

- 1.4. Reappointment of the accounting firm Brightman, Almagor, Zohar & Co. as the Company's auditors, until the end of the Company's next annual general meeting.
- 1.5. Extension of the term of letters of indemnification ~~and exemption~~ for directors who are indirect controlling shareholders of the Company, as specified in Part B below, for an additional three-year period, as of August 15, 2014.
- 1.6. Approval of the Company's engagement in a new management agreement with a company controlled by Ms. Danna Azrieli, who is deemed a controlling shareholder of the company, for receipt of chairman of the board services, as specified in Part C below.
- 1.7. Approval of an amendment to the Company's compensation policy with respect to the terms of office of a Chairman of the Board, as specified in Part D below.

2. **Summary of the Transactions and the Principal Terms and Conditions thereof**

2.1. Extension of the term of the letters of ~~exemption and~~ indemnification for directors who are indirect controlling shareholders of the Company for an additional three-year period, as of August 15, 2014. The letters of indemnification are in a language identical to all of the other directors of the Company (except with respect to the component of exemption from liability due to the violation of duty of care included in the form granted to the other directors but not included in the language of the letters of indemnification being brought for approval) and in accordance with the Company's compensation policy.

2.1.2.2. Approval of a new management agreement with a company fully controlled by Ms. Danna Azrieli, who is deemed a controlling shareholder of the Company, for receipt of active chairman of the board services. In the proposed update of the terms of office, most of the terms of office and employment approved for Ms. Danna Azrieli in her former position as Active Vice Chairman of the Board (in the framework of the resolution of the general meeting of June 20, 2013) remain unchanged and the overall cost of the management agreement, compared with the compensation policy approved for Ms. David Azrieli OBM as the Active Chairman of the Board of the Company in June 2013, is significantly lower. The principal update of the terms basically amounts to the standardization of the fixed component to a full-time position and the addition of a variable component, the setting of a compensation cap, the addition of a repayment clause, update of the term of prior notice and revocation of the adjustment period.

2.2-2.3. Approval of an amendment to the Company's compensation policy – in accordance with the approval of the new management agreement with the Chairman of the Board, Ms. Danna Azrieli, as specified in Section 2.2 above.

3. **Name of the Controlling Shareholder Holding a Personal Interest in the Transactions**

Ms. Danna Azrieli (Chairman of the Board of the Company), Ms. Naomi Azrieli and Ms. Sharon Azrieli (directors of the Company), are deemed controlling shareholders of the Company (collectively: the "**Directors Who Are Controlling Shareholders**"), by virtue of an indirect holding of Company shares through Azrieli Holdings Inc. ("**Azrieli Holdings**"), and by virtue of a shareholder agreement regulating the relationship of the shareholders of Azrieli Holdings, all as specified in Section 12.2 of Part B of the attached report. For the nature of the personal interest, see Section 4 below.

4. **Names of Directors of the Company Who may be Deemed as Having a Personal Interest in the Approval of the Engagement and the Nature of their Personal Interest**

The resolution specified in Section 2.1 above directly concerns the Directors Who Are Controlling Shareholders hence they have a personal interest therein. The resolutions in Sections 2.2-2.3 pertain to an engagement with Ms. Danna Azrieli, and, in view of the aforesaid, in addition to Ms. Danna Azrieli, her sisters, Naomi and Sharon Azrieli, are also deemed as having a personal interest therein.

5. **Required Majority**

5.1. The required majority for approval of the resolutions listed in Sections 1.2-1.4 on the agenda is a simple majority of all of the votes of the shareholders present and voting at the meeting, excluding the abstaining votes.

5.2. The majority required for approval of the resolutions specified in Sections 1.5-1.7 of the agenda is a simple majority of all of the votes of the shareholders present at the general meeting, who are entitled to vote and who voted therein, excluding the abstaining votes, provided that one of the following is met: (a) the majority vote count in the general meeting shall include a majority of all of the votes of shareholders who are neither the controlling shareholders of the Company nor hold a personal interest in the matter on the agenda, who participated in the vote; the count of votes of all of the votes of the aforesaid shareholders shall exclude the abstaining votes; (b) all of the dissenting votes among the shareholders mentioned in Subparagraph (a) above shall not exceed a rate of 2% of all of the voting rights in the Company.

6. **Legal Quorum**

The legal quorum for opening the discussion at the meeting shall consist of one or more shareholders, who is/are present in person or by proxy or via voting card, and holding or representing at least fifty one percent (51%) of the voting rights in the Company. If two hours shall have elapsed from the time scheduled for the meeting and no legal quorum is present, the meeting shall be adjourned to the third business day after the date of the meeting, at the same time and place, or to a later day and time or a different place, as shall be determined by the Company's board of directors in a notice to the shareholders. The Company shall give notice of the adjournment of the meeting and the date of the holding of the adjourned meeting through an immediate report.

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

7. **Inspection of Documents**

A copy of this Report, including the annexes hereto, is available for inspection at the Company's Offices, after prior coordination by telephone: 03-6081383, Sundays through Fridays between 09:00 and 17:00, until the date of convening of the general meeting for approval of the resolution on the agenda, and also on the ISA's website at www.magna.isa.gov.il.

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ended on December 31, 2013, which were released on March 19, 2014 (Reference No.: 2014-01-017433) and on March 23, 2014 (Reference No. 2014-01-021204).

- 2.2. Reappointment of the directors currently serving as directors of the Company (other than the outside directors), until the end of the Company's next annual general meeting, as specified in Section 3 below.
- 2.3. Approval of the appointment of Mr. Oran Dror as an independent director of the Company for a term of office commencing on the date of approval of the appointment by the meeting contemplated in this report until the date of the next annual general meeting of the Company.
- 2.4. Reappointment of the accounting firm Brightman, Almagor, Zohar & Co. as the Company's auditors, until the end of the Company's next annual general meeting, as specified in Section 5 below.
- 2.5. Extension of letters of indemnification ~~and exemption~~ for directors who are indirect controlling shareholders of the Company, as specified in Part B below, for an additional three-year period, as of August 15, 2014.
- 2.6. Approval of the Company's engagement in a new management agreement with a company controlled by Ms. Danna Azrieli, who is deemed a controlling shareholder of the company, for receipt of chairman of the board services, as specified in Part C below.
- 2.7. Approval of an amendment to the Company's compensation policy with respect to the terms of office of the Chairman of the Board, as specified in Part D below.

3. **Reappointment of presently serving directors**

- 3.1. It is proposed to approve the reappointment of the directors who are presently serving as members of the Company's board of directors, other than outside directors, i.e. Messrs. Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover (as an independent director) and Tzipora Carmon (as an independent director) until the end of the Company's next annual general meeting. The salary and terms of office of each of the directors, as the case may be, shall remain unchanged, including the continued effect of the letters of exemption and indemnification given to them and their inclusion within the officers' insurance policy of the Company (with respect to the extension of letters of indemnification to directors who are controlling shareholders, see Resolution 2.5 on the agenda and Part B below). The vote in respect of the approval of the appointment of each of the directors shall be conducted separately.

- 3.2. All of the directors whose appointment is proposed are presently serving on the Company's board of directors. For details in respect of the directors, to the best of the Company's knowledge, which are required under Regulation 36B(a)(10) and Regulation 26 of the Immediate Reports Regulations, see Regulation 26 of the corporate governance report within the Company's periodic report for 2013 (released on March 19, 2014, Reference No. 2014-01-017433, hereinafter: the "**Periodic Report**"), which are incorporated herein by reference.
- 3.3. For details concerning the terms of the management agreement with the Chairman of the Board, Ms. Danna Azrieli, which were approved by the Company's general meeting on June 20, 2013, see the Company's immediate report of May 14, 2013 (Reference No.: 2013-01-062020). For details regarding the updates proposed for the management agreement of the Chairman of the Board, Ms. Danna Azrieli, see Part C hereof. For details regarding the compensation paid to the other directors in the Company see Regulation 21 of the corporate governance report within the Periodic Report. For details regarding the terms of exemption, indemnification and insurance of the directors of the Company, see Regulation 22 of the corporate governance report within the Periodic Report and Note 38D to the Company's financial statements as of December 31, 2013, which are included in the Periodic Report.
- 3.4. Each one of the directors nominated for reappointment has signed a statement of a nominee for service as director in accordance with the provisions of Section 224B of the Companies Law, a copy of which is attached hereto as **Annex B**. It is clarified that the outside directors of the Company, Mr. Niv Ahituv and Mr. Efraim Halevy, shall continue their service under law.

4. **Approval of the Appointment of Mr. Oran Dror as an Independent Director**

- 4.1. On November 16, 2014, the Company's audit committee confirmed that Mr. Oran Dror fulfills the qualification conditions set forth in Section 240(b)-(f) of the Companies Law as required for the purpose of his classification as an independent director.
- 4.2. On November 18, 2014, Mr. Oran Dror was classified by the Company's board of directors as a director having accounting and financial expertise in accordance with the provisions of the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and for Directors with Professional Qualifications), 5766-2005 (the "**Companies Regulations**") and was appointed on the said date by the board of directors for the office of an independent director.
- 4.3. For his office as a director of the Company the Company shall pay Mr. Oran Dror annual compensation and participation compensation as is

customary at the Company and in accordance with the Companies Regulations (Rules Pertaining to Compensation and Expenses for Outside Directors), 5760-2000 (the “**Compensation Regulations**”). The annual compensation and the participation compensation shall be in the amount of the maximum sum for an expert outside director, as specified in the Schedule to the Compensation Regulations, as amended from time to time. Such amount shall be determined according to the Company’s rating, as being from time to time, and which, as of the date of this Report, is E. In addition, Mr. Oran Dror shall be entitled to reimbursement of expenses in accordance with the provisions of Regulation 6 of the Compensation Regulations and the policy approved by the Company’s audit committee. The compensation committee and the board of directors of the Company (in its meeting of November 20, 2014) approved the aforesaid compensation in accordance with the provisions of Regulation 1A(2) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000 (the “**Relaxation Regulations**”). For further details, see the immediate report released by the Company on November 20, 2014 (Reference No.: 2014-01-199641).

Pursuant to the resolution of the Company’s board of directors dated May 6, 2010 and in accordance with the approval by the Company’s general meeting of August 15, 2011, the Company will give Mr. Oran Dror a letter of exemption and indemnification in the language that exists in the Company in respect of all of the officers and directors.

For the details that are required according to Regulation 26 of the Immediate Reports Regulations regarding Mr. Oran Dror, see **Annex A** which is attached hereto.

5. **Reappointment of an auditor**

It is proposed to approve the reappointment of the accounting firm Brightman Almagor Zohar & Co. as the Company's auditor until the end of the Company's next annual general meeting. In accordance with the Company's articles of association, the Company's board of directors has been authorized, after receipt of the recommendation of the Company's audit committee, to determine the auditor's fee for audit functions and for additional services according to the nature and scope of the services provided and to be provided to the Company. For details regarding the fee paid to the auditor for 2013, see Section 7 of the corporate governance report within the Company's periodic report as of December 31, 2013.

6. **Legal quorum**

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

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

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

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

7. **Record date**

The record date for the determination of the entitlement of a shareholder with regard to the right to participate and vote at the meeting, as provided in Section 182 of the Companies Law, 5759-1999, is the end of the trading day at the TASE on Sunday, November 30, 2014 (the "**Record Date**") and if no trade is held on the Record Date, then on the first trading day preceding thereto.

8. **Required Majority**

8.1. The required majority for the approval of the resolutions listed in Sections 2.2 - 2.4 on the agenda is a simple majority of all of the votes of the shareholders who are present and voting at the meeting, excluding the abstaining votes.

8.2. The majority required for approval of the resolutions specified in Sections 2.5 - 2.7 of the agenda is a simple majority of all of the votes of the shareholders who are present at the general meeting, who are entitled to vote and who voted therein, excluding the abstaining votes, provided that one of the following is met: (a) the majority vote count in the general meeting shall include a majority of all of the votes of shareholders who do not hold a personal interest in the matter on the agenda, who participated in the vote; the count of votes of all of the votes of the aforesaid shareholders shall exclude the abstaining votes; (b) all of the dissenting votes among the shareholders mentioned in Subparagraph (a) above shall not exceed a rate of 2% of all of the voting rights in the Company.

8.3. The majority required for approval of the resolution in Section 2.7 of the agenda is a majority of all of the votes of the shareholders who are

present at the general meeting, who are entitled to vote and who voted therein, excluding the abstaining votes, provided that one of the following is also met: (a) the majority vote count at the general meeting shall include a majority of all of the votes of shareholders who are not the controlling shareholders of the Company nor hold a personal interest in the approval of the amendment to the compensation policy, participating in the vote; the count of votes of all of the votes of the aforesaid shareholders shall exclude the abstaining votes; (b) all of the dissenting votes among the votes of the shareholders mentioned in Subparagraph (a) above shall not exceed a rate of 2% of all of the voting rights in the Company. For further details, see Section 14.8 below.

9. **Voting method**

Shareholders may vote on all of the resolutions on the aforesaid agenda, either personally or by proxy as well as through a voting card.

A shareholder may appoint a proxy to participate and vote in his stead, whether in a specific general meeting or in the Company's general meetings in general, provided that the proxy appointment letter was delivered to the Company at least 48 hours before the date of convening the general meeting, unless the Company had waived this requirement. A proxy does not need to be a shareholder of the Company.

If the proxy appointment letter is not for a specific general meeting, then a proxy appointment letter which had been deposited prior to one general meeting shall be in effect also for other general meetings thereafter.

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

A proxy appointment letter shall be signed by the shareholder or a person authorized therefor in writing, and if the appointing shareholder is a corporation, it shall be signed in a method binding the corporation. The Company may require that a written confirmation shall be delivered thereto, to its satisfaction, regarding the power of the signatories to bind the corporation. A proxy appointment letter shall be made in the language specified in the Company's articles of association. The Company Secretary or board of directors may accept, as per their discretion, a proxy appointment letter in a different language, as long as the changes are immaterial. The Company shall only accept original proxy appointment letters, or a copy thereof, provided that it is certified by a notary or a lawyer holding an Israeli license.

Voting according to a proxy appointment letter shall be legal notwithstanding the prior demise of the appointing shareholder or his becoming incompetent or going bankrupt, or, if it is a corporation – dissolution or cancellation of the proxy appointment letter or transfer of the share in relation to which it was issued, unless a written notice thereof was received in the Company's registered office, prior to the meeting.

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

Pursuant to the Companies Regulations (Proving Share Ownership for Voting at the General Meeting), 5760-2000, a shareholder to whose credit a share is registered with a TASE member, which share is included among the shares registered in the registry in the name of the nominee company of Bank Leumi Le-Israel Ltd., who wishes to vote at the general meeting, shall submit to the Company a certification from the TASE Member of his ownership of the share on the Record Date, as required by the said regulations. The aforesaid certification of ownership shall be delivered to the Company at least two business days prior to the date of the convening of the meeting.

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

10. **Notice of a personal interest**

A shareholder participating in the vote in relation to the resolutions specified in sections 2.4-2.7 above, shall notify the Company, prior to his vote – and if the vote is through a voting card – mark in part B of the voting card, on the designated place, whether or not he is deemed to be of personal interest in the approval of the resolution on the agenda, and whether or not he is a controlling shareholder of the Company, a senior officer in the Company or an institutional investor (as they are defined in the Companies Regulations (Voting in writing and Position Statements), 5766-2005) ("**Written Voting Regulations**").

If no such notice is submitted by the shareholder, his vote shall not be counted. In the event that a shareholder had voted on the said resolution through proxy, the proxy shall also inform the Company, prior to the voting, whether or not he is deemed to be of personal interest in the approval of the resolutions on the agenda, and whether or not he is a controlling shareholder of the Company, a senior officer of the Company or an institutional investor as they are defined in the Written Voting Regulations. If no such notice is submitted by the proxy, his vote shall not be counted.

