paid, for exceptional one-time events as specified in Section 5.3.2 below.

**** The gross salary ,for the purpose of calculating the annual bonus, shall be the gross salary as of 31 December of the year of the relevant bonus.

5. **Compensation Components**

5.1. **Base pay (fixed components)**

5.1.1. **Setting the base pay for Officers**

An Officer's base pay will be determined during the negotiation toward hiring the Officer to hold a position with the Company, will be updated from time to time according to the Company's practices and, together with the related benefits, will be within the range specified in this policy and subject to the provisions of the law. The pay level determined, within the aforesaid range, will reflect the qualifications of the intended or incumbent Officer (as applicable) and the degree of the Officer's suitability for the demands of the position held or intended to be held by the Officer.

5.1.2. **Principles for periodic examination and update of the compensation**

5.1.2.1. To the extent necessary and according to the discretion of the Company's management, the compensation of Company Officers will be examined and updated, and such update shall be presented for approval by the Company's institutions required by law.

5.1.2.2. An immaterial change in the Terms of Office and Employment of an Officer directly reporting to the CEO of the Company, as provided in Section 272(c)-(d) of the Companies Law, which meets the limits set forth in the Compensation Policy, shall be approved by the Company's CEO alone. It is clarified that an update of the monthly salary for an Officer reporting to the CEO of the Company meeting the caps determined in Section 4.2 above, shall be deemed as an immaterial change in the terms of office.

5.1.2.3. In the event of an Officer employed in a part-time position, the amounts will be calculated

proportionately, according to the partialness of the position, but the competent organs may decide to pay the Officer more than the proportionate amount resulting from such calculation.

5.2. **Related and additional benefits for Officers**

In addition to the base pay, the Company may bear social and other related benefits as specified below, which will be determined in accordance with the relevant criteria and considerations listed in Section 2 above and will be subject to the provisions of any law, including expansion orders, to the extent applicable to the Company:

- 5.2.1. **Pension provisions, income protection insurance and study fund** – The Company may make provisions for a pension fund, managers' insurance, study fund and/or income protection insurance according to the provisions of the law or the practice applicable to this matter.
- 5.2.2. **Vehicle** – The Company may make a vehicle available to the Officer for the purpose of performing the Officer's duties or pay the Officer an equivalent amount *in lieu* of the vehicle. Where the Company provides a vehicle to the Officer as noted, it may, according to its discretion, bear the expenses of its maintenance (subject to the Company's procedures as established from time to time) and may also gross-up the value of the benefit for tax purposes.
- 5.2.3. **Cell phone** – The Company may make a cell phone device available to the Officer for the Officer's use. The Officer will be entitled to reimbursement of all maintenance and usage expenses of the cell phone. The Company may gross-up the value of the benefit for tax purposes.
- 5.2.4. **Annual leave** – Officers will be entitled to such annual leave as specified in their respective personal employment agreements, up to a cap of 30 days per year and no less than as prescribed by law, including entitlement to accumulate days of leave and to cash out days of leave.
- 5.2.5. **Sick leave** – Officers will be entitled to such sick leave as specified in their respective personal employment agreements, up to a cap of 35 days per year and no less than as prescribed by law, including entitlement to accumulate sick days and with no entitlement to cash out sick days.
- 5.2.6. **Recuperation pay** – Officers will be entitled to such recuperation pay and such recuperation day value as specified

in their respective personal employment agreements, up to a cap of 30 days per year and no less than as prescribed by law.

5.2.7. **Other benefits** – The Company may grant Officers, from time to time, additional reasonable related benefits and other benefits (e.g., holiday gifts, medical/dental insurance, comprehensive annual medical checkups, subscription to professional literature, subscription to economic newspapers, training, seminars, including payment of the costs of academic studies, professional bodies' membership fees, professional liability insurance, internet connection, 10bis/Cibus card (or similar arrangements), etc.), as per the Company's standard practice, including gross-up of the value of such benefits for tax purposes.

5.2.8. **Office termination conditions** – Each of the Officers is entitled to prior notice as specified under their respective personal employment agreements and no more than a prior notice period of 6 months for Officers.

