



MirLand Development Corporation Plc.

(the "Company")

13 May 2018

To:
The Israel Securities Authority
www.isa.gov.il

To:
The Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Re: **Immediate Report for the Convention of an Annual and Extraordinary General Meeting of the Shareholders of the Company**¹

The Company hereby announces the convening of an annual² and extraordinary general meeting of the Company's shareholders, which will be held on Monday, the 18th of June, 2018, at 12:00 at the offices of the Company in Cyprus - Office 606 (6th floor), Nicolaou Pentadromos Centre, Thessalonikis St., 3025 Limassol Cyprus (the "**Meeting**" or the "**General Meeting**"). This Report below lists the matters on the Meeting's agenda as well as a summary of the related resolutions.

1. Matters on the Agenda of the Meeting and Summary of the Proposed Resolutions

1.1. Discussion and Approval of the Company's 2017 Annual Report

Presentation and discussion on the Company's consolidated audited financial statements (including the attached auditors' report) and the board report for the year ending 31 December 2017, as approved by the Company's board and published by the Company on 14 March 2018 (ref. no.: 2018-01-024-274) (the "**2017 Periodic Report**").

¹ This Immediate Report was prepared pursuant to the provisions of Section 36 of the Israel Securities Law, 5728-1968 (the "**Securities Law**"), applicable to the Company since its securities are issued to the public in Israel and listed for trade on the TASE. However, please note that due to the fact that the Company is incorporated under the laws of the Republic of Cyprus, in accordance with the provisions of Section 39A of the Securities Law, only the provisions of the Companies Law and the regulations enacted thereunder that are listed in the Fourth Schedule of the Securities Law apply thereto. In this context, please also note the manner of participation and voting in the meeting in accordance with the provisions of the Stock Exchange Bylaws and the regulations enacted thereunder, related to a foreign company as set forth below.

² Pursuant to the provisions of Cypriot law applicable to the Company regarding the convention of an annual meeting of shareholders of the Company, the results of the general meeting of the shareholders of the Company from 7.6.2017 (ref. no.: 2017-01-058272) the notice of which was published on 27.4.2017 (ref. no.: 2017-01-043461), and pursuant to regulation 10.4 of the current articles of association of the Company as published on 7.6.2017 (ref. no.: 2017-01-058275), the reappointment of directors serving in the Company (excluding external directors) is not limited by time and therefore there is no need to reappoint them in the framework of the general meeting of the shareholders of the Company.

1.2. Reappointment of the Company's Auditor and determination of their fees

Proposed Resolution: To reappoint the Company's accounting firm in Israel and Cyprus – Kost, Forer, Gabbay & Kasierer (Ernst & Young) – accountants, as the Company's auditors until the Company's next annual general meeting and to empower the Company's board to set the terms of their fees in accordance with the nature and scope of services to be provided to the Company.

1.3. Update the terms of employment of the Company's CEO

Proposed Resolution: To approve of the update to the terms of employment of Mr. Roman Rozental ("**Mr. Rozental**") as Company CEO in such a manner as to apply the provisions of Section 5.3 and Section 6.3 of the Remuneration Policy for Senior Company Officers, as approved by the general meeting of the shareholders of the Company, which are applicable to the CEO, to apply to the terms of his employment commencing as of 2017.

The current Remuneration Policy for Senior Company Officers is attached hereto as **Annex A** to this convention report and constitutes an integral part of this resolution no. 1.3 above.

Background

1.3.1. On 26 October 2017 the Company adopted a Senior Officer Remuneration Policy for a period of 3 years effective from such date and concluding on 25 October 2020 (the "**Remuneration Policy**"). For further details see the immediate report regarding the convention of a general meeting of the shareholders of the Company from 18.9.2017 (ref. no.: 2017-01-082693), as amended on 19.9.2017 (ref. no.: 2017-01-083146). For the approval of the Remuneration Policy by the general meeting of the shareholders of the Company see the immediate report dated 29.10.2017 (ref. no.: 2017-01-094492).

1.3.2. On 12.3.2018, the remuneration committee and board of the Company approved of the amendment to the terms of employment of Mr. Roman Rozental in such a manner that the provisions of Section 5.3 and Section 6.3 of the Remuneration Policy which relate to the CEO shall apply to the terms of his employment as of 2017. That stated above is subject to the confirmation of the general meeting of the shareholders of the Company which is being convened under this report which has this topic on its agenda.

1.3.3. For details regarding the terms of employment of Mr. Rozental, see regulation 21 of Chapter D of the 2017 Periodic Report.

1.3.4. As stated, the amendment to the terms of employment of Mr. Rozental are consistent with the Remuneration Policy of the Company as approved by the shareholders of the Company on 26 October 2017.

Necessary Approvals for the Proposed Resolution

1.3.5. On 12 March 2018, the remuneration committee of the Company unanimously approved of the amendment to the terms of employment of Mr. Rozental as stated above. All members of the remuneration committee participated in such meeting, as said: Ms. Maria Despina Erigarou (Chair of the Committee), Mr. Zeev Milbauer and Mr. Konstantinos Pandelides.

1.3.6. On 12 March 2018, the Company board unanimously approved of the amendment to the terms of employment of Mr. Rozental as stated above. All members of the Company board

participated in such meeting – Mr. Shouky Oren (Chairman of the board), Mr. Konstantinos Pandelides, Mr. Alexander Rengovin, Mr. David Zavida, Ms. Maria Despina Erigarou and Zeev Milbauer other than Roman Rozental who abstained from being present and voting in such meeting due to his personal interest in the resolution.

1.3.7. The resolution is furthermore subject to the approval of the General Meeting of the shareholders of the Company being convened under this report.

2. **Convening of the Meeting**

2.1. Place for Convening a Meeting and Date

The Meeting will be held on Monday, June 18, 2018, at 12:00 at the Company's offices in Cyprus - Office 606 (6th floor) Nicolaou Pentadromos Centre Thessalonikis St., 3025 Limassol, Cyprus.

2.2. The quorum for holding the Meeting

No discussion shall begin in a general meeting unless a legal quorum is present upon the Meeting's commencement. A legal quorum will be constituted at the Meeting when at least two (2) shareholders who hold or represent at least twenty-five percent (25%) of all of the votes in the Company are present, within half an hour of the time stipulated for the opening of the Meeting. If a legal quorum is not present at the General Meeting half an hour after the time stipulated for the Meeting, the Meeting will be postponed to the same day on the following week, at the same hour and location, or to a different day, time and place as determined by the Board of Directors (the "**Deferred Meeting**"). If there is no legal quorum at the Deferred Meeting half an hour after the time stipulated for the Meeting, and the Meeting will take place whatever the number of participants may be.

3. **The Majority Required to Approve the Proposed Resolutions**

3.1. For the approval of the proposed resolution detailed in Section 1.2 above, a regular majority of the participating and voting shareholders at the General Meeting is required.