In the event that the aforesaid controlling shareholder, senior officer or institutional investor, had voted through a voting card or a proxy, he shall, in addition, provide the Company (attached to the voting card or the proxy letter) with the following details:

In relation to the shareholder: full name (in Hebrew and English); I.D. number and type of I.D. number; place of incorporation (in the case of a corporation); the passport country (if the I.D. number is a passport number);

In addition, in relation to the proxy (if the voting is made through a proxy): full name; I.D. number and type of I.D. number; the passport country (if the I.D. number is a passport number);

11. **Voting via voting card**

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

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

A TASE member shall send, free of charge, a link to the language of the voting card and the position statements at the distribution site to any shareholder who is not registered in the shareholders register, who holds securities through such TASE member, unless the shareholder shall have notified the TASE member that he is not interested in receiving such link or that he is interested in receiving voting cards by post for a postage fee only.

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

The last date for delivery of position statements to the Company is Wednesday, December 10, 2014.

The last date for delivery of the board of directors' response to position statements, insofar as any statements are submitted by shareholders and the board of directors chooses to submit its response to such position statements, is Monday, December 15, 2014.

The last date for delivery of voting cards to the Company is Thursday, December 25, 2014 at 10:00 o'clock.

Part B – Extension of Letters of Indemnification ~~and Exemption~~

12. Following are details in relation to the proposed resolution to extend letters of indemnification ~~and exemption~~ for directors who are indirect controlling shareholders of the Company, Messrs.; Danna Azrieli, Naomi Azrieli and Sharon Azrieli (below jointly, the “**Controlling Directors**”), as required pursuant to the Controlling Shareholder Transaction Regulations.

12.1. A concise description of the main parts of the engagement

~~12.1.1.~~ The granting of an updated version of ~~the~~a letter of indemnification and exemption to the Controlling Directors was approved by the Company's general meeting in August 2011 and with respect to all of the directors of the Company (including controlling directors, as serving the Company from time to time); ~~and, in accordance with the provisions of the law, the renewal thereof for an additional three year period, commencing from August 15, 2014, is brought for approval.~~

~~12.1.1.~~12.1.2. According to the provisions of the law, the letter of indemnification is brought for approval of renewal for an additional three year period commencing from August 15, 2014. The component of exemption from liability due to the violation of duty of care which was included in the letter of indemnification approved at the Company's general meeting in August 2011 (the "**Exemption Component**") is not included in the language of the letter of indemnification being brought for approval within the meeting contemplated in this report.

~~12.1.2.~~12.1.3. The language of the letter of indemnification ~~and exemption~~ which is proposed to be renewed as aforesaid is identical to the version, which the other directors are entitled to and which was approved by the general meeting on August 15, 2011 (Reference No.: 2011-01-233409), except with regard to the exemption component, which was included in the letter of exemption and indemnification to which the other directors are entitled, but was not included in the letter of indemnification being proposed to be renewed, -and it is attached as **Annex C** hereto.

12.2. Details pertaining to the controlling shareholders of the Company

12.2.1. Azrieli Holdings Inc. ("**Azrieli Holdings**") is a private company incorporated pursuant to Canadian Law. As of the date of this Report, Azrieli Holdings holds, directly and indirectly approx. 55.62% of the Company's shares through its holding of the entire share capital of Nadav Investments Inc. ("**Nadav Investments**") which is the direct controlling shareholder of the Company. Until his demise in July 2014, Mr. David Azrieli OBM held directly and indirectly, approximately 44.77% of the shares of Azrieli Holdings and all of the voting rights in Azrieli Holdings (in trust for his children as well).

12.2.2. Following the demise of Mr. David Azrieli OBM, the shares of Azrieli Holdings previously held by him were transferred to his estate, and Sharon Azrieli, Naomi Azrieli and Danna Azrieli were appointed as the 3 directors of Azrieli Holdings and of Nadav Investments.

12.2.3. As the Company has been informed, after the estate of Mr. Azrieli OBM is settled, it is expected that Azrieli Holdings will

continue to hold, directly and indirectly, more than 50% of the Company's share capital, and the majority voting rights in Azrieli Holdings will be conferred upon Sharon Azrieli, Naomi Azrieli and Danna Azrieli. In addition, pursuant to the agreement among the shareholders of Azrieli Holdings (the said shareholders agreement is described in Section 3.5 of the Company's shelf prospectus dated May 13, 2013), each of Sharon Azrieli, Naomi Azrieli and Danna Azrieli will have the right to nominate one of the three directors to the boards of directors of Azrieli Holdings and of Nadav Investments.

12.2.4. In view of the aforesaid, as of the report date, Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the controlling shareholders of the Company.

12.3. Names of the directors who have a personal interest in the approval of the transaction and the nature of their personal interest

All of the Company's directors, Messrs.: Danna Azrieli, Menachem Einan, Sharon Azrieli, Naomi Azrieli, Joseph Ciechanover, Niv Ahituv, Efraim Halevy, Tzipora Carmon and Oran Dror, have a personal interest in the approval of the resolution due to the fact that they are being granted letters of indemnification and exemption in identical conditions (except with respect to the Exemption Component as specified above).

12.4. The required approvals

The extension of the letter of indemnification ~~and exemption~~ is subject to the fulfillment of all of the conditions specified below:

12.4.1. Approval of the compensation committee, issued on November 16, 2014.

12.4.2. Approval of the Company's board of directors, issued on November 20, 2014.

12.4.3. Approval by the Company's general meeting which is convened in this Report.

12.5. Similar transactions in the last two years or transactions that are still valid

No similar transactions were approved in the last two years and there are no similar transactions that are valid, other than as specified below:

In accordance with the resolution of the Company's board of directors and the resolution of the general meeting of the Company's shareholders of August 15, 2011, the Company is granting its officers, as serving from time to time, letters of exemption and indemnification

in a language which is identical to the language that is proposed to be renewed in respect of the Controlling Directors, except with respect to the Exemption Component as specified above.

12.6. Names of the directors who have a personal interest and the nature of their personal interest

The Controlling Directors have a personal interest in the transaction because they are the beneficiaries in the engagement which is brought for the approval of the meeting of the Company's shareholders.

It is further noted that all of the directors of the Company may be considered to have a personal interest in the transaction due to the mere fact that they are being granted letters of indemnification and exemption in identical conditions (except with respect to the Exemption Component as specified above).

12.7. The organs who approved the transaction and the date of receipt of such approvals

Following is a specification of the meetings in which the engagement was deliberated and approved as aforesaid:

12.7.1. Meeting of the Company's compensation committee, on November 16, 2014, with the participation of Messrs.: Efraim Halevy (outside director), chairman of the compensation committee, Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director), Tzipora Carmon (independent director).

12.7.2. Meeting of the Company's board of directors, on November 20, 2014, with the participation of Messrs.: Menachem Einan, Efraim Halevy (outside director), Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director), Tzipora Carmon (independent director) and Oran Dror (independent director).

12.8. Manner of approval of the extension of the letters of indemnification and exemption (manner in which the consideration was determined)

The letters of indemnification ~~and exemption~~ are granted to the Controlling Directors as part of the terms and conditions for their services as directors of the Company, and are identical to the version of the letters of indemnification and exemption which the Company is granting the other directors and officers of the Company (except with respect to the Exemption Component as specified above) and are consistent with the Company's compensation policy.

12.9. The information that was brought before the organs who approved the extension of the letters of indemnification and exemption

For the purpose of examination and approval of the extension of the letters of indemnification ~~and exemption~~, the members of the compensation committee and board of directors were provided information pertaining to: (a) The nature of the letters of indemnification ~~and exemption~~, which are identical for all of the officers of the Company (except with respect to the Exemption Component as specified above); (b) The letter of indemnification's ~~and exemption's~~ compliance with the provisions of the Company's compensation policy.

12.10. Summary of the reasons of the compensation committee and the board of directors for the extension of letters of indemnification ~~and exemption~~ for the Controlling Directors

12.10.1. The language of the letters of indemnification ~~and exemption~~ for the Controlling Directors is identical to the language of the letters of indemnification and exemption for all of the Company's directors and officers, except with respect to the Exemption Component which is not included in the language of the letter of indemnification to the Controlling Directors, and do not constitute a special benefit for them.

12.10.2. The letters of indemnification ~~and exemption~~ are consistent with the Company's compensation policy.

12.10.3. The granting of letters of indemnification ~~and exemption~~ to directors (including those who are controlling shareholders) is commonly accepted at companies of the Company's type and size, and is intended to allow such officers to act freely and in the best interests of the Company like all of the Company's other officers, out of an understanding that there is no room to distinguish, for this purpose, between officers who are affiliated with the controlling shareholder and all of the other officers.

12.10.4. In view of all of the aforesaid, the members of the compensation committee and the board are of the opinion that under the circumstances, the extension of the letters of indemnification ~~and exemption~~ for the Controlling Directors is reasonable, fair and in the best interests of the Company.

Part C – Approval of the Management Agreement with the Company's Chairman of the Board, Ms. Danna Azrieli

13. Following are details regarding the resolution proposed to approve the Company's engagement in an agreement for the provision of management

services with a Company controlled by Ms. Danna Azrieli with respect to her office as the Active Chairman of the Board of the Company¹.

13.1. Background:

13.1.1. On July 21, 2014, the Company's board of directors appointed Ms. Danna Azrieli as an Active Chairman of the Company's Board (after she was appointed as a substitute for Mr. David Azrieli OBM, on July 3, 2014). Prior to the demise of Mr. David Azrieli OBM, Ms. Danna Azrieli served as Active Vice Chairman of the Board at an 80% scope position.

13.1.2. In view of the appointment of Ms. Danna Azrieli for her new position and the existing and expected increase in the scope of Ms. Danna Azrieli's duties and areas of responsibility as Active Chairman of the Company's Board, the Company wishes to update the terms of office and employment of Ms. Danna Azrieli² within a new management agreement which will take effect, subject to the approval of the general meeting, on January 1, 2015 (the "**Management Agreement**").

13.1.3. In her new position as Active Chairman of the Board, it is proposed to increase the scope of Ms. Danna Azrieli's position to a full-time position (100%)³, *in lieu* of the 80%-position as Active Vice Chairman of the Board.

13.1.4. As detailed below, most of the terms of office and employment, which were approved for Ms. Danna Azrieli in her former position as Active Vice Chairman of the Board⁴, remain unchanged in her proposed terms of office, and their overall cost, compared with the compensation policy approved for Mr. David Azrieli OBM as the Company's Active Chairman of the Board in June 2013, is considerably lower⁵. The main update in the terms, compared to Ms. Azrieli's current agreement, amounts to the standardization of the fixed component to a full-time position, the addition of a variable component and the

¹ It shall be stated, that Resolution 2..7 which is on the agenda of the shareholders meeting being convened pursuant to this Report, pertains to the amendment of the Company's approved compensation policy, so that the office and employment terms offered to Ms. Danna Azrieli in her office as an Active Chairman of the Company's Board will constitute the policy of compensation for the Company's chairman of the board. For further details see Section 14 in Part D of this Report.

² And concurrently, to also amend the approved compensation policy of the Company – see Section 14 below.

³ It shall be clarified that Ms. Danna Azrieli may continue performing additional activities, including philanthropic activities in which she is involved, from time to time, provided that performance thereof does not compromise the fulfillment of her duties at the Company.

⁴ For details pertaining to the terms of compensation approved for Ms. Danna Azrieli in her position as Active Vice Chairman of the Board, see Section 2.2. of the Company's meeting invitation report of May 14, 2013 (Reference No.: 2013-01-062023) as amended on June 6, 2013 (Reference No.: 2013-01-058431)(the "**Previous Transaction Report**").

⁵ For details pertaining to the compensation terms approved for Mr. David Azrieli OBM as the Active Chairman of the Board of the Company, see Section 2.1 of the Previous Transaction Report.

setting of a compensation cap, the addition of a repayment clause, revision of the term of prior notice and revocation of the adjustment period.

13.1.5. In the examination of the terms of office and employment offered to Ms. Danna Azrieli as Active Chairman of the Company's Board, the Company's compensation committee and board of directors, used, *inter alia*, compensation figures of officers in a sample of Israeli comparison companies⁶ for 2013 (the "**Comparison Companies**") out of a comparative study paper prepared by PriceWaterhouseCoopers Consulting Ltd. (attached as **Annex D** to this Report) (the "**Comparison Paper**").

13.1.6. It shall be clarified that the proposed terms of office are subject to the approval of the general meeting of the Company's shareholders, which is convened pursuant to this Report.

~~13.1.6.~~

13.2. Description of the Management Agreement terms

General

13.2.1. The management services, as defined below, will be provided to the Company by Ms. Danna Azrieli through a company fully owned by Ms. Danna Azrieli (the "**Management Company**"), according to the Management Agreement.

13.2.2. In the framework of the services to be provided by the Management Company, Ms. Danna Azrieli shall serve as the Active Chairman of the Board of the Company in a full-time position (100%)⁷, and shall provide the following services to the Company through the Management Company: Chairman of the Executive Management Committee, supervision of the implementation of strategic decisions, formulation of business and managerial decisions in connection with the development and management of the Company's assets, business development, financing and budget, targets and the examination of new operating segments, provision of ongoing managerial and professional advice to the Company's management and to the managers of the principal operating segments, oversight, leading and analysis of business opportunities and leading transactions and acquisitions in Israel and abroad, oversight of existing projects and monitoring of their progress, oversight of development and construction and of the business development abroad, responsibility for outlining

⁶ Israeli public companies traded on the Tel Aviv Stock Exchange Ltd. on TA-25 Index and TA Real Estate-15 Index.

⁷ See footnote 3 above.

the Company's ties with the community and representing the Company in conferences in Israel and abroad (the "**Management Services**").

The Consideration

In consideration for the provision of the Management Services, the Company shall pay Ms. Danna Azrieli (through the Management Company) consideration as follows:

13.2.3. Fixed Component: Annual management fee in the amount of approx. NIS 2.7 million (nominal) (reflecting, as of the date of the report, a monthly management fee in the amount of approx. NIS 225,000)⁸ plus VAT according to law, linked to the Consumer Price Index for the month of November 2014 which will be published on December 15, 2014 (the "**Fixed Management Fee**") (in the event of a decrease in the Index in a certain month, there shall be no reduction of consideration, but the decrease shall be deducted from future increases in the Index). The Fixed Management Fee will be paid in each current calendar month.

13.2.4. Reimbursement of Expenses: With no change from Ms. Danna Azrieli's current agreement, in her previous position as the Active Vice Chairman of the Board (the "**Current Management Agreement**")⁹. The Company shall bear all of the expenses of the Management Company within the provision of the Management Services, including hosting expenses, travel and *per diem* expenses in Israel and abroad, all according to the Company's procedures and against the presentation of proper reference up to a maximal amount as shall be determined by the Company's board of directors from time to time and which will be specified by them as appropriate, considering the Company's business and scope thereof.

Car and communication expenses: Unchanged from the Current Management Agreement. The Company shall provide the Management Company, for the purpose of providing the Management Services, an appropriate grade 7 car. The car maintenance and use expenses will be paid by the Company. In addition, the Company will bear the costs of use of telephony and telecommunication (landlines and mobiles) of Ms. Danna Azrieli, and may, from time to time and in accordance with the compensation policy, also grant Ms. Danna Azrieli related benefits, such as a laptop, internet connection, subscriptions to financial newspapers and daily newspapers, payment for participation in professional conferences, professional

⁸ Annual management fee under the current management agreement standardized to 100%.

⁹ For a comparison table between the main terms of the Management Agreement and the main terms of the Current Management Agreement, see **Annex E** hereof.

literature, seminars, etc. Reimbursement for car and telecommunication expenses will not exceed a maximum amount as shall be determined from time to time by the audit committee and specified thereby as appropriate, considering the Company's business and the scope thereof.

- 13.2.5. Variable component: For the Management Services, the Management Company will be entitled to an annual bonus, for every calendar year deriving from the Adjusted Profit, as specified below:

The “**Adjusted Profit**” for the purpose of this Section, for each calendar year – annual profit before tax, according to the Company’s audited consolidated annual financial statements, discounting the following sums: (1) dividend received from financial assets available for sale that was included in the annual profit before tax; (2) profit (loss) resulting from revaluation of real properties; (3) results of companies which do not engage in the Company’s core segments (real estate) and were included in the annual profit before tax; (4) linkage differentials accrued on financial liabilities; (5) interest expenses at the rate of the actual weighted effective interest for that year of the Company and companies controlled thereby, which engage in the Company’s core business, for loans (whether taken or not) at a financing rate of 65% on the historical purchase cost in the books of the investment in companies which are not part of the core business; (6) the total sum of the Management Fee (including bonus) to Ms. Danna Azrieli for that year as included in the annual profit before tax; and (7) profit (loss) of financial assets (marketable securities) held for trade, including interest and dividend therefor.