During and up to the expiration of the prior notice period, the Officer will continue to work at the Company, unless the Company chooses not to engage the Officer during this period or to engage the Officer for a shorter period, in which case the Company may (but will not be obligated to) pay the consideration owing to the Officer *in lieu* of prior notice, in one payment, upon the Officer's actual departure.

5.2.9. **Adjustment period** – The Company may grant Officers an adjustment period that will be determined for every Officer on an individual basis (if determined), during which period they will continue to be entitled to their Terms of Office and Employment as noted above, without being required to continue performing their duties at the Company in practice, which period shall be no longer than 9 months of gross salary for the CEO and 6 months of gross salary for other Officers (except for the Active Chairman of the Board), over and above the prior notice period. The Company may (but will not be obligated to) pay the adjustment period terms, in whole or in part, at once.

It is clarified that in any case, the prior notice period under Section 5.2.8 above and the adjustment period under Section 5.2.9 above shall not exceed 12 months in the aggregate for any Officer of the Company.

5.2.10. **Signing bonus** – The Company's Compensation Committee and Board will have the power to authorize, in special circumstances

that justify the same, a one-time signing bonus during the Compensation Policy period for Officers the amount of which shall not exceed 6 times the Monthly Employment Cost.

- 5.2.11. **Severance pay** – Officers will be entitled to severance pay under the Severance Pay Law, 5723-1963, including in accordance with the provisions of Section 14 of the Severance Pay Law, 5723-1963 and subject to the Company’s discretion, as specified in the Officers’ respective employment agreements.
- 5.2.12. **Reimbursement of expenses** – Officers will be entitled to reimbursement/payment of expenses actually expended by them in the context of their duties in accordance with the Company’s policy (including the Company’s policy on capping of such reimbursement) as determined from time to time.
- 5.2.13. **Use of private flight services** – The Company may procure international private flight services for Officers, in the context of their duties in the Company. Flight services shall be acquired from a third party that is not related to the Company and the Company shall bear all the expenses involved in the operation of the flight.
- 5.2.14. **Liability insurance, indemnification and exemption** – The Company may insure the liability of Officers who are serving and/or will serve thereat from time to time, including in respect of their holding office on behalf of the Company or per its request as officers of any of the companies of the Group, by directors and officers’ liability (D&O) insurance, including Officers who are controlling shareholders or relatives of controlling shareholders and the Company’s CEO. Furthermore, the Company may grant such Officers or any of them letters of indemnification and/or exemption in such standard form as used by the Company from time to time, provided that the exemption undertaking not apply to a resolution or transaction in which the controlling shareholder of the Company or an Officer of the Company has a personal interest.
- 5.2.14.1. Without derogating from the foregoing, Officers will be covered by such D&O insurance as shall be acquired by the Company from time to time.
- 5.2.14.2. The aggregate liability cap in such insurance policies shall not exceed \$150 million per claim and for the term of the insurance.
- 5.2.14.3. The amount of the annual premium paid by the Company and the amount of the deductible will be

in keeping with market prices at the date on which the relevant policy is taken out and at a cost that is not material to the Company.

- 5.2.14.4. Furthermore, subject to the provisions of the Companies Law and the Company's articles of association, Officers of the Company may receive insurance coverage under a D&O insurance policy, including a "Claims Made" insurance policy, or any other insurance coverage to apply to Officers of the Company.
- 5.2.14.5. D&O run-off insurance – In a case where the Company sells its operations (in whole or in part) and/or in the event of merger of the Company, split or entry into another significant business combination, the Company may acquire a D&O run-off insurance policy for the directors and Officers who shall have served in relation to the relevant operations, subject to the following conditions: (a) The insurance period will not exceed 7 years; (b) The amount of the insurance coverage will not exceed \$150 million nor fall below the cap of the previous policy; (c) The premium and deductible to be borne by the Company will be in keeping with market prices and at a cost that is not material to the Company.
- 5.2.14.6. It is clarified that any purchase or renewal of any officers' insurance policy as noted above during the term of the Compensation Policy shall not be presented for further approval by the Company's shareholders meeting, provided that the Compensation Policy shall have been duly approved and that the Company's Compensation Committee shall have confirmed that the insurance policies being purchased do indeed satisfy the conditions specified above in the Compensation Policy.
- 5.2.14.7. Notwithstanding the foregoing, the Company may increase the liability cap of any insurance policy over and above the said amounts as long as the annual premium for the Company's insurance policies and the amount of the deductible are in keeping with market prices and at a cost that is not material to the Company.