3.2. The majority required for approving the proposed resolution specified above in section 1.3, pursuant to the provisions of Section 272(c1)(1) and 267A of the Israel Companies Law, consists of a simple majority of voting shareholders participating in the General Meeting, provided that at least one of the following has been achieved: (a) the majority of votes at the General Meeting include a majority of participating shareholders excluding shareholders having a personal interest or the Company's controlling shareholders; abstaining shareholders in such count shall not be included in the count; the provisions of Section 276 of the Israel Companies Law shall apply to shareholders having a personal interest, *mutatis mutandis*; (b) the total votes in opposition to that stated in subsection (a) above is no greater than a total of 2 percent of all of the total voting rights in the Company.

It should be pointed out that as of the date of this notice, to the best knowledge of the Company, the Company is without a core of control.

It should be clarified that in light of the fact that the Company is not a "*granddaughter of a public company*" as defined in Section 267A(c) of the Israel Companies Law, pursuant to Sections 272(c1)(1)(c) + 272(c)(3) of the Companies Law, the Company Board shall be entitled to approve of the update of Mr. Rozental's remuneration even in the event that the General Meeting opposes its approval, this being in the event that the Company's Remuneration Committee and subsequently Board resolve, on the basis of detailed reasons and after discussing afresh the commitment to update the terms of employment of Mr. Rozental, including the discussion on the opposition of the General Meeting.

4. **Record Date**

The record date for determining eligibility to participate and the right to vote in a Meeting in accordance with Article 3 of the Voting Regulations, as well as for voting by proxy, is the end of the trading day of the Company's securities on the Stock Exchange on Monday, May 21, 2018 (the "**Record Date**").

5. **Manner of Voting, Voting Ballot**

Due to the fact that the provisions of Section 88 and 132 of the Israel Companies Law regarding nominee companies do not apply with respect to the Company as a Cypriot company, shareholders that are interested in participating and voting at the General Meeting, are required to request such from the relevant stock exchange member by whom the Company's shares are being held, by indicating the number by which he wishes to vote, in order to receive the power of attorney from the nominee company of Israel Discount Bank Ltd. (the "**Nominee Company**") to participate and vote in the General Meeting, pursuant to the provisions of Section 12A(d)(3) of Chapter I, Part B, of the Stock Exchange Clearance Rules. A stock exchange member receiving such request, as stated, shall approach the Stock Exchange clearance house with a request to approve to the Nominee Company that as of the Record Date, such shares are registered in favor of the shareholders of the Stock Exchange clearance house. It should be clarified that pursuant to the provisions of Section 12A(d)(3) of Chapter I, Part B, of the Stock Exchange Clearance Rules, the Stock Exchange clearance house is not obligated to process requests served less than 72 hours prior to the General Meeting.

In light of the above, as of the date of this Report, the shareholders of the Company will not be able to vote at the Meeting through the electronic voting system. Insofar as the matter is resolved and voting in the electronic system becomes possible, the Company will publish an immediate report on the matter.

Shareholders who are entitled to participate in the Meeting and vote on the matter on the agenda will be able to do so in one of the following ways, as they choose: (1) to attend the Meeting and vote for it themselves; (2) to appoint a representative to attend the Meeting and to vote in their stead, in accordance with a letter of appointment and power of attorney; (3) to vote by means of a voting ballot attached together with this Invitation Report, constituting an integral part hereof - and all based on the confirmation of ownership and power of attorney from the Nominee Company attached thereto, as detailed in this Report.

A shareholder is entitled to request a copy of the voting ballot directly from the Company. The voting paper as published by the Company and is found in the addresses of the Securities Authority

and the Stock Exchange, as follows: the Distribution website of the Israel Securities Authority: www.magna.isa.gov.il (the "**Distribution Site**"); the website of the Stock Exchange: maya.tase.co.il.

In accordance with the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at the General Meeting), 5760-2000, a shareholder in whose favor a share is registered with a member of the Stock Exchange, and where that same share is included amongst the shares listed in the shareholder registry in the name of the Nominee Company, who wishes to vote in the Meeting, will provide the Company with confirmation from a Stock Exchange member regarding ownership of the share on the Record Date, at least four (4) hours before the time of the Meeting, together with a power of attorney from the Nominee Company, as required in the aforementioned regulations.

A shareholder whose shares are registered with a member of the Stock Exchange is entitled to obtain confirmation of ownership from the member of the Stock Exchange by means of whom he holds his shares at the branch of the Stock Exchange member or sent by mail to his address for the cost of sending it only, if he so requests. Requests in this regard shall be made in advance with respect to a specific securities account. Members of the Stock Exchange will send a link to the ballot on the Distribution Website by email, free of charge, to any shareholder who is not registered in the shareholder registry and whose shares are registered with that same member of the Stock Exchange, if the shareholder gave notice that he is interested in receiving such link and provided that the notice was given regarding a specific securities account and on a date prior to the Record Date.

A shareholder wishing to appoint a proxy to attend the Meeting and vote in his stead (the "**Proxy**") shall sign a letter of appointment. An agent is not required to be a shareholder of the Company himself. The letter of appointment shall be signed by the appointer or by his counsel who have written authority for the same, or if the appointer is a corporation – the appointment will be done in a written statement signed as required by law with the corporation's seal or with the signature of its authorized counsel. A letter of appointment of a proxy to vote and a power of attorney or a copy thereof certified by a notary shall be deposited at the offices of the Company at least forty-eight (48) hours prior to the date scheduled for the Meeting or for the Deferred Meeting.

Voting by means of a voting ballot shall be valid only if it is received at the Company's registered address, together with a confirmation of ownership of the unregistered shareholder and a power of attorney from the Nominee Company or a copy of an identity card, passport or certificate of incorporation, if the shareholder is registered in the Company's books, no later than four (4) hours prior to the date of convening the Meeting. Voting will be done on the second part of the ballot.

The notice shall be published on the Company's website in accordance with the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting in a Public Company and the Addition of a Matter on the Agenda), 5760-2000 ("**Notice and Announcement Regulations**").

6. **Addition of a Matter to the Agenda**

One or more shareholders with at least one percent (1%) of the voting rights in the Meeting may ask the Company's Board of Directors, in accordance with Section 66(b) of the Companies Law, to include an issue on the agenda of the Meeting, provided that the matter is suitable for discussion at

the Meeting, and in accordance with the schedule in Section 5A of the Notice and Announcement Regulations.

If the Board of Directors finds that a subject that has been requested to be included in the agenda as aforesaid is suitable to be discussed at the Meeting, the Company will publish an amended voting ballot together with an amended invitation report no later than seven (7) days after the deadline for the submission of a shareholder request to include a subject on the agenda. The updated agenda published in the Company's reports may be viewed on the Distribution website.

In accordance with the provisions of Cypriot law, where a matter is added to an agenda for a meeting in accordance with the provisions of this section (the "**Additional Matter**"), the meeting shall be held at least 14 days after the publication of the invitation including the Additional Matter for a resolution where the majority required is a simple majority, and at least 21 days in advance where the majority required for its approval is a special majority.

It should be clarified that the publication of the updated agenda (which includes the additional subjects), insofar as it is updated, does not change the Record Date as determined in the notice of convening the meeting.