13.2.5.1. Bonus threshold: In a year in which the Adjusted Profit is lower than NIS 925 million – there is no bonus entitlement. To clarify, also if the Adjusted Profit is higher than such bonus threshold, no bonus shall be paid due to Adjusted Profit in the sum of up to NIS 925 million.

13.2.5.2. Bonus brackets: In a year in which the Adjusted Profit is in the sum of NIS 925 million and up to NIS 1,050 million – a bonus shall be paid at the rate of 0.5% of the difference between the bonus threshold and the actual Adjusted Profit; In a year in which the Adjusted Profit exceeds an amount of NIS 1,050 million – an aggregate annual bonus shall be paid, as follows:

- (a) For Adjusted Profit in the sum of up to NIS 925 million – no bonus shall be paid;

- (b) For such part of the Adjusted Profit between NIS 925 million and NIS 1,050 million – a sum at the rate of 0.5% of the difference between NIS 925 million and the actual Adjusted Profit shall be paid;
- (c) For such part of the Adjusted Profit exceeding NIS 1,050 million – a sum at the rate of 0.75% of the amount exceeding NIS 1,050 million shall be paid, plus 0.5% of the difference between NIS 925 million and NIS 1,050 million.
- (d) For a simulation concerning the terms of office proposed for Ms. Danna Azrieli, based on the Company's results in 2012 and 2013 and an estimate with respect to 2014, see Section 13.4.3 hereinbelow.
- 13.2.5.3. Maximum bonus cap: the total sum of the annual bonus for each calendar year as aforesaid shall not exceed the sum of NIS 1.5 million (the “**Bonus Cap Sum**”)¹⁰.
- 13.2.5.4. Bonus in a year in which services are only rendered during part of the year: should the Management Services be provided to the Company during part of a calendar year, the Management Company will be entitled to a bonus calculated *pro rata* to the annual calculation results, on the basis of a 365 day year, in accordance with that part of the year during which the Management Services were rendered and based on the consolidated annual statements for the year in which the Management Agreement commenced or ended.
- 13.2.5.5. Repayment clause: if and insofar as it transpires, *ex post factum*, that the data on which the Company relied in granting the annual bonus as aforesaid to Ms. Danna Azrieli are erroneous and should be restated in the Company's financial statements, Ms. Danna Azrieli shall return to the Company the difference between the sum of the bonus paid to her based on the erroneous data as aforesaid and the sum of the annual bonus to which she is entitled based on the figures after such restatement thereof.

Term, termination and other matters

¹⁰ In order for Ms. Danna Azrieli to be entitled to an annual bonus in the amount of the Bonus Cap Sum, the Company's Adjusted Profit must amount to approx. NIS 1,170 million (nominal).

13.2.6. ~~---~~ Term of the agreement: The Management Agreement shall take effect from January 1, 2015, and be effective for a term of 3 years after this date, unless its term was extended earlier in the agreement of the parties and subject to obtaining all of the approvals required by law.

13.2.7. Advance notice: The Management Agreement will be terminable by the Management Company on the one hand, and by the Company through a board resolution on the other hand, subject to an advance notice of 6 months (*in lieu* of a 3-month period under the Current Management Agreement).

It is noted that the proposed Management Agreement does not include an adjustment period (unlike the Current Management Agreement, under which Ms. Danna Azrieli is entitled to adjustment pay for a 9-month period).

13.2.8. Immediate termination of the Management Agreement: The Company's board of directors may adopt a resolution to terminate the Management Agreement immediately, in any case which Ms. Danna Azrieli and/or the Management Company have been convicted with an infamous crime or fundamentally breached the fiduciary duty towards the Company and/or the subsidiaries and/or affiliated companies thereof.

13.2.9. Activity Restriction: - Ms. Danna Azrieli will undertake again in the framework of her engagement in the Management Agreement that as long as she provides Management Services to the Company and/or to the companies of the Group and for a period of 6 months thereafter, she shall continue to comply with the activity restriction arrangement with the Company, on the same terms as provided in the Current Management Agreement, as stated in Section 3.2 of Part E of the Company's periodic report for 2013 which was released on March 19, 2014 (Reference No.: 2014-01-017433) as amended on March 23, 2014 (Reference No.: 2014-01-021204).

13.2.10. Insurance: As long as the Management Agreement is in force, the Company shall, at its own expense, include in the annual insurance policy covering the liability of directors and officers, if existing and duly approved, insurance coverage for any person from the Management Company with officers insurance on identical terms to the maximum terms applicable to officers of the Company, and it shall further ensure to maintain valid insurance up to seven years after the expiry of the service provision period pursuant to the Management Agreement, of such type and scope as

customary in the market for companies of the business type and segment of the Company.

13.2.11. Exemption and indemnification: The Company shall provide the Management Company and/or Ms. Danna Azrieli a letter of exemption and indemnification in the accepted language as granted to the other officers of the Company, all subject to the provisions of the Companies Law and the approvals required thereunder, the Company's articles of association and the compensation policy. The language of such letter of ~~exemption and~~ indemnification is presented for renewed approval by this meeting – see Section 12 above.

~~13.2.11.—~~

13.3. Details of the compensation

Following is a specification pursuant to the Sixth Schedule to the Immediate Reports Regulations of the compensation paid to Ms. Danna Azrieli in 2013 in terms of annual cost to the Company:

Details of receiver of compensation				Compensation for services (NIS in thousands)				Total (NIS in thousands)
Name	Office	Scope of position (%)	Rate of holding in corporation's capital ¹¹	Management fee (*)	Bonus	Share based payment	Other (**)	
Ms. Danna Azrieli	Active Vice Chairman of the Board	80%	56%	2,321	---	---	43	2,364

(*) The management fee component contains the following components: cost of monthly management fee, social benefits, social and related provisions as customary, car maintenance and reimbursement for communication and other expenses.

(**) For an increment to provision for adjustment upon retirement.

(***) ~~—~~ Voting rate 61.69%.

13.4. Additional details in relation to the proposed compensation

¹¹ It is clarified, that the holding rate stated in the table is the holding rate as of December 31, 2013. For details pertaining to the holdings of Azrieli Holdings (as defined in Section 12.2 of the Report) in the Company as of the Report Date, see Section 12.2 of the Report. Together with her father, Mr. David Azrieli, and her brother, as specified in the immediate report on the Status of Holdings of Interested Parties and Senior Officers of the company released by the Company on January 7, 2014 (Reference No. 2014-01-007747)

- 13.4.1. The ratio of the maximum variable component to the fixed component in the proposed terms of office and employment of Ms. Danna Azrieli is approx. 1:3, namely, the maximum variable component constitutes approx. 36% of the maximum total compensation. According to the amended proposed compensation policy of the Company, the value of the variable component for the Active Chairman of the Board will not exceed 36% of the total compensation package.
- 13.4.2. The ratio of the proposed cost of salary of Ms. Danna Azrieli to the cost of salary of the other employees of the Company, after examination thereof by the compensation committee and the board of directors (and, in particular, the ratio to the average salary and median salary of the Company's employees) has been found to be reasonable and undeviating from the ratio included in the proposed amended compensation policy (also see Section 13.9.1.7).
- 13.4.3. Below is a simulation of the cost of the terms of office and employment proposed to Ms. Danna Azrieli, Active Chairman of the Company's Board, based on the Company's financial results in the years 2012, 2013 and in 2014 (estimate)¹²:

	2012 (NIS in millions)	2013 (NIS in millions)	2014 (NIS in millions)
Adjusted Profit ¹³	866	944	968
Compensation Amount Cap (full-time position)	4.2	4.2	4.2
Bonus cap (full-time position)	1.5	1.5	1.5
Fixed component (approx. 64%)	2.7	2.7	2.7
Bonus for NIS 925 million	0	0	0
Bonus for NIS 925-1,050 million (0.5%)	0	0.1	0.2
Bonus for NIS 1,050 million and more (0.75%)	0	0	0
Total cost (full-time position)	2.7	2.8	2.9

¹² In NIS millions and in nominal values. Adjusted Profit for 2014 is estimated and was calculated based on the adjusted profit for the period January-June 2014 according to the Company's reviewed consolidated statements, as of June 30, 2014 multiplied by 2.

¹³ Adjusted Profit as defined in Section 13.2.5 hereof.

13.5. For details regarding the controlling shareholders of the Company who have a personal interest in the resolution, see Section 12.2 above and Section 13.11 below.

13.6. The manner in which the consideration was determined

13.6.1. The terms of the engagement with Ms. Danna Azrieli were determined in negotiations between the Company and Ms. Danna Azrieli, and were based on the nature and scope of the management services and the responsibility entailed thereby and while taking into account her experience and unique contribution to the Company. The terms of the engagement with Ms. Danna Azrieli were approved by the Company's compensation committee and board of directors, after thorough deliberations, data preparation, comparisons and alternative simulations, and, *inter alia*, an examination of the criteria listed in Section 267B(a) of the Companies Law, while addressing the issues specified in Parts A and B of Schedule One A of the Companies Law.

13.6.2. The Company's compensation committee and board of directors examined comparative figures regarding the management fee and salary payable to an active chairman of the board in the Comparison Companies in 2013 out of the Comparison Paper, while distinguishing between the various compensation components¹⁴, average and median figures of all the figures of the Comparison Companies and minimum and maximum figures. The Comparison Paper neutralized figures regarding relevant chairmen of the board who ended or commenced¹⁵ their office during 2013, who worked at a reported scope of less than 60% of a position in 2013¹⁶, and who served as chairmen of boards of public subsidiaries during 2013.

13.6.3. The members of the Company's compensation committee and the board of directors were also presented with a table of comparison and internal analysis of the amount of general and administrative expenses of the Company compared with Israeli public companies inform among the TA RealEstate-15 companies, which indicated that the ratio of general and administrative expenses of the Company is considerably lower compared to the said ratio in TA

¹⁴ Share based compensation value refers to economic value on the date of grant divided by the number of vesting years.

¹⁵ While in a case which a chairman of the board changed during 2013 and the company published the terms of employment of a new chairman of the board, the figures referred to the scope of compensation of the new chairman of the board in annual terms, calculated according to a simulation, as reported by the relevant company, instead of compensation figures of a chairman of the board who completed his office.

¹⁶ In respect to these chairmen of the board adjustment was carried out to reflect compensation cost compatible with a full-time position. Bonus and value of share based compensation were not adjusted.

RealEstate-15 Index companies, and even lower when discounting the management agreement of Mr. David Azrieli OBM and the agreement of Mr. Menachem Einan, whose office is expected to end in the beginning of 2015. The ratio of the said expenses to the total revenues of the Company is one half of the average of such ratio in the Comparison Companies; the ratio to the total assets of the Company is one third of the ratio average in the Comparison Companies and the ratio to total equity of the Company is one tenth of the ratio average in the Comparison Companies).

13.6.4. The compensation committee and board of directors noted that the objective of the comparison papers and the aforesaid data is to obtain indicative information of the amounts of compensation customary on the Israeli market, and because of their limitations, they are not an exact science and therefore constitute only one indication within the range of considerations that they faced in considering the Company's interests and the fair and reasonable compensation offered to Ms. Danna Azrieli.

13.6.5. See Section 13.9 below for the reasons of the compensation committee and the board of directors for approval of the Company's engagement in the Management Agreement.

13.7. The required approvals:

The resolution regarding the engagement in the Management Agreement was approved by the Company's compensation committee and the board of directors on November 16, 2014 and November 20, 2014 respectively. In addition, the resolution requires the approval of the general meeting convened pursuant to this Report.

13.8. Similar transactions in the last two years or which are still in effect

In the two years that preceded the date of approval of the transaction by the Company's compensation committee and board of directors, no transactions have been approved of the type of the proposed engagement, or transactions similar thereto, between the Company and the controlling shareholder thereof or transactions in the approval of which the controlling shareholder has a personal interest, or which are still in force and effect, other than as specified below:

13.8.1. On June 20, 2013, the general meeting of the Company's shareholders approved, after receiving the approval of the Company's compensation committee and board of directors, the Company's engagement in an agreement for the provision of management services between the Company and Mr. David Azrieli OBM (through companies fully owned by him) (the "**Management Agreement with Mr.**

David Azrieli OBM"), whereby Mr. David Azrieli OBM provided to the Company management services at a scope of an 80% position, which included, *inter alia*, services of active chairman of the board and other services. For details regarding the terms of compensation approved see the report of convening a Company's meeting dated May 14, 2013 (Reference No.: 2013-01-062023) as amended on June 6, 2013 (Reference No.: 2013-01-058431). In consideration for the said management services, the Company paid Mr. David Azrieli OBM annual management fee in the amount of NIS 4.5 million for each calendar year, linked to the index. In addition to the management fee as aforesaid, Mr. David Azrieli OBM was entitled to an annual bonus of up to NIS 5.5 million, derived from the adjusted profit, as defined in the Management Agreement with Mr. David Azrieli OBM. The total maximal cost of the terms of employment of Mr. David Azrieli OBM, from June 2013 until his demise in July 2014, as approved by the Company's compensation committee, the board of directors and the general meeting, was approx. NIS 10 million (in the preceding years the cost was higher).

13.8.2. On June 20, 2013, the general meeting of the Company's shareholders approved, after receiving the approval of the Company's compensation committee and board of directors, the Company's engagement in an agreement for the provision of management services between the Company and Ms. Danna Azrieli (through a company fully owned by her) (i.e., the Current Management Agreement as defined in Section 13.2.4 above), whereby Ms. Danna Azrieli provided the Company management services—as Active Vice Chairman of the Board at an 80%-position. In consideration for the aforesaid management services, the Company paid Ms. Danna Azrieli a monthly management fee in the amount of NIS 164,711 (nominal)(i.e. management fee in a nominal annual total of approx. NIS 1.98 million), linked to the increase of the consumer price index known for September 2009. For details according to the Sixth Schedule of the Immediate Reports Regulations, of the compensation paid to Ms. Danna Azrieli in 2013, see Section 13.3 above.

13.8.3. On May 13, 2013, the Company's board of directors approved, following receipt of the approval of the Company's compensation committee, the continued payment of annual compensation and participation compensation, to Naomi Azrieli and Sharon Azrieli, who serve as directors at the Company. Under the said resolutions, Ms. Sharon Azrieli and Ms. Naomi Azrieli are entitled to an annual compensation in the amount of NIS

65,000 and compensation for participation in a meeting in the amount of NIS 2,300 while such amounts are linked to the consumer price index according to the Compensation Regulations (as of the Report Date, the linked amounts are in the amount of NIS 76,081 in respect of annual compensation and NIS 2,692 in respect of participation compensation). In addition, the provisions of Regulations 6(a) and 5(b) of the Compensation Regulations will apply also in respect of Naomi and Sharon Azrieli. Accordingly, Naomi and Sharon Azrieli will be entitled to reimbursement of expenses according to the provisions of Section 6(a) of the Compensation Regulations (including reimbursement for flights, *per diems* and hospitality), and according to the covenants approved by the audit committee (as in effect from time to time) with respect to all of the directors at the Company and subject to any law. Approval of the compensation as aforesaid was given for a period of 3 years commencing from June 3, 2013. For further details see the Company's immediate report dated May 14, 2013 (Reference No.: 2013-01-062026).

13.8.4. On May 8 and 13, 2013, the Company's compensation committee and board of directors approved, respectively, the inclusion of the Company's controlling shareholders and their relatives, who are serving as directors and officers at the Company, in a framework resolution pertaining to the purchase of policies for the insurance of the liability of directors and officers, including of the controlling shareholders. For further details see immediate report dated May 14, 2013 (Reference No.: 2013-01-062029).