5.2.14.8. Letters of exemption and indemnification to Officers, including Officers who are ad/or are among the controlling shareholders of the Company and the Company's CEO, shall be given according to The Company's standard practice and with identical language for all the Officers in the Company.

5.3. **Variable components**

5.3.1. **Annual bonus in cash (including a discretionary bonus)**

5.3.1.1. The Company may grant Company Officers bonuses, both according to criteria that are based on measurable targets ("**Measurable Bonus**") and according to discretion based on unmeasurable criteria ("**Discretionary Bonus**") in accordance with the following criteria and up to the maximum amounts specified in Section 4.4 above. It is noted that the eligibility for the Measurable Bonus with respect to Officers reporting to the CEO shall be determined according to the recommendation of the Chairman of the Board and the Company's CEO and approved by the Compensation Committee and the Board, and with respect to the Company's CEO, it shall be determined according to the recommendation of the Chairman of the Board and approved by the Compensation Committee and the Board. It is clarified that bonuses will not be deemed as salary for any intent or purpose and will confer no social benefits.

5.3.1.2. The annual bonus will be a Measurable Bonus and/or a Discretionary Bonus. As concerns the Company's Officers, the Discretionary Bonus component shall not exceed three gross salaries and as concerns the Active Chairman of the Board – targets for the grant of a Measurable Bonus may be determined also for a period that is longer than a year.

The Measurable Bonus will be calculated according to compliance with financial and/or strategic/functional targets as specified below, with the proportionate weight of the financial targets as compared with the strategic/functional targets determined by the relevant organs in relation to every Officer in a manner allowing for consideration

of the financial targets or the strategic/functional targets only or a combination of both:

Financial targets – Financial targets are budgetary targets of the Group and/or of the relevant business operations, as applicable, which are determined every year in the Company’s annual work plan as approved from time to time by the Board, and they will be designated every year by the relevant organs in relation to every Officer during the first quarter of every year for which the Measurable Bonus is granted: Meeting of budgetary targets; meeting of FFO targets; meeting of NOI targets; return on capital; current cash flow; adjusted profit; balance sheet ratios. The degree to which each of the financial targets was satisfied will be scored according to a “scoring scale” that will reflect the degree to which the financial target (as approved from time to time by the Board) was accomplished in practice, according to the managerial reports in respect of the calendar year for which the Measurable Bonus is calculated. The total financial target score each year will be determined as a weighted average of the financial target scores, according to the weight of each financial target. The weight of each financial target will be determined by the relevant organs in relation to every Officer and in the event of combination of several financial targets the weights of all financial targets will total 100%. For the purpose of examining the degree to which the financial target was accomplished in practice, uncertain events may be discounted, as specified below.

Strategic/functional targets – Functional targets are targets required of the Officer in the context of the Officer’s duties in order to accomplish the Group’s strategic goals, and they will be designated every year by the relevant organs in relation to every Officer during the first quarter of every year for which the Measurable Bonus is granted. The degree to which each of the strategic/functional targets was satisfied will be scored according to a “scoring scale” that will reflect the degree to which the strategic/functional target was accomplished in practice. The total strategic/functional target score each year will be determined as a weighted average of the strategic/functional target scores, according

to the weight of each strategic/functional target. The weight of each strategic/functional target will be determined by the relevant organs in relation to every Officer, in the event of combination of several strategic/functional targets, the weights of all strategic and/or functional targets will total 100%.

Discounting of uncertain events – The Compensation Committee and the Board may “discount” the following events from the calculation of performance for the purpose of the bonus: Changes in accounting standards in the course of the year or in interpretation by the accounting bodies or ISA with respect to the manner of application thereof, early application of accounting standards, an event that requires restatement of the comparable figures of previous years or previous quarters which has an effect on the results of the reported period, and the like; discounting of the effect of accounting results that were not budgeted, such as: mergers, acquisitions or dispositions; discounting of the effect of issues or bond raising or redemption of securities that were not budgeted; discounting of the effect of *force majeure* events and/or security events that have a material effect on the results of the Group during the reporting period; closedown of all or some of the Company’s properties due to an external event (such as the decision of a government agency); regulatory changes in the business environment; changes in the tax rates imposed on the Group (“**Discounted Events**”). Discounting the effects of the Discounted Events may increase or decrease the bonus according to the nature and effect of the Discounted Event.