7. **Details Regarding the Company's Representation Regarding the Handling of the Immediate Report**

The Company's representative for the handling of this Immediate Report is Adv. Idan Ezraty of the Steinmetz, Haring, Gurman & Co. Law Offices, 20 Lincoln St. (Rubinstein Tower, 12th floor), Tel Aviv 6713412. Telephone: 03-5670100; Fax: 03-5670101.

8. **The Place and Times at Which the Report Can Be Viewed**

Any shareholder of the Company may review the Immediate Report and the documents referred to therein at the office of the Company's attorneys, at Steinmetz, Haring, Gurman & Co. at 20 Lincoln St. (Rubinstein Tower, 12th floor), Tel Aviv, 6713412 after prior coordination between 9:00-16:00 (Tel: 03-5670100; Fax: 03-5670101), until the date of convening the Meeting.

MirLand Development Corporation Plc.

By:

Mr. Roman Rozental, CEO

Evgeny Steklov, CFO

MirLand Development Corporation Plc.

Officer Remuneration Policy

September 2017

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1. The Purpose of this Document and its Contents

This document is intended to define, describe and detail MirLand Development Corporation PLC's (the "**Company**") Company Officer Remuneration Policy, its components and manner of being determined. The policy refers to the entire compensation package of Company officers for their work and/or services provided by them to the Company or on its behalf (namely, including for them serving in their positions and/or for services provided by the Company officers to subsidiaries of the Company,¹ as part of their role as Company officers). This policy replaces and voids any previous Company policy that may exist prior to the adoption date of this policy.

The establishment of the Company's remuneration policy and its publication is intended on strengthening the scope of transparency of the Company's resolutions regarding the remuneration of its officers and to improve the ability of all of the shareholders to express their opinion and to influence the Company's remuneration policy.

For the avoidance of doubt, this document does not purport to grant any rights to an officer, present or future against the Company. The Company's officers will only be entitled to compensation solely in accordance with the terms of their individual employment agreements as approved and/or to be approved from time to time by the Company's authorised organs personally for each one of them, and in accordance with the law. It should be clarified that in the event that the terms of remuneration of a Company officer are substantially inconsistent with those of the Company's entire remuneration policy, such terms shall not be considered to be valid. Notwithstanding that stated in this policy, the Company's authorised organs may change, suspend, and cancel the policy and its terms at any time, in whole or in part (including all changes mandated by law that apply to the remuneration policy).

It is hereby clarified that the granting of any award whatsoever to any of the officers is at the Company's sole discretion and their approval constitutes an authorisation for the award of such a grant. This policy or any alternative one does not in any manner obligate the Company to pay any of the officers any payment whatsoever hereunder.

Without derogating from that stated above, it is hereby clarified that no bonus shall be considered a salary component by which the Company is obligated to make a contribution with respect to the social rights of the officers and such grant does not constitute the payment of a salary or salary equivalent.

¹ Excluding directors other than the active board chairman (if any).

The policy may at times be drafted using masculine language solely for convenience purposes; however, it is intended to apply equally to both men and women alike, without any change or distinction.

2. General Background

2.1. Objectives of the Officer Remuneration Policy

The Company officer remuneration policy is intended on aiding the achievement of the Company's goals and business plan in an ongoing manner while having a long-term perspective and to ensure that:

- The Company's officers' interests are as close as possible, and consistent with those of the Company;
- The Company can recruit and retain senior managers who have the ability to lead the Company to long-term commercial success for the fulfilment of the Company's objectives and to cope with the challenges facing it;
- The officers have the motivation to achieve a high level of commercial results, while considering, among other things, the Company's risk management policy;
- An appropriate balance is created between the different remuneration components – fixed vs. variable components, short-term vs. long-term.

2.2. The Validity and Applicability of the Remuneration Policy

The Company is a foreign company incorporated under the laws of the Republic of Cyprus. As of 22 December 2016 the Company's shares were registered on the Tel Aviv Stock Exchange. This remuneration policy has been drafted in accordance with the provisions of Section 39A of the Israel Securities Law, 5728-1968 (the "**Securities Law**"), which imposes on the Company, as a company which offers its securities to the Israel public, certain provisions of the Israel Companies Law, 5759-1999 (the "**Companies Law**") as set in the fourth addendum to the Israel Securities Law, including the obligation under Section 267 of the Companies Law to set a policy with respect to the terms of service and employment of officers (the "**Remuneration Policy**").

The Remuneration Policy shall apply for a period of 3 years (the "**Policy Term**"). Notwithstanding that stated above, the Company's Remuneration Committee and Board shall review the Remuneration Policy and its consistency with the provisions of the law from time to time, in the event that any material changes occur to the circumstances existing at the time the Remuneration Policy is set or for other

reasons. Amendments to this Remuneration Policy, if any, shall be approved in accordance with the law.

The Remuneration Policy shall apply to the terms of compensation of all of the Company's officers, which, as of the date of the adoption of this policy include the CEO, and VP's directly reporting to the CEO. This policy shall also apply to Company directors (including the Board Chairman).

2.3. The Commercial Environment

The Company operates, directly and by way of its consolidated companies in two primary areas of operations within the borders of the Russian Federation: (a) commercial real estate; and (b) residential real estate. The Company's operations in such areas include initiation, development, construction, leasing and management. This being from the initial stages of the acquisition of virgin lands, completion of the planning and approval processes, until completion of the construction of the projects and their sale or alternatively, them being leased and managed.

3. Officer Remuneration while considering the values and Commercial Strategy of the Company

3.1. The Remuneration of the Officers relative to the Remuneration of other Company Employees

The Company sees great importance in correlating part of the officer's compensation to their contribution to the long-term commercial success of the Company, while considering their areas of responsibility and authorities. In tandem, the Company places importance on fitting compensation for all of the Company's employees and the preservation of reasonable gaps between the total remuneration of the officers to that of the other Company employees. Together with this, in this regard it should be pointed out, that in light of the fact that the vast majority of the Company's operations are maintained in the Russian Federation and since most of its employees are Russian residents, there are structural gaps that exist between the scope and scale of the wages relative to those of the officers, which stem from the economic environment in the country which cannot be compared to be relative to those of the officers, the majority of whom hold Israeli citizenship and are even residents.

In consideration of the above, the Remuneration Committee and the Board have reviewed the existing scale of the terms of service and employment of the officers to the average and median wage of the other Company employees as well as the existing scale of the terms of service and employment of the officers to that of the average and median cost of employment of the other Company employees. In the opinion of the members of the Remuneration Committee and Board, the differentials

are appropriate and reasonable when considering the nature of the Company, its size, country of operations, mix of manpower employed by it and its field of operations.

The figures regarding the existing ratio of the Company's officers' remuneration relative to the average and median remuneration of its other employees, based on figures from 2016. When considering the Company's employees, all Company employees were included, including employees of the Company's subsidiaries and companies held by them (for this section: "**Company Employees**"):

- The total remuneration cost (including actual variable compensation) of the Company's CEO in 2016 is USD 632 thousand.² The ratio of the total cost of remuneration (including the actual variable compensation) of the Company CEO to the total average and median compensation cost of the Company's Employees is 25 and 47, respectively.
- The average remuneration cost (including the actual variable remuneration) of the other Company officers in 2016 is USD 189 thousand. The ratio of the total compensation cost (including the total variable compensation) of the other Company officers to that of the total average and median compensation costs of the Company's Employees is 7 and 14, respectively.