13.9. Summary of the reasons of the compensation committee and the board of directors for approval of the resolution

13.9.1. In examination of the terms of office proposed to Ms. Danna Azrieli in her position as an Active Chairman of the Board, the compensation committee and the Board examined and took, *inter alia*, the following parameters into consideration:

13.9.1.1. The education, qualifications, expertise, professional experience and achievements of Ms. Danna Azrieli in leading the Company;

13.9.1.2. Ms. Danna Azrieli's positions, areas of responsibility and previous management agreements which were executed with her;

13.9.1.3. Evaluation of Ms. Danna Azrieli's contribution to the Company's business, performance, reputation and profitability;

- 13.9.1.4. The business results of the Group in recent years and the increase in the scope of its business and assets, considering the business environment and the market condition, and the scope of projects under development, and examination of the proposed terms of office in relation to the promotion of the Company's goals, work plans thereof and creation of the appropriate incentive;
 - 13.9.1.5. Comparative figures regarding the terms of office of a chairman of the board in other companies which were included in the Comparison Companies, compared with the compensation terms offered to Ms. Danna Azrieli and comparison of the ratio of general and administrative expenses in similar companies, to the total assets, total revenues and equity, compared to the Company, given the proposed approval of the Company's engagement in the Management Agreement;
 - 13.9.1.6. The ratio of the fixed remuneration components to the variable ones, as well as the setting of a cap for the variable component value on the date of payment thereof;
 - 13.9.1.7. The ratio of the proposed office and employment terms to the salary of the other Company employees employed by the Company, particularly the ratio to the average salary and the median salary of the employees and the effect of this difference on the employment relations.
- 13.9.2. The Company's compensation committee and board of directors are of the opinion that the education, qualifications, expertise, deep understanding of the Company's business field and vast experience that Ms. Danna Azrieli has acquired in working alongside her father OBM, have had and will have a significant contribution to the Company's business and to the achievement of its goals in her position as the Active Chairman of the Board of the Company.
- 13.9.3. In view of the increase in the scope of duties and areas of responsibility of Ms. Danna Azrieli, the members of the Company's compensation committee and board of directors believe it would be appropriate to update the terms of employment of Ms. Danna Azrieli in her new position as an Active Chairman of the Company's Board.

- 13.9.4. Based on the findings of the Comparison Paper, the data and the simulations presented to them, the members of the Company's compensation committee and board of directors have reached the opinion that also in comparison to the terms of office and employment commonly accepted in 2013 in companies with magnitude and scope of business similar to that of the Company – it appears that the terms offered to Ms. Danna Azrieli are reasonable and even more than reasonable.
- 13.9.5. In examining the proposed terms of office and employment of Ms. Danna Azrieli as Active Chairman of the Board of the Company, and considering the personnel changes in the Company's management, and especially the demise of Mr. David Azrieli OBM, the members of the Company's compensation committee and board of directors stated that there is a considerable reduction in the total general and administrative expenses of the Company, also given the approval of the terms of office offered to Ms. Danna Azrieli. In addition, the members of the compensation committee and the Company's board of directors emphasized that comparison of the ratio of general and administrative expenses to the total assets, total revenues and equity in similar companies, to similar ratios in the Company, given the proposed approval of the Company's engagement in the Management Agreement, indicates significant differences in favor of the Company and indicates that the ratio of general and administrative expenses is especially low, despite the size of the Company and the scope of business thereof.
- 13.9.6. The members of the compensation committee and the board of directors stated that, in view of the fact that the proposed update to the terms of office focuses on five components of the Current Management Agreement which is in effect (standardization of the fixed component to a full-time position, addition of a variable component, addition of a repayment clause, setting of a compensation cap, revocation of the 9-month adjustment period and extension of the prior notice term by three months) then considering the change in the position imposed on Ms. Azrieli, it is a modest change of the cost of compensation on the one hand, and on the other hand, an addition of restrictive components. The members of the compensation committee and the board, found that the ratio proposed between the fixed component and the variable one, creates a fair and correct compensation to Ms. Danna Azrieli aiming to encourage the maximization of the Company's profits and promote the business goals thereof.

- 13.9.7. As to the proposed variable component, the compensation committee and the Company's board of directors attribute extensive significance to connecting between the Company's performance and the compensation of Ms. Danna Azrieli in her position as an Active Chairman of the Company's Board, similarly to the variable component which was approved for Mr. David Azrieli OBM as an Active Chairman of the Company's board in 2013.
- 13.9.8. In addition, the members of the compensation committee and the board of directors stated the significant aggravation of the threshold for entitlement to the variable component compared with the current threshold in the compensation policy for officers who are not directors or with the threshold which existed in the Management Agreement with Mr. David Azrieli OBM, and found that the brackets of the variable component are consistent with the current results of the Company and set challenging targets based on performance in the long-term view, in a manner which ensures consistency between the level of the variable component and the Company's performance. The members of the compensation committee and the Company's board further stated that the amount of the proposed variable component is low, compared to the Comparison Companies and found it reasonable and fair.
- 13.9.9. The compensation committee and the board of directors are of the opinion that in view of the extensive contribution of Ms. Danna Azrieli to the Company, her thorough understanding of the Company's business and her vast experience, the cost of the terms of office and employment offered to her under the Management Agreement, and the ratio of the cost of her terms of office and employment to the cost of the salaries of the other employees are reasonable and would not adversely affect the employment relations in the Company.
- 13.9.10. In light of all of the aforesaid, the Company's compensation committee and board of directors are of the opinion that approval of the Company's engagement in the Management Agreement is appropriate and reasonable and promotes the best interests of the Company.
- 13.9.11. Approval of the Company's engagement in the Management Agreement does not include distribution, as per the definition of such term in Section 1 of the Companies Law.
- 13.10. Names of the directors who participated in the deliberations of the compensation committee and board for the approval of the resolution

13.10.1. Messrs. Efraim Halevy (outside director), Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director) and Tzipora Carmon (independent director) participated in the audit committee's meeting of November 16, 2014 for approval of the Company's engagement in the Management Agreement.

13.10.2. Messrs. Menachem Einan, Efraim Halevy (outside director), Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director) and Tzipora Carmon (independent director) and Oran Dror (independent director) participated in the Company's board of directors meeting of November 20, 2014.

~~13.10.2.~~

13.11. Names of directors of the Company who have a personal interest in the resolution and the nature of such personal interest

Ms. Danna Azrieli has a personal interest in the approval of the resolution on the agenda, as she is a party to the engagement in the Management Agreement contemplated herein. Naomi and Sharon Azrieli have a personal interest in the approval of the resolution on the agenda, as they are the sisters of Ms. Danna Azrieli.

Part D – Amendment to the Company's Compensation Policy

14. Following are details on the proposed resolution to amend the Company's compensation policy, in accordance with the language attached as **Annex F** hereto (the "**Company's Amended Compensation Policy**"):

14.1. The Company's existing compensation policy that was approved by the Company's general meeting on September 11, 2013 (the "**Company's Existing Compensation Policy**"), determines a personal compensation plan for a small group of the Company's officers, including directors of the Company who are controlling shareholders.

14.2. The terms of compensation that were approved for Mr. David Azrieli OBM as the active chairman of the board of the Company, by the Company's general meeting, on June 20, 2013, constituted the compensation policy for an active chairman of the Company's board¹⁷.

14.3. In accordance with the provisions of Section 267A(e) of the Companies Law and in view of the changes that occurred in the Company's management following the demise of Mr. David Azrieli OBM, it is proposed to amend the Company's present compensation policy that the terms of office and employment that are offered to Ms.

¹⁷ For details on the Company's Existing Compensation Policy see immediate report dated August 6, 2013 (Reference No.: 2013-01-110556), as amended on September 2, 2013 (Reference No.: 2013-01-135633) and in particular Section 4.3 that discusses the compensation for an active chairman of the Company's board.

Danna Azrieli as specified in Section 13 above, will constitute the compensation policy for an active chairman of the Company's board.

- 14.4. The amendment to the Company's Existing Compensation Policy comes down to - (1) Determining a compensation policy for an active chairman of the Company's board that will be consistent with the terms of office which are offered to Ms. Danna Azrieli as specified at length in Section 13 of this Report; (2) Omitting the provisions of the compensation policy with regard to the terms of compensation of an active vice chairman of the board of the Company; (3) Technical amendments deriving from the changes that are specified above.
- 14.5. The reasons of the compensation committee and the board for the approval of the amendment to the compensation policy

In view of the provisions of Section 267A(e) of the Companies Law as well as the provisions of Section 9.8 of the Company's Existing Compensation Policy, the compensation committee and board of the Company examined the Company's Existing Compensation Policy and the need for the adjustment thereof.

The main considerations and assumptions guiding the compensation committee and board of the Company in the approval of the amended compensation policy are as follows:

- 14.5.1. The terms of office which were approved for Mr. David Azrieli OBM by the general meeting of June 2013 reflected, at such time, the existing compensation policy for an active chairman of the board of the Company. Pursuant to the demise of Mr. Azrieli OBM and the appointment of Ms. Danna Azrieli as active chairman of the board of the Company in his stead, the members of the compensation committee and board of the Company deemed fit to determine new guidelines which will constitute the amended compensation policy for the active chairman of the board of the Company.
- 14.5.2. The proposed amendment to the Existing Compensation Policy for an active chairman of the board of the Company reflects the view of the compensation committee and board of the Company that the terms of office and employment which are offered to Ms. Danna Azrieli in her capacity as active chairman of the board of the Company, constitute the fair and appropriate compensation for an active chairman of the board of the Company under the current circumstances.
- 14.5.3. During the deliberation on the approval of the Company's Amended Compensation Policy with regard to the compensation of the active chairman of the Company, the members of the compensation committee and board of the Company were assisted by the Comparison Paper (as

defined in Section 13.1.5 of this Report above), which provided them with indicative information regarding the scopes of the compensation to active chairmen of boards of directors that prevail in the Israeli economy.

14.5.4. For the reasons of the compensation committee and board of the Company for the approval of the update to the terms of office of Ms. Danna Azrieli, including reference to the various compensation components, see Section 13.9 above.

14.6. Identity of the members of the compensation committee and board who participated in the meetings and personal interest

All of the directors of the Company have a personal interest in the approval of the amended compensation policy merely because they are officers of the Company who are entitled to compensation in accordance with the compensation policy.

The meetings of the Company's compensation committee in which the amendment to the existing compensation policy was deliberated were participated by Messrs. Efraim Halevy (outside director), Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director) and Tzipora Carmon (independent director).

The meetings of the Company's board of directors in which the amendment to the existing compensation policy was deliberated were participated by Messrs. Joseph Ciechanover (independent director), Tzipora Carmon ((independent director)), Efraim Halevy, Prof. Niv Ahituv (outside director). Messrs. Danna Azrieli, Sharon Azrieli, Naomi Azrieli and Menachem Einan did not participate in the deliberation of the Company's board of directors in which the amendment to the Company's Existing Compensation Policy was deliberated, since the compensation arrangements in their respect are different than those of the other directors of the Company.

14.7. For details on the controlling shareholders of the Company see Section 12.2 above. Note that the Company is not a public second-tier subsidiary, as defined in Section 267A.(c) of the Companies Law.

14.8. The majority required for approval of the amendment to the compensation policy and the authority of the Company's board of directors

14.8.1. For details in respect of the required majority, see Section 8.3 above.

14.8.2. In accordance with the provisions of Section 267A(c) of the Companies Law, the Company's board of directors is entitled to approve the amended compensation policy of the Company also if the general meeting shall have opposed to approval thereby, provided that the compensation

committee and thereafter the board shall have decided, based on detailed reasons and after having re-deliberated the amendment to the compensation policy, that the approval of the amended compensation policy of the Company, despite the objection of the general meeting, is in the best interests of the Company.

14.8.3. For details on the obligation to declare either the absence or the existence of a personal interest in a resolution, see Section 10 above.

~~14.8.3.~~

General

15. The power of the Securities Authority

Under the provisions of Regulation 10 of the Controlling Shareholder Transaction Regulations:

15.1. The Securities Authority or an employee authorized for this purpose thereby (the "ISA") may, within twenty one days as of the submission of this immediate report, order the Company to provide, within such time as shall be set thereby, explanations, details, information and documents pertaining to the subject-matters specified in the sections hereinabove, and also to order the Company to amend this Report in such manner and on such time as shall be determined thereby.

15.2. If an order for the amendment of the report is issued as aforesaid, the ISA may order the postponement of the date of the general meeting to a date no earlier than the elapse of 3 business days and no later than 35 days as of the date of release of the amendment to this report.

15.3. The Company shall submit an amendment pursuant to such order, in the manner prescribed by Regulation 2(a)(1) of the Controlling Shareholder Transaction Regulations, shall send it to all of the shareholders to whom this immediate report was sent and shall also publish an announcement on this matter, in the manner prescribed by Regulation 2(a)(2) of the Controlling Shareholder Transaction Regulations, all unless the ISA shall have otherwise ordered.

15.4. If an order for the postponement of the date of convening of the general meeting is given, the Company shall give notice of such order via an immediate report.

16. Inspection of documents

A copy of this Report, including the annexes hereto, is available for inspection at the Company's Offices, after prior coordination by telephone: 03-6081300, Sundays through Fridays between 09:00 and 17:00, such until the date of convening of the general meeting for approval of the resolution on the agenda, and also on the ISA's website at www.magna.isa.gov.il.

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

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

**Sincerely,
The Azrieli Group Ltd.**

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

Annex A

Details of Mr. Oran Dror in accordance with Regulation 26 of the Immediate Reports Regulations

Name:	Oran Dror
I.D. No.:	024973315
Date of birth:	August 2, 1970
Address for service of process:	1 Azrieli Center, Tel Aviv
Citizenship:	Israeli
Membership of Board of Directors Committees:	After and subject to his appointment by the general meeting, he will sit on the Audit Committee; Finance Committee; Administrative Enforcement Committee; and the Compensation Committee.
Outside Director/Independent Director:	Independent director
Position held at the Company, a subsidiary, an affiliate of the Company or of an interested party thereof:	None.
Commencement date of office as a director:	The end of the meeting in which his office is approved.
Education:	<p>BA in economics and East Asia-Japan studies from the Hebrew University in Jerusalem; Waseda University, Tokyo, Japan, School of Commerce, majoring in management and marketing (research student for two years).</p> <p>The Israeli Management Center (<i>Hamil</i>) – graduate of the course Director in Practice – Public, Private and Government-Owned Companies.</p>
Occupation in the last five years and specification of other corporations wherein he serves as director:	<p>2014 to date: CEO of the private investment company Dror Liat Investments.</p> <p>2011-2014: Executive director – VP Telecom Sales and Marketing. Member of the MEA regional management of Microsoft International.</p> <p>2005-2011: director – VP Business Partners and Customers Sales, Microsoft Israel.</p> <p>Controlling shareholder and owner of NBX e-Service Solutions Ltd.</p>
Family relation to another interested party in the Company:	No
Has expertise in finance and accounting or professional qualification:	Has expertise in finance and accounting and a professional qualification.