- 5.3.1.3. The bonus of every Officer will be determined according to the degree to which the Officer met targets determined for the Officer for a up to one year (or longer, if so determined by the work plan), ending in the year for which the bonus is paid. In addition, a precondition to payment of the Measurable Bonus which is based on achievement of financial targets is conditioned on achievement of 90% of the financial targets as determined for each one of the officers by the relevant organs. The officer's entitlement shall be calculated linearly according to the percentage of achievement of the

financial targets, such that, insofar as the Measurable Bonus as determined for the officer is based on achievement of financial targets and achievement of strategic/functional targets then, for full achievement of the financial targets, the officer shall be entitled to the full proportionate portion of the Measurable Bonus which is based on achievement of financial targets, and for achievement of 90% of the financial targets, the officer shall be entitled to 90% of such proportionate portion. ;~~s~~Such targets will be determined as forward-looking targets that do not take into account previously accomplished results or performance.

Notwithstanding the foregoing, the competent organs relevant for the purpose of setting the targets for any of the Officers may decide to make retroactive changes in the targets set for certain Officers, insofar as certain events shall have occurred during the year's course which give rise to the need to update and/or adjust the predetermined targets.

Furthermore, notwithstanding the foregoing, the relevant organs may authorize the applicability of the Compensation Policy to the bonuses of Officers, including the Active Chairman of the Board, for the entire year of 2024 (rather than only as of the date on which it takes effect).

5.3.2. Special bonus

- 5.3.2.1. The Company's Board, at the recommendation of the Compensation Committee (after a recommendation from the Chairman of the Board and the CEO) shall be entitled to decide on the grant of a special bonus ("**Special Bonus**") to an Officer (one or more) reporting to the CEO. The following are examples, which do not constitute a closed and exhaustive list, of events which may be considered events that may entitle the Officers to a Special Bonus: carrying out special projects, such as a strategic agreement related to the Company's operations, identifying opportunities, exceeding performance targets, including due to another business move/s which have a significant impact on the Company, investing an unusual and exceptional

effort in promoting and implementing a project of the Company, and in the event of new material investments / acquisitions and/or material sales and/or dispositions and/or a development on a material scale to the Company.

- 5.3.2.2. The Special Bonus will be awarded considering the Officer's contribution to the promotion of the Special Bonus event, the contribution of the event which is the subject of the Special Bonus in creating value for the Company's investors in the long term, and the total compensation to which the Officer is entitled after the end of the Special Bonus event.
- 5.3.2.3. It is emphasized that the Special Bonus is in addition to the Annual Bonus and shall not exceed a cap of 18 gross salaries during the term of the compensation policy.
- 5.3.2.4. **The competent organs for setting Measurable Bonus targets**

The authority for setting Measurable Bonus targets for Company Officers shall be as follows:

Officer	Competent Organ for Authorizing Measurable Targets for the Grant of Bonuses
Active Chairman of the Board	The Compensation Committee, the Board and the general meeting (apart from the following exceptions)
CEO	The Compensation Committee and the Board
The rest of the Officers	The CEO

Notwithstanding the foregoing, the Compensation Committee and the Board may set targets for the bonus of the Active Chairman of the Board in either of the following cases:

- 5.3.2.4.1. Approval of measurable targets that are based on data found in the financial statements (including by way of calculation) that uniformly apply to the Chairman of the Board and to at least 2

other Officers (the “**Other Officers**”), provided that all of the following are satisfied:

- (a) The potential bonus that may be derived for all the Other Officers together is at least 2 times the potential bonus that may be derived for the Active Chairman of the Board from the same targets.
- (b) The cost of the bonuses of the Active Chairman of the Board together with the Other Officers, when multiplied by the Company’s controlling shareholders’ holding rate, is at least 2 times the sum of the bonus to which the Active Chairman of the Board will be entitled if the targets are met.
- (c) The bonuses of the Active Chairman of the Board and the Other Officers will be subject to the same target/s in practice, not only to the same type/s of target/s, and the Other Officers will not be subject to targets that do not equally apply to the Active Chairman of the Board. The foregoing does not derogate from the fact that the bonus caps may vary for each of the Active Chairman of the Board and the Other Officers.