3.2. The Relationship between the Company's Commercial Results and Officer Remuneration

The Company's policy is that it is correct for the total officer remuneration to be influenced by the Company's commercial results and the advancement of the strategic objectives and the personal contributions of all of the officers for the achievement of these results and objectives. The more senior rank an officer holds, the greater the influence the Company's commercial results and personal contribution of the officer for the achievement of such results should have on their compensation.

4. Principles of the Company's Remuneration Policy

4.1. The Total Compensation Approach

The officers' total remuneration is comprised of a number of components such that each component compensates the officer for a different aspect of their contribution to the Company:

² Not including share based compensation totalling approx.

4.1.1. The Fixed Component:³

- Fixed Base Salary – is intended on compensating the officer for their time invested in carrying out their role in the Company and for carrying out the ongoing tasks of their position on a daily basis. On the one hand the base salary reflects the talents of the officer (e.g. their experience, knowledge used in their position, experience accrued in the field of operations, their education, accrued professional authority, etc.), and on the other hand the demands of the role and the areas of responsibility and authority that such officers bear.
- Fringe Benefits – some of which are directly defined by the law (components including: pension savings, contributions to severance fund, annual leave, sick leave, recuperation pay, etc.), and some which result from the customary work practices of the job market including professional membership fees (if relevant), mobile telephone etc., and some of which are intended on supplementing the fixed salary and to compensate the officer for expenses incurred in the course of fulfilling the position (e.g. car usage expenses).

4.1.2. The Variable Component:

- Variable Performance Based Compensation (Bonus) – a variable component paid in cash – is intended on compensating the officer for their achievements and contribution in the achievement of Company objectives for the period in which the variable compensation is paid. The Company's policy is such that the weight of this component relative to the entire remuneration package will be greater with respect to more senior officers (excluding the Board Chairman).
- Variable Share-Based Compensation – a variable equity based component – is intended on aligning the increase of value to the shareholders as seen through an increase in the Company's share price over the long-run and the remuneration awarded to Company officers.

The mix of the different compensation components is intended on creating an appropriate balance and fitting ratio between the officers' fixed component to

³ In the event that an officer to whom this Remuneration Policy applies is a service provider to the Company (directly or indirectly by way of a company) and is not a Company employee, in all places that this policy refers to the monthly salary and/or fixed component, the fixed components will be translated to monthly management fees and the provisions of the policy shall apply *mutatis mutandis* with respect to the monthly management fees.

that of their variable one, which can create a suitable compensation package and proper incentive for the officers.

In order to ensure proper accord between the different compensation components, while discussing the approval of each of the officer's different remuneration components, the Board and Remuneration Committee were presented with the officers' entire compensation package and its components.

4.2. The Proportion of the Components of the Officers' Total Compensation Package

The recommended proportion (based on the provisions of this Remuneration Policy) of the fixed compensation component to that of the variable one in the Company officers' remuneration package, presuming full-entitlement to the variable compensation, shall range between the following levels:

Rank	Salary Structure with 100% Goal Achievement	
	The Fixed Component	The Variable Component (including a long-term bonus)
Chairman (Active)	75%	25%
Chairman (Non-active)	100%	-
CEO & CFO	57%	43%
Other VP	80%	20%
External Director	100%	-
Other Directors	100%	-

It should be clarified that a deviation of up to ten percent (10%) above or below the values presented in the above table, during the Policy Term, shall not be considered to be a variation from the Remuneration Policy provided that the values set in the above table total 100%. The rate of the actual variable component each year shall be based on the achievement of targets set for such year.

5. Remuneration Components

5.1. Base Salary

5.1.1. Setting the Officers' Fixed Salary

The officers' fixed salary shall be set in the course of negotiations with their direct supervisor while being hired to their position in the Company (with respect to the CEO – Board Chairman or other person delegated on their behalf for such purpose; with respect to the other officers – the Company CEO or other person delegated on their behalf for such purpose). The supervisor of the intended officer can set the fixed salary, subject to the approval of the Company's organs and in accordance with the Remuneration Policy valid at such time.

The salary shall be set while considering the talents of the intended officer (including their education, professional experience, areas of expertise, etc.) and their suitability for the demands of the position such officer is intended to fulfil.

The Company's approach is that its Remuneration Policy needs to strike a suitable balance between the components of the fixed salary and those of the variable performance based compensation. Therefore, the Company's policy is to set the fixed base salary in an acceptable zone for similar positions based on the familiarity and experience of the Company and its needs.

5.1.1.1. The Base Salary Amount

The annual fixed compensation cost shall not deviate from the amounts detailed below:

Rank	Maximum base Salary (USD 1000's)
Chairman (Active)	The scope of engagement multiplied by 60% of the cost of the Base Salary of the CEO. ⁴
CEO	650

⁴ A scope of engagement of 100% would correspond to up to USD 450 thousand.

Such amounts are correct as of the date of publication of the Policy. The CEO's salary shall be CPI indexed based on the CPI known at the date of the approval of the remuneration policy by the Board.

5.1.1.2. **Market Comparison**

To the extent that the Remuneration Committee or Company Board find it correct, the Company may consider, for the purposes of setting the salary of the Company CEO and the Chairman (Active) comparison data for the rate of the fixed compensation acceptable in the relevant market for similar positions in companies sharing similar characteristics and/or relevant salary survey data or other reliable published sources. For comparison purposes, companies shall be chosen based on their fulfilment of as many of the following characteristics as possible:

- Publicly traded companies (not specifically those whose securities are traded in Israel), operating in real estate in the Russian Federation;
- Companies in the real estate field;
- Maintenance companies;
- Public companies including in various indexes (stock) relevant to the Company (e.g. the TA SME 60, TA – Real Estate, T.A. SME 150).
- Companies of a similar scope with the following parameters: market value, shareholders equity, balance sheet.

For the purposes of setting the range of other senior officers, other than the Active Chairman or the Company CEO, as a rule, no market comparison will be carried out, other than in instances where the salary proposed to such officers is materially different from the salary accepted in the Company at the time of the approval of this Remuneration Policy.

In any event, in the event that the Chairman and/or CEO are controlling shareholders or part of the controlling group, their terms of employment shall be compared to the terms of employment of the

other controlling shareholder companies that fulfil, to the extent possible, the characteristics mentioned above.⁵

5.1.1.3. **Internal Comparison – Gaps among the Organisation’s Officers**

Prior to the setting of the salary of a new officer, the following factors as well as their anticipated influence on the work relations in the Company as a whole and its management shall be considered:

- The salary gap between the officers to that of the other Company officers.
- The existing proportion of the terms of service and employment of the Company officers to the average and median cost of employment of the other Company employees.