**הנדון: הצהרת מועמד לכהונה כדירקטור בלתי תלוי
 על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

אני, הח"מ, אורן דרור נושא ת.ז. 024973315, תושב ישראל, מצהיר ומתחייב בזה כדלקמן:

1. אני נותן בזה את הסכמתי לכהן כדירקטור בלתי תלוי בחברתכם שהיא חברה ציבורית, שהתאגדה בישראל, ומנייתיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ.
 2. אני מודע לכל הוראות החוק החלות ביחס למינוי וכהונתו של דירקטור בלתי תלוי לרבות, משך הכהונה, הפסקתה, השתתפות בוועדות החברה וכיוצא ב"ב וכן הנני מודע לכך שהצהרתי זו תמצא במשרדה הרשום של החברה לעיונו של כל אדם;
 3. אני כשיר להתמנות כדירקטור בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 4. ידועות לי חובות ההודעה החלות עליי מכוח סעיפים 227א ו-245 לחוק והנני מתחייב למלא אותן כנדרש. הוראות הסעיפים הנ"ל, בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א'.
 5. אני מצהיר, כי יש לי את כל הכישורים הדרושים והיכולת להקדיש את הזמן הראוי, לשם ביצוע תפקיד של דירקטור בחברה, כפי שיפורט להלן.
 6. הנני בעל מומחיות חשבונאית ופיננסית, בהתאם לאמור בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), התשס"ו - 2005 (להלן: "תקנות החברות"); הוראות תקנות החברות, בנוסחם במועד החתימה על הצהרה זו, מצורפות בנספח ב' להצהרתי זו.
 7. הנני בעל השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ג' להצהרה זו.
 8. למעט הזיקה לחברה מכח כהונתי כדירקטור, ככל שאתמנה[סמן/מלא אם מתקיים]:
 - א. אין לי, לקרובי, לשותפי, למעבידי, למי שאני כפוף לו במישרין או בעקיפין, או לתאגיד שאני בעל שליטה בו, קשרים עסקיים או מקצועיים לחברה, לבעל השליטה בחברה במועד המינוי, או לתאגיד אחר, גם אם הקשרים כאמור אינם דרך כלל, למעט קשרים זניחים.
 - ב. אין לי, לקרובי, לשותפי, למעבידי, למי שאני כפוף לו במישרין או בעקיפין, או לתאגיד שאני בעל שליטה בו, במועד המינוי או בשנתיים שקדמו לו, זיקה לחברה, לבעל השליטה בחברה במועד המינוי, או לתאגיד אחר. לעניין הצהרה זו –
- "זיקה" - קיום יחסי עבודה, קיום קשרים עסקיים או מקצועיים דרך כלל או שליטה, וכן כהונה כנושא משרה, למעט כהונה של דירקטור שמונה כדי לכהן כדירקטור חיצוני בחברה שעומדת להציע לראשונה מניות לציבור.
- "תאגיד אחר" - תאגיד שבעל השליטה בו, במועד המינוי או בשנתיים שקדמו למועד המינוי, הוא החברה או בעל השליטה בה.
- "מועד המינוי" - המועד בו תמנה אותי האסיפה הכללית כדירקטור חיצוני, בהתאם להוראות סעיף 239(ב) לחוק.
- "קרוב" - בן זוג, אח או אחות, הורה, הורי הורה, צאצא, וכן צאצא, אח, אחות או הורה של בן הזוג או בן זוגו של כל אחד מאלה.

9. סמן במקום המתאים, אם מתקיים:

- על אף האמור בסעיף 8(ב) לעיל, קיימים ביני לבין החברה, במועד המינוי או בשנתיים שקדמו לו, קשרים עסקיים או מקצועיים זניחים אשר תחילתם במועד שיקדם למועד מינוי כדירקטור בלתי תלוי ואשר אינם מהווים "זיקה" כאמור בתקנות החברות (עניינים שאינם מהווים זיקה), התשס"ו-2006 (להלן: "תקנות הזיקה"). הוראות תקנות אלו בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח ו' המצורף להצהרה זו. קשרים אלו הם כמפורט להלן¹:
10. אין אני קרוב של בעל השליטה בחברה.
11. תפקידי ועיסוקי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטור בלתי תלוי, ולא יפגעו ביכולתי לכהן כדירקטור בלתי תלוי.
12. בכל חברה אחרת בה אני מכהן כיום כדירקטור, לא מכהן כדירקטור בלתי תלוי אדם המכהן כדירקטור בחברתכם.
13. איני עובד של רשות ניירות ערך או של בורסה בישראל.
14. לא קיבלתי כל תמורה, במישרין או בעקיפין בשל כהונתי כדירקטור בחברה, נוסף על הגמול ועל החזר ההוצאות שלהם אני זכאי, בשל כהונתי כדירקטור בלתי תלוי בחברה. לעניין סעיף זה לא יראו כתמורה מתן פטור, התחייבות לשיפוי, שיפוי או ביטוח.
15. אינני יושב ראש הדירקטוריון ואינני מועסק בידי החברה או על ידי בעל השליטה בה או בידי תאגיד בשליטת בעל השליטה. בנוסף, אינני נותן שירותים, דרך קבע, לחברה, לבעל השליטה בה או לתאגיד בשליטת בעל השליטה כאמור, וכן עיקר פרנסתי איננה על בעל השליטה.

¹ יובא פירוט של הקשרים העסקיים או המקצועיים של המועמד עם החברה ותימוכין לכך שקשרים אלו מהווים קשרים זניחים.

16. אינני מכהן בדירקטוריון החברה מעל 9 שנים רצופות.
17. אני מתחייב לעמוד בכל דרישות הדין החלות על דירקטורים ודירקטורים בלתי תלויים. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או יתקיים חשש להפרת חובת האמונים בה אני חב לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר הדירקטוריון ולחברה.
18. ידוע לי כי על פי החוק, החברה, בעל השליטה בה ותאגיד בשליטתו לא יוכלו להעניק לי, לבן זוגי או לילדי טובת הנאה, במישרין או בעקיפין, ובכלל זה לא ימנו אותי, את בן זוגי או את ילדי, לכהונה כנושא משרה בחברה או בתאגיד בשליטת בעל השליטה בה, לא יעסיקו אותי כעובד, ולא יקבלו ממני שירותים מקצועיים בתמורה, בין במישרין ובין בעקיפין, לרבות באמצעות תאגיד בשליטתי, אלא אם כן חלפו שנתיים מתום כהונתי כדירקטור בלתי תלוי בחברה, ולעניין קרוב שלי שאינו בן זוגי או ילדי- שנה מתום כהונתי כדירקטור בלתי תלוי.
19. ידוע לי כי הצהרתי זו, תובא בפני הגורם הממנה עובר למינוי ולזימון האסיפה הכללית שעל סדר יומה המינוי, וכי היא תשמש את הגורם הממנה לשם בחינת כשירותי לכהונה כדירקטור בלתי תלוי בחברה.
20. ידוע ומוסכם עלי, כי למעט הגמול אשר אושר לי על ידי האורגנים המוסמכים בחברה, לא אהיה זכאי לכל גמול נוסף מהחברה בגין כהונתי כדירקטור בלתי תלוי.
21. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.



חתימה

אורן דרור

שם

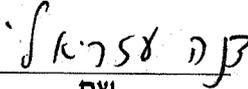
Annex B

Statements of Nominee for the Office of Director

**הנדון: הצהרת מועמד לכהונה כדירקטור
על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

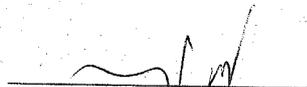
- אני, הח"מ, דנה עזריאלי, נושאת ת.ז. מס' 321657744, תושבת ישראל, מצהירה ומתחייבת בזה כדלקמן:
1. אני נותנת בזה את הסכמתי לכהן כדירקטורית בחברתכם שהיא חברה ציבורית, שהואגדה בישראל, ומניותיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ;
 2. אני כשירה להתמנות כדירקטורית בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 3. ידועה לי חובת ההודעה החלה עליי מכוח סעיף 227א לחוק והנני מתחייבת למלא אותה כנדרש. הוראת הסעיף הנ"ל, בנוסחה במועד החתימה על הצהרה זו, מפורטת בנספח א'.
 4. הנני מחזיקה בכישורים הדרושים ולרשותי עומד הזמן הנדרש לשם ביצוע תפקיד של דירקטור בחברה, בשם לב לצרכיה המיוחדים של החברה ולגודלה.
 5. אני בעלת כשירות מקצועית, בהתאם לאמור בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), התשס"ו - 2005 (להלן: "תקנות החברות"); הוראות תקנות החברות, בנוסחם במועד החתימה על הצהרה זו, מצורף בנספח ב' להצהרתי זו ומהווה חלק בלתי נפרד הימנה.
 6. הנני בעלת השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ג' להצהרה זו.
 7. תפקידי ועיסוקי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטורית בחברה, ולא יפגעו ביכולתי לכהן כדירקטורית.
 8. אני מתחייבת לעמוד בכל דרישות הדין המצופות מדירקטור. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או כי קיים חשש, כי הפרתי את חובת האמונים לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר דירקטוריון החברה.
 9. ידוע לי כי הצהרתי זו תשמש את החברה לשם בחינה האם אני כשירה לכהן כדירקטורית בחברה, ובמיוחד האם מתקיימים בי התנאים והמבחנים לפי החוק.
 10. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.

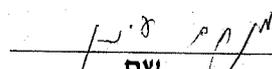

חתימה


שם

**הנדון: הצהרת מועמד לכהונה כדירקטור
על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

- אני, הח"מ, מנחם עינן, נושא ת.ז. מס' 008995383, תושב ישראל, מצהיר ומתחייב בזה כדלקמן:
1. אני נותן בזה את הסכמתי לכהן כדירקטור בחברתכם שהיא חברה ציבורית, שהואגדה בישראל, ומניותיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ;
 2. אני כשיר להתמנות כדירקטור בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 3. ידועה לי חובת ההודעה החלה עליי מכוח סעיף 227א לחוק והנני מתחייב למלא אותה כנדרש. הוראת הסעיף הנ"ל, בנוסחה במועד החתימה על הצהרה זו, מפורטת בנספח א'.
 4. הנני מחזיק בכישורים הדרושים ולרשותי עומד הזמן הנדרש לשם ביצוע תפקיד של דירקטור בחברה, בשם לב לצרכיה המיוחדים של החברה ולגודלה.
 5. אני בעל כשירות מקצועית, בהתאם לאמור בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), התשס"ו - 2005 (להלן: "תקנות החברות"); הוראות תקנות החברות, בנוסחם במועד החתימה על הצהרה זו, מצורף בנספח ב' להצהרתי זו ומהווה חלק בלתי נפרד הימנה.
 6. הנני בעל השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ג' להצהרה זו.
 7. תפקידי ועיסוקי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטור בחברה, ולא יפגעו ביכולתי לכהן כדירקטור.
 8. אני מתחייב לעמוד בכל דרישות הדין המצופות מדירקטור. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או כי קיים חשש, כי הפרתי את חובת האמונים לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר דירקטוריון החברה.
 9. ידוע לי כי הצהרתי זו תשמש את החברה לשם בחינה האם אני כשיר לכהן כדירקטור בחברה, ובמיוחד האם מתקיימים בי התנאים והמבחנים לפי החוק.
 10. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.

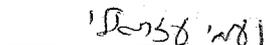

חתימה


שם

**הנדון: הצהרת מועמד לכהונה כדירקטור
על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

- אני, הח"מ, נעמי עזריאלי, נושאת דרכון מס' **48510031** (קנדה) מצהירה ומתחייבת בזה כדלקמן:
1. אני נותנת בזה את הסכמתי לכהן כדירקטורית בחברתכם שהיא חברה ציבורית, שהואגדה בישראל, ומניותיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ;
 2. אני כשירה להתמנות כדירקטורית בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 3. ידועה לי חובת ההודעה החלה עליי מכוח סעיף 227א לחוק והנני מתחייבת למלא אותה כנדרש. הוראת הסעיף הנ"ל, בנוסחה במועד החתימה על הצהרה זו, מפורטת בנספח א'.
 4. הנני מחזיקה בכישורים הדרושים ולרשותי עומד הזמן הנדרש לשם ביצוע תפקיד של דירקטור בחברה, בשם לב לצרכיה המיוחדים של החברה ולגודלה.
 5. אני בעלת כשירות מקצועית, בהתאם לאמור בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), התשס"ו - 2005 (להלן: "תקנות החברות"); הוראות תקנות החברות, בנוסחם במועד החתימה על הצהרה זו, מצורף בנספח ב' להצהרתי זו ומהווה חלק בלתי נפרד הימנה.
 6. הנני בעלת השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ג' להצהרה זו.
 7. תפקידי ועיסוקיי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטורית בחברה, ולא יפגעו ביכולתי לכהן כדירקטורית.
 8. אני מתחייבת לעמוד בכל דרישות הדין המצופות מדירקטור. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או כי קיים חשש, כי הפרתי את חובת האמונים לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר דירקטוריון החברה.
 9. ידוע לי כי הצהרתי זו תשמש את החברה לשם בחינה האם אני כשירה לכהן כדירקטורית בחברה, ובמיוחד האם מתקיימים בי התנאים והמבחנים לפי החוק.
 10. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.

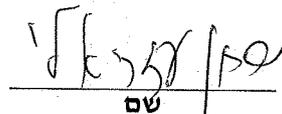

חתימה


שם

**הנדון: הצהרת מועמד לכהונה כדירקטור
על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

- אני, הח"מ, שרון עזריאלי, נושאת דרכון מס' QI550845 (קנדה) מצהירה ומתחייבת בזה כדלקמן:
1. אני נותנת בזה את הסכמתי לכהן כדירקטורית בחברתכם שהיא חברה ציבורית, שהואגדה בישראל, ומניותיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ;
 2. אני כשירה להתמנות כדירקטורית בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 3. ידועה לי חובת ההודעה החלה עליי מכוח סעיף 227א לחוק והנני מתחייבת למלא אותה כנדרש. הוראת הסעיף הנ"ל, בנוסחה במועד החתימה על הצהרה זו, מפורטת בנספח א'.
 4. הנני מחזיקה בכישורים הדרושים ולרשותי עומד הזמן הנדרש לשם ביצוע תפקיד של דירקטור בחברה, בשם לב לצרכיה המיוחדים של החברה ולגודלה.
 5. הנני בעלת השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ב' להצהרה זו.
 6. תפקידי ועיסוקיי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטורית בחברה, ולא יפגעו ביכולתי לכהן כדירקטורית.
 7. אני מתחייבת לעמוד בכל דרישות הדין המצופות מדירקטור. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או כי קיים חשש, כי הפרתי את חובת האמונים לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר דירקטוריון החברה.
 8. ידוע לי כי הצהרתי זו תשמש את החברה לשם בחינה האם אני כשירה לכהן כדירקטורית בחברה, ובמיוחד האם מתקיימים בי התנאים והמבחנים לפי החוק.
 9. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.


חתימה


שם

**הנדון: הצהרת מועמד לכהונה כדירקטור בלתי תלוי
על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

- אני, הח"מ, ציפורה כרמון, נושאת ת.ז. 51528933, תושבת ישראל, מצהירה ומתחייבת בזה כדלקמן:
1. אני נותנת בזה את הסכמתי לכהן כדירקטורית בלתי תלויה בחברתכם שהיא חברה ציבורית, שהתאגדה בישראל, ומניויתיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ.
 2. אני מודעת לכל הוראות החוק החלות ביחס למינויו וכהונתו של דירקטור בלתי תלוי לרבות, משך הכהונה, הפסקתה, השתתפות בוועדות החברה וכיוצא בוכן הנני מודעת לכך שהצהרתי זו תמצא במשרדה הרשום של החברה לעיונו של כל אדם;
 3. אני כשירה להתמנות כדירקטורית בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 4. ידועות לי חובות ההודעה החלות עליי מכוח סעיפים 227 א ו- 245 לחוק והנני מתחייבת למלא אותן כנדרש. הוראות הסעיפים הנ"ל, בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א'.
 5. אני מצהירה, כי יש לי את כל הכישורים הדרושים והיכולת להקדיש את הזמן הראוי, לשם ביצוע תפקיד של דירקטור בחברה, כפי שיפורט להלן.
 6. הנני בעלת מומחיות חשבונאית ופיננסית, בהתאם לאמור בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), התשס"ו - 2005 (להלן: "תקנות החברות"); הוראות תקנות החברות, בנוסחם במועד החתימה על הצהרה זו, מצורפות בנספח ב' להצהרתי זו.
 7. הנני בעלת השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ג' להצהרה זו.
 8. למעט זיקתי לחברה מכח כהונתי כדירקטורית בתקופה של 1 השנים הקודמות (סמך/מלא אם מתקיים).
 - א. אין לי, לקרובי, לשותפי, למעבידי, למי שאני כפוף לו במישרין או בעקיפין, או לתאגיד שאני בעל שליטה בו, קשרים עסקיים או מקצועיים לחברה, לבעל השליטה בחברה במועד המינוי, או לתאגיד אחר, גם אם הקשרים כאמור אינם דרך כלל, למעט קשרים זניחים.
 - ב. אין לי, לקרובי, לשותפי, למעבידי, למי שאני כפוף לו במישרין או בעקיפין, או לתאגיד שאני בעל שליטה בו, במועד המינוי או בשנתיים שקדמו לו, זיקה לחברה, לבעל השליטה בחברה במועד המינוי, או לתאגיד אחר. לעניין הצהרה זו -
 - "זיקה" - קיום יחסי עבודה, קיום קשרים עסקיים או מקצועיים דרך כלל או שליטה, וכן כהונה כנושא משרה, למעט כהונה של דירקטור שמונה כדי לכהן כדירקטור חיצוני בחברה שעומדת להציע לראשונה מניות לציבור.
 - "תאגיד אחר" - תאגיד שבעל השליטה בו, במועד המינוי או בשנתיים שקדמו למועד המינוי, הוא החברה או בעל השליטה בה.
 9. סמך במקום המתאים, אם מתקיים:
 - על אף האמור בסעיף 8(ב) לעיל, קיימים ביני לבין החברה, במועד המינוי או בשנתיים שקדמו לו, קשרים עסקיים או מקצועיים זניחים אשר תחילתם במועד שיקדם למועד מינויי כדירקטור חיצוני ואשר אינם מהווים "זיקה" כאמור בתקנות החברות (עניינים שאינם מהווים זיקה), התשס"ז-2006 (להלן: "תקנות הזיקה"). הוראות תקנות אלו בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח ו' המצורף להצהרה זו. קשרים אלו הם כמפורט להלן¹:
 10. אין אני קרובה של בעל השליטה בחברה.
 11. תפקידי ועיסוקי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטורית בלתי תלויה, ולא יפגעו ביכולתי לכהן כדירקטורית בלתי תלויה.
 12. בכל חברה אחרת בה אני מכהנת כיום כדירקטורית, לא מכהן כדירקטור בלתי תלוי אדם המכהן כדירקטור בחברתכם.
 13. איני עובדת של רשות ניירות ערך או של בורסה בישראל.
 14. לא קיבלתי כל תמורה, במישרין או בעקיפין בשל כהונתי כדירקטורית בחברה, נוסף על הגמול ועל החזר ההוצאות שלהם אני זכאית, בשל כהונתי כדירקטורית בלתי תלויה בחברה. לעניין סעיף זה לא יראו כתמורה מתן פטור, התחייבות לשיפוי, שיפוי או ביטוח.