5.3.2.4.2. Approval of measurable targets for a bonus of immaterial amount upon satisfaction of all the following conditions:

- (a) The bonus is based on measurable targets only.
- (b) The amount of the potential bonus is not material (up to three times the Monthly Employment Cost).

(c) The targets were predetermined by the Compensation Committee and the Board.

(d) The decision is consistent with the Compensation Policy.

5.3.2.5. **The competent organs for the grant of Discretionary Bonuses**

The power to authorize the grant of Discretionary Bonuses to Officers of the Company shall be vested as follows:

Officer	Competent Organ for Authorizing Discretionary Bonuses
CEO	The Compensation Committee and the Board, in accordance with the recommendation of the Chairman of the Board
The rest of the (non-director) Officers	The Compensation Committee and the Board, in accordance with the recommendation of the Chairman of the Board and the CEO

5.3.3. **General provisions in connection with cash bonuses**

5.3.3.1. Bonus payment date – The bonuses which are paid in cash shall be paid shortly after the release of the annual financial statements for the year for which the bonus is being awarded (other than regarding the Special Bonus, which may be awarded to the Officers shortly after the completion of the Special Bonus event).

5.3.3.2. Payment schedule – The Board will reserve the right to annually review the timing of the payment of bonuses which are paid in cash, their payment in installments over the following years and their conditioning on the continued employment of the Officer on the date of actual payment.

5.3.3.3. Bonus reduction – It is clarified that the Compensation Committee and Board may, according to their absolute discretion, decide to grant a bonus amount smaller than the amount authorized for the Officer or to grant no bonus at all

to the Officer, in the event of special circumstances justifying such reduction. Such circumstances may include, inter alia, negative business results of the Company which were not reflected in the bonus formula, changes for the worse in the state of the economy in Israel and globally, and a disparity between the results of the bonus formula and the assessment of the Officer's contribution.

- 5.3.3.4. The Compensation Committee and the Board shall be entitled to revoke the entitlement of an Officer to a bonus in the event of termination of employment by the Company under circumstances that confer, according to law, the right to fire an employee without payment of severance pay.
- 5.3.3.5. Proportionate bonus or no entitlement – In a case where it is decided to pay a bonus relating to a calendar year in the course of which employment relations between the Officer and the Company shall have been terminated, the aforesaid criteria will be proportionately updated according to the actual term of employment of the Officer that year.
- 5.3.3.6. Clawback – If and insofar as it transpires after the fact, in the course of the three-year period following the date of payment of the annual bonus, that the data on which the Company relied when granting the annual bonus were incorrect and are required to be restated in the Company's financial statements, the Officer will then repay the Company the difference between the amount of the bonus paid to the Officer based on such incorrect data and the amount of the annual bonus to which the Officer is entitled based on the data so restated. The manner of repayment of the amounts to the Company, including the repayment dates, indexation and so forth, will be determined by the Compensation Committee and the Board. Such clawback will not apply in the event of restatement of the Company's financial statements that results from a change in accounting standards.
- 5.3.3.7. For the avoidance of doubt, if a bonus is paid to an Officer pursuant to the Compensation Policy, it neither does nor will constitute part of the Officer's salary nor will it serve as a basis for calculation and/or entitlement and/or accrual of any related

benefit, and *inter alia* (without derogating from the generality of this provision), it will not serve as a component for the purpose of leave pay, severance pay, provisions to provident funds and the like, unless it shall have been preapproved in the context of the employment agreement by the Compensation Committee and the Board.