5.1.2. **Directors Fees**

The directors’ fees (including the external directors and those of the controlling shareholders (if any) or their relatives⁶) shall be in accordance with the possible compensation (including its various components – based on rank, relative compensation, equity compensation) pursuant to the Companies Regulations (rules regarding external director compensation and expenses), 5760-2000 (the “**Compensation Regulations**”), excluding the Company chairman (if any). In the event that compensation is granted on the basis of rank (as defined in the Compensation Regulations), the annual compensation and participation rates shall not be greater than the maximum amounts set in the Compensation Regulations, and shall be based on the Company’s capital level as it may be from time-to-time, for the service and participation in meetings of the Board and its committees. In this respect, the Company may increase the maximum amount (of both the annual compensation and participation fees) for each director subscribing to the definition of an “expert director” as defined in the Compensation Regulations and as recognised as such by the Company board.

With respect to the Non-Active Chairman, the Company may grant compensation that is no greater than NIS 180 thousand (excluding VAT if required by law) in addition to participation compensation for their service and participation in board and committee meetings in accordance with the Compensation Regulations, at the amounts then current based on the rank of

⁵ As of the date of this policy, the Company has no core of control.

⁶ See footnote 7 above.

the Company. In this regard, the Company may increase the participation amount in the event the Board Chairman subscribes to the definition of an “expert director” as defined in the Compensation Regulations and as recognised as such by the Company board.

With regard to the compensation of the Chairman (Active) – refer to Section 5.1.1.1 above.

The other provisions of the Policy shall not apply to the directors (including the Non-Active Chairman), excluding the Active Chairman.

5.1.3. Principles for Reviewing the Periodic Salary and its increases

In order to allow the Company to retain its officers in their positions for an extended term, the fixed salary of the officers shall be reviewed from time-to-time. To the extent necessary, a proposal for the amendment of the salary of the officers (or some of them) shall be brought for approval to the Company’s authorised organs. Non material changes in the terms of service and employment of officers subject to the CEO shall only require approval of the Remuneration Committee alone, provided that the change does not deviate from the remuneration ceilings set in this Remunerating Policy.

Non-material changes in the terms of service and employment of the Company’s officers shall be no greater than 10% (in real terms) relative to the total terms of service and employment of such officer, as approved by the authorised organs of the Company during the Policy Term.

5.2. Indexing

The Company shall have the possibility of indexing the compensation of the Company officers to the CPI.

5.3. Variable Compensation

The components of the variable compensation are intended on achieving a number of objectives:

- Increasing the motivation of the officers to achieve the Company’s objectives over the long-term;
- Correlating part of the Company’s wage expenses to its performance and increasing the Company’s financial and operating flexibility.
- Making part of the officers’ compensation subject to the achievement of commercial goals and objectives which, with a long-term perspective are

intended on ensuring that the officers' interests are as close and consistent to those of the Company.

5.3.1. Annual Performance Bonus

The Company's officers shall be entitled to an annual performance based bonus in accordance with the provisions detailed below, based on the bonus plan to be approved by the Remuneration Committee and Board.

5.3.1.1. Annual Bonus Ceiling

Company Officers will be entitled to an annual bonus paid at the end of the year upon the full attainment of the annual targets set for such officer. The total annual bonus for Company officers under Section 5.3.1 will not be greater than the following amounts:

- Active Chairman – Up to 6 monthly salaries.
- Company CEO and CFO –Up to 6 monthly salaries.
- Other Company officers – Up to 3 monthly salaries.

For purposes of calculating the annual bonus, monthly salaries mean a fixed base wage only, without Fringe Benefits.

A condition for the granting of an annual bonus to company officers is the existence of an operating profit of over 10 million \$ ("**The Prerequisite**").

"Operating profit" for this purpose means - the company's operating profit as it appears in its consolidated and audited financial statements for the year relevant to the calculation of the annual bonus.

5.3.1.2. The Components of the Annual Bonus for Officers and their Calculation

5.3.1.2.1. The Annual Bonus for Company Officers will be based on the following components:

- a. Actual revenue from the sale of apartments in the Company's residential projects

The calculation of annual revenue shall be done after the publication of the annual financial statements for the year in respect to which the bonus is being paid.

- b. The Net Financial Debt to Net CAP – the lower of:
 - (1) the short-term and long-term financial debt less cash and cash equivalents, short and long-term deposits, restricted cash and short-term trust and investment monies (the “**Net Financial Debt**”) divided by the Net Financial Debt and the Company’s equity (including minority rights) plus deferred taxes , or –
 - (2) the Net Financial Debt divided by the Net Financial Debt and the Company’s equity (including minority rights) less the net profit in addition to FFO (including the portion attributed to rights not ascribed to control (in the event of the existence of minority rights)).⁷
- c. Same Property NOI target – Net Operating Income (NOI) from assets in Company ownership for two consecutive reporting periods and categorised as investment real estate (yielding real estate, including assets held for sale but not including lands) including the Group’s portion in the NOI has said for consolidated companies. The NOI includes operating income (including rental, property management and maintenance income) less operating expenses for such assets.
- d. Manager/Board Evaluation – the evaluation of the officer’s performance based on “qualitative” indicators which reflect their performance and contribution of the officer to the Company, for example: the officer’s total management performance, employee motivation, leadership, extent of the contribution of the officer to the development of the Company’s operations in general beyond their specific responsibility etc. the evaluation of the officers reporting to the CEO shall be done by the CEO (“**Bonus by Discretion**”).

⁷ Adjustments to the Company’s equity will be made for the distributed dividends and capital raising carried out in such period and the influence of development ventures, CPI and currency differentials will be neutralised.

e. Personal variable target – personal targets shall be set by the officers on an annual basis, in accordance with a mix of the targets listed below:

(1) TSR – Total Shareholders Return – represents the total return on investment of an investor in Company shares (return on equity or increase in share value for a period in addition to distributed dividends). The ratio is determined as the differential between the TSR for the period of the Company's shares relative to the average weighted TSR for the period of the shares of comparable companies. The TSR for the period shall be calculated based on the assumption that the distributed dividends are immediately invested in the Company. The share prices shall be set based on the 10 day trading average for the period prior to the day of the calculation of the ratio. Group of comparable companies include companies in the real estate field, operating in [Israel], having similar operative characteristics to the Company. The Company Board may carry out changes in the make-up of the list of comparable companies and the weight of each comparable company in the index, in the event of any exogenous changes in the list of companies.

(2) Asset Sales – the total consideration from the sale of assets and/or profits from the sale of assets. The realisation of an asset by way of the sale of company shares shall factor the value of the real estate in the sold company in addition to the differential between the share consideration and the Company's shareholders' equity. The realisation of an asset by an affiliated company shall take into consideration the portion of the consideration of the Company in the affiliated company. The profits from the realisation of the asset shall be determined

based on the consideration from the realisation of the asset and its fringe benefits, if any, relative to the value of the asset as presented in the Company's financial statements on 31 December 2016.

- (3) Occupancy rate – the weighted occupancy rates of the total rented property.
- (4) Net profit attributed to shareholders – as presented in the Company's consolidated financial statements.
- (5) Asset development – the advancement of the development program of assets on a multi-year perspective and in accordance with the schedule approved by the Board.