¹ יובא פירוט של הקשרים העסקיים או המקצועיים של המועמד עם החברה ותימוכין לכך שקשרים אלו מהווים קשרים זניחים.

15. אינני יושב ראש הדירקטוריון ואינני מועסקת בידי החברה או על ידי בעל השליטה בה או בידי תאגיד בשליטת בעל השליטה בנוסף, אינני נותנת שירותים, דרך קבע, לחברה, לבעל השליטה בה או לתאגיד בשליטת בעל השליטה כאמור, וכן עיקר פרנסתי איננה על בעל השליטה.
16. אינני מכהנת בדירקטוריון החברה מעל 9 שנים רצופות.
17. אני מתחייבת לעמוד בכל דרישות הדין החלות על דירקטורים ודירקטורים בלתי תלויים. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או יתקיים חשש להפרת חובת האמונים בה אני חבה לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר הדירקטוריון ולחברה.
18. ידוע לי כי על פי החוק, החברה, בעל השליטה בה ותאגיד בשליטתו לא יוכלו להעניק לי, לבן זוגי או לילדי טובת הנאה, במישרין או בעקיפין, ובכלל זה לא ימנו אותי, את בן זוגי או את ילדי, לכהונה כנושא משרה בחברה או בתאגיד בשליטת בעל השליטה בה, לא יעסיקו אותי כעובדת, ולא יקבלו ממני שירותים מקצועיים בתמורה, בין במישרין ובין בעקיפין, לרבות באמצעות תאגיד בשליטתי, אלא אם כן חלפו שנתיים מתום כהונתי כדירקטורית בלתי תלויה בחברה, ולעניין קרוב שלי שאינו בן זוגי או ילדי- שנה מתום כהונתי כדירקטורית בלתי תלויה.
19. ידוע לי כי הצהרתי זו, תובא בפני הגורם הממנה עובר למינוי ולזימון האסיפה הכללית שעל סדר יומה המינוי, וכי היא תשמש את הגורם הממנה לשם בחינת כשירותי לכהונה כדירקטורית בלתי תלויה בחברה.
20. ידוע ומוסכם עלי, כי למעט הגמול אשר אושר לי על ידי האורגנים המוסמכים בחברה, לא אהיה זכאית לכל גמול נוסף מהחברה בגין כהונתי כדירקטורית בלתי תלויה.
21. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.


חתימה

3. ציפה כיראן
שם

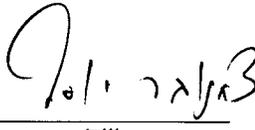
**הנדון: הצהרת מועמד לכהונה כדירקטור בלתי תלוי
על פי חוק החברות, התשנ"ט - 1999 (להלן: "החוק")**

- אני, הח"מ, יוסף צ'חנובר, נושא ת.ז. 5991468, תושב ישראל, מצהיר ומתחייב בזה כדלקמן:
1. אני נותן בזה את הסכמתי לכהן כדירקטור בלתי תלוי בחברתכם שהיא חברה ציבורית, שהתאגדה בישראל, ומניותיה נסחרות בבורסה לניירות ערך בתל אביב בע"מ.
 2. אני מודע לכל הוראות החוק החלות ביחס למינויו וכהונתו של דירקטור בלתי תלוי לרבות, משך הכהונה, הפסקתה, השתתפות בוועדות החברה וכיוצ"ב וכן הנני מודע לכך שהצהרתי זו תמצא במשרדה הרשום של החברה לעיונו של כל אדם;
 3. אני כשיר להתמנות כדירקטור בחברתכם לפי הוראות סעיפים 225 - 227 לחוק לעניין הגבלת מינוי קטין, פסול דין, הגבלת מינוי עקב הרשעה או החלטה של ועדת אכיפה מנהלית או פשיטת רגל. הוראות הסעיפים בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א' המצורף להצהרה זו ומהווה חלק בלתי נפרד הימנה.
 4. ידועות לי חובות ההודעה החלות עליי מכוח סעיפים 227 א ו- 245 לחוק והנני מתחייב למלא אותן כנדרש. הוראות הסעיפים הנ"ל, בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח א'.
 5. אני מצהיר, כי יש לי את כל הכישורים הדרושים והיכולת להקדיש את הזמן הראוי, לשם ביצוע תפקידי של דירקטור בחברה, כפי שיפורט להלן.
 6. הנני בעל מומחיות חשבונאית ופיננסית, בהתאם לאמור בתקנות החברות (תנאים ומבחנים לדירקטור בעל מומחיות חשבונאית ופיננסית ולדירקטור בעל כשירות מקצועית), התשס"ו - 2005 (להלן: "תקנות החברות"); הוראות תקנות החברות, בנוסחם במועד החתימה על הצהרה זו, מצורפות בנספח ב' להצהרתי זו.
 7. הנני בעל השכלה וניסיון תעסוקתי, כמפורט בקורות החיים המצורפים בנספח ג' להצהרה זו.
 8. למעט זיקתי לחברה מכח כהונתי כדירקטור בתקופה של ___ השנים הקודמות (סמך/מלא אם מתקיים).
 א. אין לי, לקרובי, לשותפי, למעבידי, למי שאני כפוף לו במישרין או בעקיפין, או לתאגיד שאני בעל שליטה בו, קשרים עסקיים או מקצועיים לחברה, לבעל השליטה בחברה במועד המינוי, או לתאגיד אחר, גם אם הקשרים כאמור אינם דרך כלל, למעט קשרים זניחים.
 ב. אין לי, לקרובי, לשותפי, למעבידי, למי שאני כפוף לו במישרין או בעקיפין, או לתאגיד שאני בעל שליטה בו, במועד המינוי או בשנתיים שקדמו לו, זיקה לחברה, לבעל השליטה בחברה במועד המינוי, או לתאגיד אחר. לעניין הצהרה זו -
"זיקה" - קיום יחסי עבודה, קיום קשרים עסקיים או מקצועיים דרך כלל או שליטה, וכן כהונה כנושא משרה, למעט כהונה של דירקטור שמונה כדי לכהן כדירקטור חיצוני בחברה שעומדת להציע לראשונה מניות לציבור.
"תאגיד אחר" - תאגיד שבעל השליטה בו, במועד המינוי או בשנתיים שקדמו למועד המינוי, הוא החברה או בעל השליטה בה.
"מועד המינוי" - המועד בו תמנה אותי האסיפה הכללית כדירקטור חיצוני, בהתאם להוראות סעיף 239(ב) לחוק.
"קרוב" - בן זוג, אח או אחות, הורה, הורי הורה, צאצא, וכן צאצא, אח, אחות או הורה של בן הזוג או בן זוגו של כל אחד מאלה.
 9. סמן במקום המתאים, אם מתקיים:
על אף האמור בסעיף 8(ב) לעיל, קיימים ביני לבין החברה, במועד המינוי או בשנתיים שקדמו לו, קשרים עסקיים או מקצועיים זניחים אשר תחילתם במועד שיקדם למועד מינויי כדירקטור חיצוני ואשר אינם מהווים "זיקה" כאמור בתקנות החברות (עניינים שאינם מהווים זיקה), התשס"ז-2006 (להלן: "תקנות הזיקה"). הוראות תקנות אלו בנוסחם במועד החתימה על הצהרה זו, מפורטות בנספח ו' המצורף להצהרה זו. קשרים אלו הם כמפורט להלן¹:
 10. אין אני קרוב של בעל השליטה בחברה.
 11. תפקידי ועיסוקי האחרים אינם יוצרים או עלולים ליצור ניגוד עניינים עם תפקידי כדירקטור בלתי תלוי, ולא יפגעו ביכולתי לכהן כדירקטור בלתי תלוי.
 12. בכל חברה אחרת בה אני מכהן כיום כדירקטור, לא מכהן כדירקטור בלתי תלוי אדם המכהן כדירקטור בחברתכם.
 13. איני עובד של רשות ניירות ערך או של בורסה בישראל.
 14. לא קיבלתי כל תמורה, במישרין או בעקיפין בשל כהונתי כדירקטור בחברה, נוסף על הגמול ועל החזר ההוצאות שלהם אני זכאי, בשל כהונתי כדירקטור בלתי תלוי בחברה. לעניין סעיף זה לא יראו כתמורה מתן פטור, התחייבות לשיפוי, שיפוי או ביטוח.

15. אינני יושב ראש הדירקטוריון ואינני מועסק בידי החברה או על ידי בעל השליטה בה או בידי תאגיד בשליטת בעל השליטה. בנוסף, אינני נותן שירותים, דרך קבע, לחברה, לבעל השליטה בה או לתאגיד בשליטת בעל השליטה כאמור, וכן עיקר פרנסתי איננה על בעל השליטה.
16. אינני מכהן בדירקטוריון החברה מעל 9 שנים רצופות.
17. אני מתחייב לעמוד בכל דרישות הדין החלות על דירקטורים ודירקטורים בלתי תלויים. במידה ויתעורר חשש, שיהיה בידיעתי ו/או שיובא לידיעתי, לפיו אחדל לקיים תנאי מהתנאים ו/או מההצהרות לעיל או יתקיים חשש להפרת חובת האמונים בה אני חב לחברה (כהגדרתה בסעיף 254 לחוק), אודיע על כך מיידית ליו"ר הדירקטוריון ולחברה.
18. ידוע לי כי על פי החוק, החברה, בעל השליטה בה ותאגיד בשליטתו לא יוכלו להעניק לי, לבן זוגי או לילדי טובת הנאה, במישרין או בעקיפין, ובכלל זה לא ימנו אותי, את בן זוגי או את ילדי, לכהונה כנושא משרה בחברה או בתאגיד בשליטת בעל השליטה בה, לא יעסיקו אותי כעובד, ולא יקבלו ממני שירותים מקצועיים בתמורה, בין במישרין ובין בעקיפין, לרבות באמצעות תאגיד בשליטתי, אלא אם כן חלפו שנתיים מתום כהונתי כדירקטור בלתי תלוי בחברה, ולעניין קרוב שלי שאינו בן זוגי או ילדי- שנה מתום כהונתי כדירקטור בלתי תלוי.
19. ידוע לי כי הצהרתי זו, תובא בפני הגורם הממנה עובר למינוי ולזימון האסיפה הכללית שעל סדר יומה המינוי, וכי היא תשמש את הגורם הממנה לשם בחינת כשירותי לכהונה כדירקטור בלתי תלוי בחברה.
20. ידוע ומוסכם עלי, כי למעט הגמול אשר אושר לי על ידי האורגנים המוסמכים בחברה, לא אהיה זכאי לכל גמול נוסף מהחברה בגין כהונתי כדירקטור בלתי תלוי.
21. זהו שמי, זו חתימתי והעובדות המפורטות בהצהרתי זו לעיל, אמת הן.



חתימה



שם

Annex C – Language of Letter of Indemnification and Exemption

Azrieli Group Ltd.

(the “Company”)

Letter of ~~Exemption and~~ Indemnification

Whereas on May 6, 2010, the Company’s board of directors resolved to approve the Company’s undertaking for exemption and indemnification of officers of the Company, in accordance with the Companies Law, 5759-1999 (the “Companies Law”), and the terms of exemption and indemnification specified herein; and

Whereas on May 6, 2010 the Company’s general meeting also approved the said resolution in respect of directors of the Company; and

Whereas you are or were and/or may be and/or hold and/or held and/or may hold office as an officer of the Company and/or of Subsidiaries as defined below, and the Company has explicitly undertaken to you to grant you a letter of exemption and indemnification as aforesaid; and

Whereas the Company has undertaken, in a prospectus dated May 12, 2010, as amended on May 25, 2010, that upon the appointment of new officers and directors in the future, either by the Company’s general meeting or otherwise, the Company shall make a disclosure in the immediate report inviting the meeting or in the immediate report of the appointment otherwise, also of the Company’s resolution to grant letters of indemnification and exemption as aforesaid; and

Whereas on August 15, 2011 the Company’s general meeting approved an amended version of the letter of exemption and indemnification; and

Whereas In December 2014, the Company's general meeting approved the extension of a letter of indemnification (without the exemption component), with respect to you:

Therefore, the Company irrevocably confirms and undertakes to you, subject to the provisions of any law and the provisions of this letter of indemnification, as follows:

1. **Exemption from liability Omitted.**

~~The Company hereby exempts you, in advance and in retrospect, subject to the provisions of any law and the resolutions specified in the preamble, from any liability, in whole or in part, for any damage incurred and/or to be incurred thereby, either directly or indirectly, due to a breach of the duty of care you~~

~~owe thereto and to Subsidiaries thereof, as defined below, in your acts or omissions, in your capacity as an officer of the Company or on behalf of the Company in such Subsidiaries.~~

~~The aforesaid exemption shall not apply with respect to:~~

- ~~(a) A breach of the fiduciary duty to the Company or a Subsidiary thereof or an associated company or another entity, unless the officer shall have acted in good faith and had reasonable cause to believe that the act would not harm the best interests of the Company or Subsidiaries thereof.~~
- ~~(b) A breach of the duty of care committed deliberately or recklessly, unless committed merely negligently.~~
- ~~(c) An act performed with intent to unlawfully reap personal gain.~~
- ~~(d) A fine, civil fine or sanction imposed on you.~~
- ~~(e) An exemption in advance from liability to the Company due to a breach of the duty of care in distribution, as defined in the Companies Law.~~

~~The Company's undertakings according to this exemption clause shall be broadly interpreted, in a manner intended to fulfill the same to the maximum extent permitted by law, for the purpose for which they are intended.~~

~~In any event of discrepancy between any provision in this letter of exemption and any provision of law which may not be deviated from, modified or added to, such provision of law shall prevail, without thereby prejudicing or derogating from the validity of the other provisions of this letter of exemption.~~

~~Nothing in this exemption clause shall derogate from the Company's indemnification undertaking as specified below.~~

2. **Indemnification Undertaking**

2.1 Without derogating from the Company's right to indemnify you retroactively as permitted in the Company's articles of association, the Company hereby irrevocably undertakes to indemnify you for any liability or expense, as specified below, to be imposed on you due to one or more of the following:

2.1.1 Your Acts in your capacity as an officer of the Company (including an act and/or omission during your term of office, performed or omitted prior to the date of this letter of indemnification);

2.1.2 Your Acts in your capacity as an officer, employee or agent of the Company and/or of Subsidiaries;

In this letter:

- “Companies Law”** - The Companies Law, 5759-1999, as being from time to time.
- “Securities Law”** - The Securities Law, 5728-1968, as being from time to time.
- “Officer”** - Within the meaning of this term in the Companies Law and/or in the Securities Law and the regulations promulgated thereunder and/or in any other law applicable to the activity of the Company and its officers, including a director and including any employee to whom the Company’s board of directors shall decide to grant this letter of ~~exemption and~~ indemnification and an officer of the Company, who serves and/or served on behalf of the Company in Subsidiaries.
- “Subsidiary”** or **“Subsidiaries”** - Any corporation of which the Company is a controlling shareholder, within the meaning thereof in the Securities Law, 5728-1968, and, for purposes of this letter of ~~exemption and~~ indemnification – any affiliate of the Company and/or in another corporation, including a private company controlled thereby, through which the officer acted as such in the Company and/or in a Subsidiary and/or in an affiliate of the Company and/or in another corporation.
- “Act and/or Any Derivative thereof”** - A legal action, either by act or omission, including any and all acts performed by you, and including acts prior to the date of this letter of ~~exemption and~~ indemnification, during your terms of office as an officer of the Company and/or of Subsidiaries, as defined above.
- “Securities”** - Within the meaning thereof in Section 1 of the Companies Law.
- “Administrative Proceeding”** - A proceeding pursuant to Chapter H3 (Imposition of a Monetary Sanction by the ISA), H4 (Imposition of Administrative Enforcement Measures by the Administrative Enforcement

Committee) or I1 (Arrangement for Avoidance of the Initiation of Proceedings or for the Discontinuance of Proceedings, which is Contingent upon Conditions) of the Securities Law, as amended from time to time.