5.3.4. **Equity compensation**

Subject to approval by the competent organs in the Company, the Company may offer Officers participation in a plan for the grant of equity compensation of the Company, including Company stock options, stock⁵, restricted stock, restricted stock units, phantom options, and the like. The grant or vesting of restricted stock or restricted stock units will be contingent on compliance with performance targets in accordance with the nature of the Company's operations and their value, in any case, shall not exceed 25% of the total equity compensation granted to Officers of the Company. The grant of equity compensation will be in keeping with the then-effective plan for the grant of equity compensation, as adopted from time to time, and in keeping with the following principles:

- 5.3.4.1. The maximum economic value (at the date of the Board's allotment resolution) of all options to be granted to an Officer in a calendar year will not exceed the amounts specified in the table in Section 4.4.
- 5.3.4.2. Exercise price – In the case of option allotment, the exercise price shall be the average price of the Company's stock on the Tel Aviv Stock Exchange during the 30 trading days preceding the date of the board's resolution on the granting of the options⁶. Without derogating from the generality of the foregoing, it is clarified that subject to the resolution of the Board, in circumstances where the allotment of securities to a certain Officer requires approval by

⁵ Insofar as restricted stock and/or restricted stock units (RSU) are granted, their granting shall be conditioned on performance targets relevant to the nature of the Company's operations. Notwithstanding the foregoing, the competent institutions of the Company shall be entitled to approve the grant of ~~determine that such~~ restricted stock ~~and/or restricted stock units shall be granted as aforesaid~~ which are not conditioned on performance, insofar as ~~they constitute "compensation" for a low fixed component~~ their fair value on the grant date shall not exceed the higher of 25% of the equity bonus cap or three gross salaries.

⁶ Subject to adjustments of the exercise price which will be determined in the context of the Company's equity compensation plan, including (but not only) adjustments for dividend distribution, bonus stock, changes in capital, rights offering, restricting of the Company, etc.

the general meeting, the exercise price may be calculated, in accordance with the aforesaid principles, in relation to the date of approval by the general meeting. Furthermore, in circumstances where the specific plan of a certain Officer determines a specific grant date which is later than the date of approval by the Board or general meeting (as applicable), the exercise price may be calculated, in accordance with the aforesaid principles, in relation to the grant date specified in the plan.

- 5.3.4.3. The Board may determine instructions regarding the full acceleration of the vesting periods of the equity compensation in the events of death, disability, medical reasons, and in the event of change of control in the Company, as a result of which the trading of the Company's stock is stopped. Furthermore, the Board may determine instructions regarding the acceleration of the vesting periods of the equity compensation in the event of the termination of an Officer in the Company due to ~~death, disability or~~ change of control, and in such event the acceleration of the next portion of securities that has not yet vested by the said event, shall be allowed.
- 5.3.4.4. Vesting period – The vesting period of securities will be no less than 3 years as of the grant date thereof linearly over the vesting period, subject to the vesting period with respect to one portion shall be no less than 12 months from the grant date.
- 5.3.4.5. Exercise period – The Company shall be entitled to grant securities that may be exercised within a period of no more than ten (10) years as of the grant date thereof (provided that they have not expired earlier), and the Company will establish provisions in relation to the expiration of all or some of the options in the event that the Officer ceases to be employed by the Group and/or provide services to the Group.
- 5.3.4.6. The maximum dilution rate due to securities to be granted in the context of such plan, during the term in which the Compensation Policy is effective, shall not exceed 5% of the issued capital of the Company at the time of grant of the securities and taking them

into account and shall not exceed the fair value specified in the table in Section 4.4 above.

- 5.3.4.7. Furthermore, the Company may establish a mechanism whereby at the exercise date, the securities holder will receive the benefit to which the holder is entitled in the amount of the difference between the price of the Company's stock at the exercise date and the exercise price determined for the securities, without being required to actually pay the exercise price (a cashless mechanism).
- 5.3.4.8. It is possible that the Company will stipulate that the vesting of all or some of the options of any of the option recipients will be contingent on the achievement of targets to be determined at the allotment date, subject to and notwithstanding the provisions of Section 5.3.4.4 above regarding determination of vesting periods.
- 5.3.4.9. In the event of termination of the employment of an Officer whose term of employment with the Group exceeds 5 years (other than in circumstances of dismissal of the Officer which the Compensation Committee and the Board deem as granting the Company a right to dismiss the Officer without severance pay by law), the Company may, with the approval of the Compensation Committee and the Board, determine that the Officer will be entitled to early vesting of an equity grant that will vest within ~~12-6~~ months of the employment termination date, and may also extend the period for exercise of the equity grant by an additional period of up to 180 days.
- 5.3.4.10. The aforesaid principles reflect the main terms and conditions of the equity compensation of the Officers in the Company. The other provisions relevant to granting the equity compensation (including provisions regarding taxation, adjustment of the exercise price, the manner of execution etc.) shall be determined in the context of an equity compensation plan and/pr in the equity compensation granting documents which will be approved by the Company's Board.
- 5.3.4.11. The Compensation Committee and the Company's Board shall be entitled to determine additional