5.3.1.2.2. The relative weight of the components of the annual bonus:

- a. Income targets from the residential targets (annual) – 40% (in three tiers as detailed in the table included in Section 5.3.1.2.3 below);
- b. Net Financial Debt to Net CAP target – 30%;
- c. Same Property NOI target – 30%;
- d. Board/manager evaluation - the Remuneration Committee may increase the amount paid with respect to this component to up to 3 additional salaries, provided that the total annual bonus is not greater than the annual bonus ceiling;
- e. Personal variable target/s for officers who report to the CEO - in the event of fulfilment of personal targets, the weight of the targets listed in subsections (a)-(c) above will be reduced, at the discretion of the Remuneration Committee with respect to those officers reporting to the CEO. This subsection (e) shall not apply to the Company CEO.

5.3.1.2.3. Calculation of the Annual Bonus*

The formulation of the annual bonus of Company officers is presented below. The Company’s goals as detailed in Section 5.3.1.2.2 (a) – (c) include ranges which are to be set by the Company’s Remuneration Committee and Board no later than March of each relevant calendar year and are to be published by the Company by way of immediate report, quarterly financial statement or periodic report. The amounts below reflect the amount of the annual bonus in monthly salary terms with respect to the officers:

Bonus Components		Chairman (Active), CEO and CFO	Other Officers
Annual income targets from the sale of apartments in the residential projects	Less than Tier “A” .	No entitlement under this target.	No entitlement under this target.
	Tier “A” .	1 Salaries	0.5 Salaries
	Greater than Tier “A” up to Tier “B” (inclusive).	2-3 Salaries	1-1.5 Salaries
	Greater than Tier “B” up to Tier “C” .	3-4.5 Salaries	1.5-2.25 Salaries
		*The entitlement shall be calculated in a linear manner for the relevant tier.	
Net Financial Debt to Net CAP covenant target	Preservation of the Net Financial Debt to Net CAP covenant for the entire year in the range between 50%-63%	0-4.5 Salaries	0-2.25 Salaries
		*The entitlement is calculated in a linear manner. A fall below 50% will not result in any additional entitlement.	
Same Property NOI target	An increase of 2%-8% in the same property NOI relative to the previous year	0-4.5 Salaries	0-2.25 Salaries
		*The entitlement shall be calculated in a linear manner.	
Manager/Board	-	Up to 3 Salaries	Up to 1.5 Salaries

evaluation - Bonus by Discretion			
Personal Variable Target(s)		<p>If personal variable targets are set, their portion of the bonus shall be taken from the income from apartment sales in the residential projects target, the Net Financial Debt to Net CAP target and the Same Property NOI target at the discretion of the Remuneration Committee.</p> <p>Personal variable targets for the Company CEO and CFO shall be set by the Remuneration Committee and the Board before the end of the first quarter of each year.</p>	<p>If personal variable targets are set, their portion of the bonus shall be taken from the income from apartment sales in the residential projects target, the Net Financial Debt to Net CAP target and the Same Property NOI target at the discretion of the Remuneration Committee.</p> <p>Personal variable targets for the Company Officers subject to the CEO shall be set by the Company CEO and Remuneration Committee before the end of the first quarter of each year.</p>

*Subject to meeting the threshold conditions for the distribution of an annual bonus.

The formulation of the annual bonus for Company officers for 2017 is presented below. The amounts below reflect the amount of the annual bonus in monthly salary terms with respect to the officers*:

Bonus Components		Chairman (Active), CEO and CFO	Other Officers
Annual income targets from the sale of apartments in the residential projects	Less than USD 47 million.	No entitlement under this target.	No entitlement under this target.
	USD 47 million.	1 Salaries	0.5 Salaries
	Greater than USD 47 million up to USD 57 million (inclusive).	2-3 Salaries	1-1.5 Salaries
	Greater than USD 57 million) up to USD 75 million.	3-4.5 Salaries	1.5-2.25 Salaries

		*The entitlement shall be calculated in a linear manner for the relevant tier.	
Net Financial Debt to Net CAP covenant target	Preservation of the Net Debt to Net CAP covenant for the entire year in the range between 50%-63%	0-4.5 Salaries	0-2.25 Salaries
		*The entitlement is calculated in a linear manner. A fall below 50% will not result in any additional entitlement.	
Same Property NOI target covenant to Israel	An increase of 2%-8% in the same property NOI relative to the previous year	0-4.5 Salaries	0-2.25 Salaries
		*The entitlement shall be calculated in a linear manner.	
Manager/Board evaluation - Bonus by Discretion	-	Up to 3 Salaries	Up to 1.5 Salaries
Personal Variable Target(s)		<p>If personal variable targets are set, their portion of the bonus shall be taken from the income from apartment sales in the residential projects target at the discretion of the Remuneration Committee.</p> <p>Personal variable targets for the Company CEO and CFO shall be set by the Remuneration Committee and the Board before the end of the first quarter of each year.</p>	<p>If personal variable targets are set, their portion of the bonus shall be taken from the income from apartment sales in the residential projects target at the discretion of the Remuneration Committee.</p> <p>Personal variable targets for the Company officers subject to the CEO shall be set by the Company CEO and Remuneration Committee before the end of the first quarter of each year.</p>

*Subject to meeting the threshold conditions for the distribution of an annual bonus.

As a convenience, an example for the calculation of the bonus (for the CEO and CEO) is presented below. The figures are based on the ceiling of the rates allowed to be granted to Company officers.

Working assumptions: (a) Income from apartment sales in the residential projects – USD 52 million; (b) Net Debt to Net CAP ratio – 59.75%; (c) Increase in Same Property NOI – 6%.

The bonus component for the income from the sales target in the residential projections $2.5 \text{ base salaries} * 40\% = 1 \text{ base salary}$.

The bonus component for the Net Debt to Net CAP target ratio bonus – $4.5 \text{ base salaries} * 3.25/13 * 30\% = 0.3375 \text{ base salaries}$.

The bonus component for the Increase in NOI target - $4.5 \text{ base salaries} * 4/6 * 30\% = 0.9 \text{ base salaries}$

Total: $1 + 0.3375 + 0.9 = 2.2375 \text{ base salaries}$.

The Board of Directors may decide at its own discretion on an additional bonus of up to 3 salaries in the framework of a Bonus by Discretion as set forth in section 5.3.1.2.1d above (total $3 + 2.2375 = 5.2375 \text{ base salaries}$).

5.3.1.3. **Manner of Approving the Bonus**

Each year, close to the date of approving of the Company's annual financial statements, the fulfilment of each Company officer's targets shall be determined, the targets of each business unit they are responsible for and the evaluation of their manager. The bonus for each component shall be calculated separately in accordance with the attainment of set targets, the weight of each target, the formulation for its payment, as set, and on an annual basis.

The bonuses actually intended for payment of the officers shall be brought for the approval of the Remuneration Committee and the payment to the Company's CEO shall be subject to Board approval.