2.2 Causes for Indemnification:

The indemnification undertaking as stated in Section 2.1 above shall apply in respect of any liability or expense imposed on you due to your office at the Company and/or at Subsidiaries, which is indemnifiable under any law and under the Company's articles of association, as specified below:

- 2.2.1 A monetary liability to be imposed on you in favor of another person pursuant to a judgment, including a judgment issued by way of compromise or an arbitration award approved by the court, provided that such acts relate, directly and/or indirectly, to one or more of the events specified in the **Schedule** hereto, including due to acts you performed prior to the granting of this letter of ~~exemption and~~ indemnification, which, in the opinion of the Company's board of directors are foreseeable in light of the Company's actual business at the time the undertaking is made, and further provided that the maximum amount of the indemnification due to all of the liabilities under this section shall not exceed the amount or criterion specified in Section 2.2 below, which the Company's board of directors has determined to be reasonable under the circumstances;
- 2.2.2 Reasonable litigation expenses, including attorney fees, incurred by or imposed upon you by a court of law, in a proceeding to be filed against you by the Company or on its behalf or by another person, or in a criminal charge from which you are acquitted or in a criminal charge for which you are convicted of an offense requiring no proof of general intent;
- 2.2.3 Reasonable litigation expenses, including attorney fees, incurred by you due to an investigation or a proceeding conducted against you by an authority authorized to conduct an investigation or a proceeding, which ended without the filing of an indictment against you and without the imposition of a monetary liability upon you in lieu of a criminal proceeding, or which ended without the filing of an indictment against you but with the imposition of a monetary liability in lieu of a criminal proceeding in an offense requiring no proof of general intent or in connection with a monetary sanction ("**Litigation Expenses**");

- 2.2.4 A monetary liability imposed upon you due to payment for the party harmed by the breach in an Administrative Proceeding, as prescribed by Section 52(54)(a)(1)(a) of the Securities Law.
- 2.2.5 Expenses incurred by you in connection with an Administrative Proceeding conducted in your matter, including reasonable Litigation Expenses, including legal fees.

2.3 **Maximum Amount of Indemnification:**

- 2.3.1 The indemnification amount to be paid by the Company to all of the officers, in the aggregate, under all of the letters of indemnification issued and/or to be issued to them by the Company pursuant to the decisions specified in the preamble ~~hereto~~ to this letter of indemnification, due to one or more of the events specified in the **Schedule**, shall not exceed an amount equal to 20% (twenty percent) of the equity attributed to the Company's shareholders according to the Company's financial statements, either audited or reviewed, released shortly before the date of indemnification.
- 2.3.2 It is hereby clarified that the said indemnification payment does not prejudice your right to receive insurance proceeds for the events set forth in the letter of indemnification, which are insured with an insurance company, if (you or the Company for you) receive in the context of any Company officers' liability insurance and subject to any law.
- 2.3.3 It is explicitly emphasized that the Company's payments shall constitute an "additional layer" over and above the sum of any and all insurance proceeds to be paid by the insurer, if any. If you bear any deductible in respect of the events set forth in the Schedule hereto and/or in respect of legal defense costs, then the Company shall indemnify you for the amount of deductible you paid. Moreover, the Company's obligation to indemnify you as provided herein shall not be prejudiced if you are insured other than by the Company, provided that you are not indemnified more than once. It is further emphasized that this indemnification undertaking is not a contract in favor of any third party, including any insurer, and is non-assignable, nor shall any third party, including any insurer, have any right to demand the Company's participation in any payment for which an insurer is liable pursuant to an insurance agreement entered into therewith, other than the deductible stated in such agreement.
- 2.3.4 If and insofar as the total amounts of indemnification which the Company is required to pay to officers thereof, as stated in Section 2.1 above, shall at any time exceed the maximum

indemnification amount or the balance of the maximum indemnification amount (as being at such time) pursuant to Section 2.2 above, then the maximum indemnification amount or the balance thereof shall be divided among the officers being entitled to indemnification pursuant to this letter of ~~exemption and~~ indemnification, such that the indemnification amount to be received by each one of such entitled officers, in practice, shall be calculated according to the ratio between the amount of the indemnifiable liability of each one of the entitled officers, and the amount of the indemnifiable liability of all of the said entitled officers, in the aggregate.

2.3.5 In the event that you shall have received indemnification and/or shall be entitled to receive indemnification reimbursement from the insurer of the officers' insurance policy in respect of the event which is the subject-matter of the indemnification, the indemnification shall be given for the difference between the amount of the monetary liability imposed on the officer and/or the legal costs incurred by or charged to the officer, as aforesaid, and the amount received from the insurer in respect of the same matter, provided that the amount of indemnification charged to the Company in respect of a monetary liability as specified in Section 2.1 above pursuant to this letter of indemnification, shall not exceed the maximum indemnification amount.

2.3.6 If the Company shall have paid indemnification amounts to officers of the Company in respect of a monetary liability as specified in Section 2.1 above in the amount of the maximum indemnification amount, the Company shall bear no additional indemnification amounts in respect of a monetary liability as specified in Section 2.1 above, unless payment of the additional indemnification amounts is approved by the Company's organs being authorized to approve such an increase under any law, on the date of payment of the additional indemnification amounts and subject to a modification of the Company's articles of association, if required for this purpose, pursuant to any law.

2.4 **Interim Payments:**

2.4.1 Upon the occurrence of an event, in respect of which you may be entitled to indemnification in accordance with the aforesaid, the Company shall make available to you, from time to time, the funds required to cover the expenses and other various payments involved in the handling of any legal proceeding against you in connection with such event, including investigation proceedings, such that you will not be required to pay or finance the same yourself, all subject to the conditions and provisions of this letter of indemnification.

2.4.2 In the event that the Company pays you or in your stead any amounts in the context of this letter of indemnification in connection with a legal proceeding as aforesaid, and transpires thereafter that you are not entitled to indemnification from the Company for such amounts, the provisions of Section 2.11 below shall apply.

2.5 **Terms and Conditions of Indemnification:**

Without derogating from the aforesaid, the indemnification undertaking pursuant to this letter is subject to the following terms and conditions:

2.5.1 There is no lawful impediment to indemnifying you.

You shall notify the Company in writing of any legal proceeding (including, but not limited to, a demand of any kind, including an investigation by a competent authority, a legal claim and/or a civil claim, including a claim for monetary damages and/or a motion for declaratory relief) to be instituted against you in connection with any event which may be subject to indemnification, and of any threat to be delivered to you in writing whereby a legal proceeding will be instituted against you (a “**Legal Proceeding**”), with due promptness after first learning thereof, and in such timing as shall leave reasonable time until the date of response to such proceeding, as required under any law (the “**Indemnification Notice**”), and you shall deliver to the Company or to whomever it shall instruct you, any document in connection with such proceeding. Non-delivery of the Indemnification Notice, in accordance with the aforesaid, shall not release the Company from its undertakings pursuant to this letter of ~~exemption and~~ indemnification, other than in the event that non-delivery of the Indemnification Notice as aforesaid substantively prejudices the Company’s rights and/or ability to defend itself (in the event it too is sued in the said proceeding) and/or on your behalf against the claim, and to the extent of such prejudice.

2.5.2 For the avoidance of doubt, it is clarified that upon the occurrence of an event for which you may be entitled to indemnification, you may retain an attorney of standing according to your choice, other than an attorney who is not acceptable to the Company on reasonable grounds, provided that you notify the Company of the identity of the attorney immediately upon learning of the need to appoint an attorney as aforesaid. In the event that you do not deliver such notice, the Company may appoint an attorney for you according to its discretion.

- 2.5.3 In the event that the Company appoints an attorney for you in accordance with the aforesaid, the Company shall be entitled to assume, in whole and not in part, the handling of your defense against such Legal Proceeding and/or to entrust such handling to any attorney of standing whom the Company chooses for this purpose (other than an attorney who is unacceptable to you for reasonable reasons), within its responsibility and at its own expense. The Company and/or such attorney shall act in the context of such handling to bring the said Legal Proceeding to an end; the attorney thus appointed shall act and owe a duty of loyalty to the Company and to you. Where, in your opinion or in the attorney's opinion, a concern arises of a conflict of interests, or circumstances exist which might create a conflict of interests, between you and the Company and/or between you and any other officer of the Company who is a party to the proceeding, in your defense against such Legal Proceeding and/or if the officer's objection to the attorney appointed by the Company is based on other reasonable grounds, the appointed attorney shall so notify you, as applicable, of such conflict of interests and you shall be entitled to appoint an attorney on your behalf to handle your defense (provided that he is approved by the Company in writing prior to his appointment), and the provisions of this letter of ~~exemption and~~ indemnification shall apply to the reasonable expenses you incur in respect of the appointment of the attorney and the handling as aforesaid.
- 2.5.4 Per your request, the Company and/or the attorney it shall have chosen for you shall report, from time to time (in reasonable scope and frequency) on the manner of handling of your defense.
- 2.5.5 The Company shall not be entitled to end the said Legal Proceeding in a settlement and/or arrangement and/or agree to a settlement and/or arrangement, as a result of which you will be required to pay amounts for which you will neither be indemnified under this letter of indemnification, nor will be fully paid in the context of the Company officers' liability insurance to be purchased, if any, by the Company and/or Subsidiaries thereof, other than with your prior written consent to the reached settlement . In addition, the Company may not refer the dispute contemplated in the said Legal Proceeding to resolution by way of arbitration, mediation or conciliation, other than with your prior written consent thereto, provided that you do not withhold such consent other than on reasonable grounds to be provided to the Company in writing. For the avoidance of doubt, even if the dispute in the Legal Proceeding is referred to resolution by way of arbitration, mediation or conciliation or in any other manner, the Company shall bear any and all costs associated therewith

pursuant to this letter of indemnification, insofar as it is legally required in an ordinary legal proceeding.

2.5.6 The Company shall may settle a monetary liability or have a dispute resolved by way of arbitration in connection with a monetary liability, only if the claim against you and/or the threat of a claim against you are lifted in full.

2.5.7 The aforesaid notwithstanding, the Company shall not be entitled to end the said Legal Proceeding by way of settlement and/or arrangement and/or refer the dispute contemplated in the said Legal Proceeding to resolution by way of arbitration and/or mediation or conciliation in cases of criminal charges against you, without your advance written consent. You shall be entitled to withhold your consent as stated in this paragraph at your sole discretion, without being required to give reasons for your non-consent.

2.6 Cooperation with the Company

2.6.1 At the Company's request, you shall sign any document authorizing it and/or any attorney as aforesaid, to handle on your behalf your defense in such Legal Proceeding and to represent you in connection therewith, in accordance with the aforesaid. In addition, at the Company's request, you shall immediately provide the Company and/or a third party in accordance with the Company's instructions any document and/or power of attorney requested of you.

2.6.2 You shall cooperate with the Company and/or with any attorney as aforesaid in any reasonable manner required of you by any of them in the context of their handling in connection with such Legal Proceeding, provided that the Company sees to the coverage of any and all expenses and other various payments stated in Section 2.2 above, which are involved therein, such that you are not required to pay or finance the same yourself, all subject to the provisions of this letter of indemnification.

2.6.3 You further undertake to comply with any and all instructions of the insurers under any officer liability insurance policy in which the Company and/or you shall engage.

2.7 Coverage of Liabilities

2.7.1 Regardless of whether or not the Company acts as specified in Section 2.5.3 above, it shall see to the coverage of any and all expenses and other various payments stated in Section 2.1 above, such that you will not be required to pay or finance the same yourself, without thereby derogating from the

indemnification assured to you according to the provisions hereof, and/or the insurance policy to be purchased by the Company from time to time, if any, all subject to the provisions of this letter of indemnification.

2.8 Inapplicability of the Indemnification

- 2.8.1 The Company shall not be required to indemnify you pursuant to this letter of indemnification for any amount to be paid by you according to the terms of the settlement arrangement in the Legal Proceeding which you shall have chosen to conduct yourself, unless the Company shall have agreed in writing to such settlement or to the holding of such arbitration, as the case may be, which consent shall not be unreasonably withheld.
- 2.8.2 In addition, the indemnification shall not apply in case you admit to a criminal charge of an offense requiring no proof of general intent, unless the Company shall have agreed to your admission in advance and in writing.
- 2.8.3 The Company shall not be required to pay, pursuant hereto, moneys actually paid to or for you or in your stead in any manner whatsoever in the context of insurance (purchased by the Company) or any indemnification undertaking of anyone other than the Company, other than in an amount beyond the amount paid under the insurance policy and/or the other indemnification agreement. Nothing in this section shall derogate from the officer's rights with respect to the Company bearing the deductible stated in the policy and/or the remittance of insurance proceeds received by the Company from insurers due to the liability of the officer and/or legal costs incurred by him.
- 2.8.4 Furthermore, in the event that the indemnification under this letter is in respect of your office in Subsidiaries, then the indemnification under this letter shall only be made after exhaustion of all of your rights in the context of an insurance policy taken out by the relevant Subsidiary and/or according to an advance indemnification undertaking or an indemnification permit in the Subsidiaries, if and insofar as any exist.

For the avoidance of doubt, it is clarified that the amount of indemnification pursuant to this letter shall apply over and above (and in addition to) any amount paid (if any) in the context of insurance taken out by the Subsidiary and/or indemnification given by the Subsidiary as aforesaid.

If your demand to receive indemnification and/or insurance coverage due to an act you performed by virtue of your office in a Subsidiary, which may be indemnifiable pursuant to this letter of indemnification, is rejected by the Subsidiary or the Subsidiary's insurance company, as the case may be, the Company shall pay you pursuant to this letter of indemnification, amounts to which you shall be entitled pursuant to this letter of indemnification, if any, and you shall assign to the Company your rights to receive amounts from the Subsidiary and/or under the Subsidiary's insurance policy and authorize the Company to collect such amounts on your behalf, insofar as such authorization is required for the fulfillment of the provisions of this section. For this purpose, you undertake to sign any document required by the Company for the assignment of your said rights and the authorization of the Company to collect the said amounts on your behalf.

For the avoidance of doubt, it is clarified that nothing in this letter of indemnification grants the Subsidiary and/or any other third party any rights vis-à-vis the Company, including, but without derogating from the generality of the aforesaid, a right to sue and/or demand any payment from the Company as participation in the indemnification and/or insurance coverage to be granted to you by the Subsidiary due to an act you performed by virtue of your office in the Subsidiary.