instructions in connection with the equity compensation granting plan and/or the equity compensation granting documents, and also update their terms and provisions from time to time, provided that the aforesaid change or update does not deviate from the provisions of this Compensation Policy.

6. **The Ratio between Variable and Fixed Components in the Compensation Package**

The mix of compensation components is designed to create a balance and proper proportion between the fixed compensation and the variable compensation of Officers, with the aim of creating an appropriate compensation package and a proper incentive for Officers. Accordingly, the Company believes that the ratio between the fixed compensation components and the variable compensation components in any calendar year should be as follows⁷:

- 6.1. For an Active Chairman of the Board (who is not entitled to equity compensation) – The variable compensation component shall not exceed 51% of the total annual compensation package.
- 6.2. For the CEO – The variable compensation component shall not exceed 67% of the total annual compensation package.
- 6.3. For the rest of the (non-director) Officers – The variable compensation component shall not exceed 67% of the total annual compensation package.

7. **Compensation of directors**

Outside directors and other directors, who do not receive a salary or management fees, shall be compensated in accordance with the Remuneration Regulations, with the amount of compensation determined in accordance with the Remuneration Regulations according to the Company's equity bracket as specified in the Remuneration Regulations (as being from time to time) and not exceeding the maximum limit prescribed by the Remuneration Regulations. The answer to the question whether the director is an expert according to the Remuneration Regulations' definition of "expert outside director" shall be taken into account for this purpose. Furthermore,

⁷ The variable compensation components are based on the variable compensation caps, as established in the Compensation Policy, with the equity component per year calculated according to the economic value, it being equally divided by the number of years until the full vesting. The ratios specified in this section below represent desirable compensation, but, in practice, the variable compensation component, both cash and equity-based, may be lower than the rates specified below (for example, in a year when an annual bonus is not awarded and/or as long as no equity grant is awarded), in which case, the fixed component may take a larger part in the compensation mix than the rates specified below.

such directors will be entitled to expense reimbursement in accordance with the Remuneration Regulations.

In addition, the directors shall be entitled to indemnification, exemption, and insurance under the same conditions as the other Officers in the Company, in accordance with the decisions of the competent organs in the Company.

Subject to the provisions of the law, the Company may enter into an agreement with a director (including the Chairman of the Board) who is not an outside director, whereby the director will be entitled to other compensation (for being employed by the Company or for services rendered to the Company) *in lieu* of or in addition to the directors' remuneration.

8. **Miscellaneous**

- 8.1. It is clarified that the compensation components specified in the Compensation Policy do not relate to various components occasionally given by the Company to all or some of its employees, such as parking spaces, vacations, Company events, and so forth, and the Company will not be restricted in connection therewith.
- 8.2. The Compensation Policy grants no legal rights to the Company's employees in general and the Company's Officers and directors in particular. It is clarified that the compensation components specified in the Compensation Policy serve merely as a framework and a top bar in relation to which the personal compensation plans of each of the Officers will be established. It is emphasized that the Company is not obligated to grant the Officers or any of them, including directors, all the components specified in the Compensation Policy (except as mandated by law) nor is it obligated to grant the maximum amount/maximum cap determined for each of the components. A case where an Officer is granted compensation that falls below the compensation described in the Compensation Policy for an Officer holding a similar position with the Company shall not constitute a deviation from the provisions of the Compensation Policy.
- 8.3. In this context, it is noted that exception or deviation from the Compensation Policy shall be approved by the competent organs of the Company in accordance with the provisions of the Companies Law.

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