In this context, insofar as at a certain year will be decided on the payment of bonuses to company officers in accordance with the provisions of this section, disclosure shall be given in the relevant periodic report of the rate of compliance with each of the objectives determined for the company officers in order to receive the bonuses and the manner in which these bonuses are calculated.

5.3.1.4. The Board may, at its discretion, reduce the amount of the calculated bonus the officer is entitled to in circumstances under which they may be denied severance pay by law.

Similarly, subject to that stated in the existing agreements at the date of the approval of this Policy, the Board may, at its discretion, reduce the amount calculated for the bonus to which the officer is entitled to, if it finds that circumstances which justify such reduction exist (Such as a non-accounting loss), at an amount of up to 100%.

Officers will be required to return to the Company bonus amounts or portions thereof in the event in which it becomes clear that the calculation of the bonus was based on data which was found to be misleading and restated in the Company's financial statements in the course of the period of up to three (3) years after the date of the approval of the bonus. The amount to be returned shall be calculated in accordance with the portion of the bonus paid as a result of the mistake. In the event that the mistake resulted in the calculated bonus being higher than the bonus actually paid, the Company shall supplement the bonus amount for the officer.

It is hereby clarified that the entitlement of an officer to an annual bonus for any year is subject to the officer serving in their position upon the completion of such year. In the event that the officer has not continued to serve in their position prior to the conclusion of such year – they will be entitled to a portion of or the full amount of the bonus at the discretion of the Remuneration Committee.

5.3.2. Equity Compensation

It is customary for officers in public companies to be offered an equity component as a part of their total compensation which is intended on aligning the interests of the officers to those of the Company's shareholders. By virtue of the long-term nature of the equity plan, the Company is able to increase its ability to increase the retention rates of senior managers in certain positions for longer periods.

While considering the benefits entrenched in the equity plans, the Company can offer the Company CEO to participate in an equity compensation plan. It should be clarified that in no event will equity compensation be granted to a controlling shareholder and/or their relative (if any). The equity plan shall be defined by the following details:

5.3.2.1. **The Equity Compensation Tool**⁸

Subject to the approval of the Remuneration Committee and the Board, the Company may offer the Company's CEO and VP's to participate in an options plan for Company shares. The options plan shall be set and implemented in such a manner that it complies with the relevant legal provisions; specifically, the plan shall fulfil, to the extent possible, the provisions of Section 102 (the equity path) of the Income Tax Ordinance provided that in any case the quantity of options to be allotted in this framework shall not exceed 7.5% of the company's issued and paid-up share capital.

In this context, it is clarified that the aforesaid provisions will not apply to options granted to holders of the Company by virtue of the Company's debt settlement agreement as completed in December 2016 and which will be deemed to be included in the framework and as an integral part of this remuneration policy. The provisions of this remuneration policy with regard to capital compensation will apply to a future option plan, if and to the extent that it is implemented.

The options plan shall include the following details:

- The maximum number of units that can be issued and the dilution percentage resulting from such distribution;
 - Maximum value (at the issuance date) of the options package issued to individual officers – the portion of the total equity compensation for each officer shall not be greater than the percentage set in the table in Section 4.2 of the variable component; The manner of determining the exercise price of the option units. The exercise price of an option shall be determined according to the higher of the two: (1) the average closing price of the share during the 30 trading days preceding the date of the Board of Directors resolution on the grant; Or (2) the closing price of the share on the date of the Board of Directors resolution on the grant.

⁸ Excluding options granted to officers under the debt settlement agreement with the Company's bondholders, as completed on 22 December 2016 under which this Remuneration Policy shall be considered to have been adopted.

- The Company Board may resolve that one or more offeree is entitled to exercise the options they were granted in such a manner that their exercise price shall not actually be paid to the Company, but should be taken into account when calculating the number of shares the offeree is actually entitled to from the exercise of the options (the “**Net Exercise**”). The shares issued from the Net Exercise shall reflect the gross benefit of the options to be exercised by the offeree at such date as calculated on the exercise date;
- The vesting period of the option units – this period shall not be less than three (3) years until the full vesting of all of the issuance – and the distribution of the issuance to shares;
- The expiry date of the unit options – this date shall not be earlier than the passing of one year after the vesting of each portion but no later than 5 years from the issuance date;
- The terms in the event of termination of employment (due to termination, resignation, death or disability) and the provisions for protecting offerees including in the event of dividend distribution, rights issuance, merger and acquisition transactions etc.;
- The ceiling of the fair value of the equity compensation at the granting date.

It is hereby clarified that a change in position within the Company, to a position which is also considered to be a Company officer, shall not be considered to be a cessation of service of the position in which the options were issued to the officer.

It is hereby clarified that the details listed above reflect the primary terms appearing in the equity compensation plan of the Company CEO and VP’s and that the Company CEO’s equity compensation plan shall be subject to the provisions of the specific plan. The Company Remuneration Committee and Board shall be entitled to set additional terms with respect to the equity compensation plan of the Company CEO and other VP’s, as well as update the terms and provisions from time to time, provided that such change or amendment, as said, does not deviate from the entitlement ceiling of the equity compensation, as said, in the Remuneration Policy.

5.3.3. Long-Term Bonus

5.3.3.1. In addition to the annual bonus plan, a three year bonus plan shall be set,⁹ under which the Company officers shall be entitled to one bonus every 3 years, In the event that the Company's shareholders equity increases to at least USD 182 million, following adjustments in the event of dividend distribution, capital raising, etc.

The total long-term bonus for Company officers shall not be greater than the following amounts:

- a. For the Company CEO and CFO – 8 monthly salaries.
- b. For other Company officers – 4 monthly salaries.

For purposes of calculating the long term annual bonus, monthly salaries mean a fixed base wage only, without Fringe Benefits.

5.3.3.2. The entitlement to a long-term bonus shall be formulated for officers who have served as Company officers for a period of at least two years during the course of the three year policy period, in the event of service greater than two years but less than 3, the bonus ceiling indicated in Section 5.3.3.1 above shall be reduced accordingly.

5.4. Fringe Benefits and other Awards for Company Officers (excluding the Chairman and Directors)¹⁰

- The Company will make pension contributions on behalf of the officers, to their managers' insurance fund and further education fund, as customary in the Company.
- Officers will be entitled to sick days, vacation days, and recuperation pay in accordance with their seniority in the Company and in any event no less than the amount set by law.
- The Company may provide officers with a car, laptop and cell-phone which they will use in the fulfilment of their position. The Company will bear the fixed costs involved in maintaining the vehicle, all in accordance with the Company's customary practice, including grossing of tax.

⁹ The plan shall be for the years 2017-2019.

¹⁰ In the event than a Company Officer to whom this Remuneration Policy applies is a services provider to the Company (directly or indirectly by way of company) and is not a Company employee, the Officer will not be entitled to social payments and/or benefits resulting from employer/employee relations, and such will be accounted for when setting the payable management fee.

- Officers will be entitled to holiday gifts, retreats, meals, team-building days etc., as customary in the Company.

6. Terms of Completion of Service

6.1. Prior Notice

Officers will be entitled to prior notice in accordance with the table below:

Rank	Maximum Length of Prior Notice
Chairman (Active)	Up to one month
CEO & CFO	Up to 6 months
Other Officers	Up to 3 months

The period of prior notice for each officer shall be set by the Remuneration Committee prior to the officer signing an employment agreement.

During the prior notice period the officer will be required to continue to fulfil their position unless the Board or CEO, as the matter may be, decide to exempt them from such obligation. In any event they will be entitled to continue with their terms of service and employment without change.

The prior notice period shall be considered to be part of the officer's period of employment with respect to all matters regarding their entitlement to the various compensation components including social benefits, bonuses and vesting of equity bonuses, excluding instances in which the Company resolves to immediately terminate the officer's employment and provide them with their fully entitled payment in lieu of notice for the entire notice period.

6.2. Separation Bonus

Senior officers in the company (CEO and CFO) will be entitled to a separation bonus at amounts being no greater than those set below:

Seniority	Maximum Length of Prior Notice	Of which at the sole discretion of the Remunerations Committee
Up to 2 Years	No entitlement	No entitlement
2-5 Years	Up to 2 monthly salaries	One monthly salary

5-10 Years	Up to 4 monthly salaries	2 monthly salaries
Over 10 Years	Up to 6 monthly salaries	3 monthly salaries

The other officers will be entitled to a separation bonus of up to 3 salaries at the discretion of the Compensation Committee.

Separation bonuses shall be granted to Company officers who fulfil the following terms:

- They have been employed by the Company for at least two years;
- During the term of their employment they made a substantial contribution to the promotion of the Company's businesses, as detailed in a document presented to the Remuneration Committee;
- The officers departure from the Company is not in circumstances which justify, at the Remuneration Committee's sole discretion, the rejection of the award of Severance Pay;

The inclusion of a provision guaranteeing the payment of a separation bonus to an officer in their employment agreement shall be brought for the approval of the Remuneration Committee prior to the signing of an agreement. For the avoidance of doubt, such provision shall not guarantee the payment of a separation bonus deviating from the above provisions.

A separation bonus shall be paid upon the completion of the prior notice period and will be at an amount multiplied by the number of months detailed in the above table by the officer's fixed base salary component alone, without any additional components.

In the event the officer is entitled to a retention bonus, as stated in Section 6.3 below, the amount of the retention bonus shall be taken into account at the time that the separation bonus is set.

The scope of the bonus set in the above table is the maximum amount that the Remuneration Committee is authorised to approve.

6.3. Retention Bonus

The Company may award the CEO and CFO a retention bonus at an amount equal to a maximum of the monthly salary (fixed base salary only) paid to them at the date of the termination of their engagement, multiplied by the number of years of service as an officer in the Company, however no greater than five (5) years, at a variable percentage based on their term of employment (however no greater than 100%). Nevertheless, it is hereby expressly clarified that if in a given year a Bonus by Discretion is awarded pursuant to the provisions of section 5.3.1.2.1d above, it shall

be taken into account and deducted from the retention bonus (insofar as it is decided to grant such a bonus in the relevant year), so that in this year the maximum amount of a bonus by discretion and the retention bonus will not exceed 5 monthly salaries.

7. Exemption and Indemnity and Officer Liability Insurance

The service of an officer in a public company is susceptible to burdensome personal liability, both in light of the provisions of the Companies Law as well as the correlating fiduciary duties and duties of care placed on the officer as well as in light of the personal liability placed on the officer for the breach of the provisions of the securities legislation applicable on the Company. Therefore, in general, the Company sees the advance provision of an undertaking for the indemnity of the officers and the purchase of officer liability insurance, in accordance with the terms and restrictions set by law, as valuable tools for the limiting of personal exposure of the officers, and as a corollary, the ability to scout candidates fit for service as Company officers. The officer liability insurance has an additional advantage, as it may be a benefit for Company damages resulting from officer negligence.

The Company may insure the liability of all of the serving officers as well as those that may serve from time to time in the Company and/or in subsidiaries or related companies, including directors and officers who are controlling shareholders in the Company or those that the Controlling shareholders in the Company have a personal interest in their engagement (in the event the Company has controlling shareholders), by way of acquiring new policies (both personal and group policies that provide umbrella coverage to a number of companies in the Group) or extending or renewing or amending existing policies that it may purchase in the future, for a number of insurance periods, provided that such engagements are in accordance with the following terms:

- 7.1. Total liability caps for the insured party (or – in the event of a number of policies – all of the insured parties) per event and for an annual insurance period commencing on the start of the insurance agreement and concluding upon the cessation of 12 months from the start date of the insurance policy (the "**Insurance Period**") to be in a total (aggregate) amount of up to USD 50 million per event and for the Insurance Period.
- 7.2. The total annual premium which the Company will bear (alone or jointly with other companies covered under the policy and participating in the payment of the premium in accordance with its share of each company based on the parameters set by the insured party – when dealing with an umbrella policy) for the entire insurance period, shall not be greater than USD 200 thousand. Notwithstanding that stated above in Section 7.1, the Remuneration Committee may increase the liability caps for the insured party per event for an insurance period beyond that stated above, provided

that the increase, as said, does not result in a deviation from the stated annual premium ceiling.

7.3. The Company's engagement in an immediate insurance policy upon the completion of the insurance period will be at market terms.

7.4. In the event that insurance periods (as defined in Section 7.1 above) are for longer or shorter periods of time, the above terms shall apply, *mutatis mutandis*.

The Remuneration Committee may renew the insurance policy from time to time with any insurer in Israel or abroad, provided that the engagement is consistent with the principles set in Section 7.1-7.3 above.

Officers are entitled to indemnity from the Company in accordance with the indemnity letters that the Company has adopted and/or adopts from time to time with respect to its officers.

Similarly, the Company may exempt an officer (including directors), in advance, from liability, in part or in whole, due to damage resulting from a breach of the duty of care owed to it. Notwithstanding this, an exemption, as said, shall not apply with respect to a resolution or transaction in which a controlling shareholder (in the event of a controlling shareholder) or other officer in the Company (including other officers who have received exemption letters) has a personal matter.

8. Maintenance of the Remuneration Policy – Liability, Authority and other Provisions

Any deviation from this Remuneration Policy or from its principles are to be approved by the Remuneration Committee and thereafter by the Company Board, or in any other manner permitted by law. Including non-material changes in the terms of service and employment of the Company's officers only require the advance approval of the Remuneration Committee, which may be approved because it is a non-material change in the terms of employment (other than with respect to the CEO or Active Chairman who require changes to their terms of service to be approved in accordance with the provisions of the law). For such purposes it has been set that the total non-material changes in the terms of service and employment for Company officers that can be approved by the Remuneration Committee in any reporting year shall not be greater than 10% (in real terms) in relation to the total terms of service and employment of the Company officer that has been approved by the authorised organs of the Company during the Policy Period.

In the event that provisions of the law, as they may be from time to time, allow for the provision of an exemption with respect to the manner of the remuneration of an officer and/or with respect to the manner in which the officer's remuneration can be approved,

subject to the approval of the Remuneration Committee and the Company Board, such provisions shall apply to the Company and constitute part of this Remuneration Policy.