- 2.8.5 The letter of indemnification specified above shall not apply with respect to:
- (a) A breach of the fiduciary duty to the Company or a Subsidiary thereof or an associated company or another entity, unless the officer shall have acted in good faith and had reasonable cause to believe that the act would not harm the best interests of the Company or Subsidiaries thereof.
 - (b) A breach of the duty of care committed deliberately or recklessly, unless committed merely negligently.
 - (c) An act performed with intent to unlawfully reap personal gain.
 - (d) A fine or sanction imposed on you.

2.9 **Payment of the Indemnification**

Upon your request for payment in connection with any event under this letter, the Company shall take any and all actions required under law for payment thereof, and shall act to arrange any approval to be

required in connection therewith, if any. If any approval as aforesaid is required for such payment, and such payment is not approved accordingly for whatever reason, such payment or any part thereof not approved as aforesaid shall be subject to the court's approval, and the Company shall act to obtain the same.

2.10 **Indemnification Period**

The Company's undertakings under this letter shall be available to you and/or your estate and/or alternate directors lawfully appointed by you, indefinitely, also after termination of your employment with the Company and/or your office as an officer of the Company and/or your office as an officer of Subsidiaries, as the case may be, provided that the acts for which the ~~exemption or~~ indemnification undertaking ~~are~~ **is** given were performed during the term of your employment with the Company and/or your office as an officer of the Company and/or of Subsidiaries of the Company.

2.11 **Repayment of Indemnification Amounts Paid**

In the event that the Company pays you or in your stead any amounts in the context of this letter in connection with such Legal Proceeding, and it thereafter transpires that you are not entitled to indemnification from the Company for such amounts, such amounts shall be deemed as a loan extended to you by the Company, with the addition of interest at the lowest rate prescribed from time to time under law in order for the loan not to be deemed as a taxable benefit in the loan recipient's hands, and you shall be required to repay such amounts to the Company when required in writing thereby to do so, and according to such payment schedule as the Company shall determine.

3. **Miscellaneous**

- 3.1 The Company undertakes to notify you of any event in respect of which the indemnification may apply, and of any event leading to termination of the insurance as early as possible.
- 3.2 In this letter of indemnification, including the Schedule hereto, any statement in the masculine form also imports the feminine form.
- 3.3 The terms in this letter of indemnification shall be interpreted in accordance with the Companies Law, and in the absence of a definition in the Companies Law, in accordance with the Securities Law, 5728-1968. The Schedule to this letter of indemnification constitutes an integral part hereof.
- 3.4 The Company's undertakings according to this letter shall be broadly interpreted, in a manner intended to fulfill the same, to the maximum extent permitted by law, for the purpose for which they are intended. If it is ruled that any of the provisions of this letter of indemnification is

unenforceable and/or invalid for whatever reason and/or in any event of discrepancy between any provision hereof and any provision of law which may not be deviated from, modified or added to, such provision of law shall prevail, without thereby prejudicing or derogating from the validity of the other provisions of this letter.

- 3.5 This letter of indemnification shall take effect upon your signing a copy hereof in the space designated therefor and delivery of the signed copy to the Company.
- 3.6 The Company may, at its sole discretion and at any time, revoke its indemnification undertaking pursuant to this letter of undertaking, or reduce the maximum indemnification amount hereunder, or restrict the events to which it applies, either with respect to all of the officers or some of them, insofar as it pertains to events occurring after the date of the change –provided that it shall have given the officer advance written notice of such intention at least 60 days before the effective date of its decision. For the avoidance of any doubt, it is hereby clarified that no such decision, which impairs the terms of this letter of undertaking or revokes the same, shall have retroactive effect of any kind whatsoever, and the letter of indemnification before the modification or revocation hereof, as the case may be, shall continue to be effective for all intents and purposes with respect to any event prior to the modification or revocation, even if the proceeding in respect thereof shall have been filed against the officer after the modification or revocation of the letter of indemnification.
- 3.7 Under any other circumstances, this letter of indemnification may not be modified unless signed by the Company and by you.
- 3.8 This letter of indemnification does not derogate from the Company’s right to decide upon retroactive indemnification pursuant to the provisions of any law, and the undertaking of this indemnification does not derogate from the exemption granted to you by the Company in ~~the past. accordance with the aforesaid.~~
- 3.9 For the avoidance of doubt, it is hereby determined that this letter of indemnification is neither a contract in favor of a third party nor is it assignable. For the avoidance of doubt, in the event of death (heaven forbid), this letter of indemnification shall apply to you and your estate.
- 3.10 No waiver, delay, refrainment from action or the granting of an extension by the Company or by you shall be deemed, under any circumstances, as a waiver, nor shall they prejudice the parties’ rights and undertakings pursuant to this letter of ~~exemption—and~~ indemnification and/or any law, nor shall they bar such party from taking any legal and other measures required to exercise its rights as aforesaid.

- 3.11 This letter of indemnification shall be governed by Israeli law and the competent court in Tel Aviv shall have sole jurisdiction over disputes arising from the implementation of this letter of ~~exemption and~~ indemnification.
- 3.12 The parties hereto represent that they have perused this letter of ~~exemption and~~ indemnification and have signed the same voluntarily and while understanding the content hereof.

In witness whereof, the Company has hereto set its hands, through its lawfully authorized signatories.

The Company

I hereby confirm receipt of this letter and my consent to all the terms and conditions hereof.

Officer's signature

Date: _____

Schedule

Subject to the provisions of the law, following are the events:

1. Issue of securities, including, but without derogating from the generality of the aforesaid, a public offering of securities pursuant to a prospectus, a private placement, an issue of stock dividends or a securities offering in any other manner, including the IPO prospectus to be released in May 2010.
2. A transaction within the meaning thereof in Section 1 of the Companies Law, including negotiations for engagement in a transaction, transfer, sale, purchase or pledge of assets or liabilities (including securities), or the granting or receipt of a right in any one of them, the receipt of credit and the granting of collateral, and any act directly or indirectly involved in such transaction.
3. A report or notice filed pursuant to the Companies Law or the Securities Law, 5728-1968, including regulations promulgated thereunder, or according to rules or directives prevailing in a stock exchange in or outside of Israel, or the law of another jurisdiction which regulates similar issues and/or the non-filing of a report or notice as aforesaid.
4. A resolution regarding distribution, as defined in the Companies Law.
5. A restructuring or reorganization of the Company or any decision pertaining thereto, including, but without derogating from the generality of the aforesaid, a merger, split, arrangement between the Company and its shareholders and/or creditors under the Companies Law, a recapitalization of the Company, the incorporation, liquidation or sale of Subsidiaries, allotment or distribution.
6. An expression, statement, including the expression of a position or opinion made in good faith by the officer in the course and by virtue of his duties, including in the context of meetings of the board of directors or any of the committees thereof.
7. An act contrary to the Company's articles or memorandum of association.
8. An act or decision in connection with employment relations, including negotiations, engagement and implementation of personal or collective bargaining employment agreements, employee benefits, including the allotment of securities to employees.
9. An act or decision pertaining to safety at work and/or work conditions.
10. Negotiations, engagement and exercise of insurance policies.
11. Formation of work plans, including pricing, marketing, distribution, instructions to employees, customers and suppliers and cooperation with competitors.

12. Decisions and/or acts pertaining to environmental protection, including hazardous substances.
13. Decisions and/or acts pertaining to the Consumer Protection Law, 5741-1981 and/or orders and/or regulations thereunder.
14. Negotiations, the making and performance of contracts of any kind whatsoever with suppliers, distributors, agents, franchisees etc. for the products marketed and/or sold by the Company or used thereby;
15. Negotiations, the making and performance of agreements with manpower contractors, service contractors, building contractors, renovation contractors, etc.
16. Reporting to the authorities.
17. Any one of the events specified above, in connection with the officer's service on behalf of the Company as an officers of the Subsidiaries.
18. Any event and/or act in respect of which indemnification may be made pursuant to the Improvement of Enforcement Proceedings in the ISA Law (Legislative Amendments), 5771-2011.

Annex D

Comparative Study Prepared by PricewaterhouseCoopers Consulting Ltd.

Convenience translation from Hebrew

Important Notice

- The following English translation of the original Hebrew presentation (the “Presentation”) was neither prepared nor checked by either the author of the Presentation or Azrieli Group. It is provided for the sake of convenience only, and should not be regarded as a substitute for reading the original Hebrew version of the Presentation in full. Accordingly, the Company does not warrant that the translation fully, correctly or accurately reflects the Presentation and its contents.
- Nothing in this translation constitutes a representation of any kind in connection with the Presentation, nor should it be regarded as a source of interpretation for the Presentation or the Company's reports or statements. In any event of contradiction or discrepancy between this translation and the Hebrew version of the Presentation, the Hebrew version shall prevail.

Azrieli Group Ltd.

Data Analysis of Chairmen Compensation Plans

November 2014

October 2014

To

Azrieli Group Ltd. (“**Azrieli**” or “the “**Company**”)

PricewaterhouseCoopers Advisory Ltd.

Trade Tower, 25 Hamered

Tel Aviv 68125

Tel – 03-7954588

Fax – 03-7954682

Re: Data Analysis of Chairmen Compensation Plans

We hereby respectfully submit to you a document summarizing data collected and analyzed by us pertaining to scopes of compensation plans of Chairmen of Israeli public companies (“**Chairmen**”):

Clarifications:

- The data analysis performed by you and the interpretation thereof should be effected with due caution, while using in-depth analysis of the companies included in the sample, examining their suitability as benchmark companies, the statistical distribution of the findings, and the desirable relative positioning of the compensation of the relevant officer compares to data of the benchmark companies.
- In view of the scarcity of samples that characterizes works of this nature, outliers should not be viewed as indicating customary practice.
- In view of Amendment 20 entering into effect, there may be material changes in the scope and mechanisms of compensation of benchmark companies in 2014.
- The information and data presented in this document, provide factual information only, and do not replace a substantial and specific discussion regarding the compensation plan suitable for the Company's officers.

Sincerely,

PricewaterhouseCoopers Advisory Ltd.

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Part 1

Scope of work and benchmark companies

Scope of Work

➤ **Our scope of work included the following processes:**

Collection and concentration of data on scopes of compensation plans granted to Chairmen out of a sample of Israeli public companies (the “**Benchmark Companies**”), as specified below, while distinguishing between the various compensation components (salary, bonuses and share-based compensation).

➤ **The data used**

- The data included in the work has been collected from:
 - The financial and periodical statements of the Benchmark Companies for 2013;
 - The immediate reports issued on the formal website of the Tel Aviv Stock Exchange;
 - Proxy reports of dual-listed companies traded on the Tel Aviv Stock Exchange.

The Benchmark Companies

Group A

At your request, the Benchmark Companies are companies included in the TA-25 Index and traded on the Tel Aviv Stock Exchange**. All of the data refers to the financial and periodical statements for 2013.

Name of Company	Market value annual mean* (NIS in Millions)	Chairman
Teva Pharmaceutical Industries Ltd.	155,219	
Perrigo Company PLC	64,906	
ICL – Israel Chemicals Ltd.	36,915	
Bank Hapoalim Ltd.	25,822	V
Bank Leumi Le-Israel B.M.	20,391	V
Bezek the Israeli Telecommunications Corp. Ltd.	17,141	
Delek Group Ltd.	15,655	V
Israel Corporation Ltd.	14,877	V
Azrieli Group Ltd.	14,281	
Opko Health, Inc.	12,568	
Mizrahi Tefahot Bank Ltd.	10,124	V
Osem Investments Ltd.	8,895	V
Gazit Globe Ltd.	8,122	
Strauss Group Ltd.	6,974	V
Israel Discount Bank Ltd.	6,645	V
Migdal Insurance & Financial Holdings Ltd.	6,106	
First International Bank of Israel Ltd.	5,711	V
Paz Oil Company Ltd.	5,706	V
Partner Communications Ltd.	4,519	
Cellcom Israel Ltd.	4,337	

* For the purpose of the calculation, the mean value was sampled at five points in time, the last trading day for September 2013, December 2013, March 2013, June 2014 and September 2014.

** For a specification of companies omitted from the sample, see Annex 1.

The Benchmark Companies

Group B

At your request, the Benchmark Companies are companies included in the TA RealEstate-15 Index and traded on the Tel Aviv Stock Exchange**. All of the data refers to the financial and periodical statements for 2013.

Name of Company	Market value Annual mean* (NIS in Millions)	Chairman
Azrieli Group Ltd.	14,281	
Gazit Globe Ltd.	8,122	
Melirson Ltd.	3,954	V
Shikun & Binui Ltd.	3,467	V
Alony-Hetz Properties & Investments Ltd.	3,279	
Nitsba Holdings 1995 Ltd.	3,006	
Amot Investment Ltd.	2,997	
Jerusalem Economy Ltd.	2,739	V
Airport City Ltd.	2,468	
Alrov Properties & Lodgings Ltd.	2,205	V
Bayside Land Corporation Ltd.	1,930	
Big Shopping Centers Ltd.	1,713	V
Africa-Israel Investments Ltd.	1,241	

* For the purpose of the calculation, the mean value was samples at five points in time, the last trading day for September 2013, December 2013, March 2013, June 2014 and September 2014.

** for a list of companies omitted from the sample, see Annex 1.

Part 2

Methodology

Methodology

Compensation plans comprise of three main components:

- Annual salary and related benefits
- Annual bonus
- Share-based compensation

For the purpose of the analysis we referred to Chairmen of the Benchmark Companies while distinguishing between the various compensation components.

Deductions:

- In the analysis we performed, we omitted the following Chairmen (to the extent permitted by the information reported):
 - Chairmen whose office ended in the reported year.
 - Chairmen serving as CEOs/ officers of subsidiaries that are public companies.
 - Chairmen who held a reported scope of position of less than 60% in the reported year.
- With regards to Chairmen who held part-time positions in the reported year (at least 60%) – an adjustment was applied to the cost of salary of such Chairmen, such that it shall reflect a cost of salary corresponding with that of a full-time position. Bonuses and value of share-based compensation were not adjusted.

Methodology (continued)

➤ **Annual salary:**

- The data refers to the cost of salary for Chairman in 2013, according to the companies' reports in the framework of the annual reports for 2013 and additional public reports thereof.

➤ **Annual bonus:**

- The data refers to the annual bonus of the Chairman for 2013 (including in the event that it was not approved), according to the companies' reports in the framework of the annual reports for 2013 and additional public reports thereof.
- The bonuses do not include bonuses that were reported but are yet to be approved.

➤ **Share-based compensation:**

▪ **Benchmark Companies traded in Israel only / Dual-listed companies who do not issue proxies**

- The data pertaining to share-based compensation includes data collected in respect of financial instruments granted to Chairmen of sampled companies in 2010-2013, as reported thereby in the financial statements and immediate reports, and the expense for which was reported in the framework of Regulation 21 in the Companies' financial statements in 2013.
- The data refers to the original financial value at the date of grant as reported by the company, divided by the number of vesting years of the financial instrument, attributed to 2013.

➤ **Total compensation:**

- This part specifies data collected in regard of the total compensation granted to the Chairmen of sampled companies – such sum includes the cost of salary, annual bonus and average value of share-based compensation for the vesting year, to the extent granted to the relevant Chairmen in the examined year.

Methodology (continued)

Data Analysis:

➤ **Chairmen – TA RealEstate–15 Index**

The data was presented separately for each company.

➤ **Chairment – TA – 25 Index**

Analysis per quartiles – for the purpose of the analysis, the sampled companies were rated in increasing order, commencing from the company in which the compensation component of officers is the lowest. Thereafter, the companies were divided into four groups, such that the bottom quartile (the “**First Quartile**”) includes companies in which the compensation component is the lowest, while the top quartile (the “**Fourth Quartile**”) includes companies in which the component is the highest. The data is presented in graphs referring to the mean compensation component in the quartile.

Where the compensation data of the Chairmen is presented before and after standardization, the companies included in each quartile prior to the standardization may vary from the companies included in each quartile after the standardization.

➤ **Chairmen - general**

In the event that an officer was replaced during 2013, and the relevant company published the new officer’s employment terms, the data presented refers to the scopes of compensation of the new officer in annual terms, calculated according to a simulation, as reported by the company, in lieu of the compensation data of the officer who ended his tenure. The value of the share-based compensation refers to the financial value at the date of grant divided by the number of vesting years.

Methodology (continued)

Interpretation of the data:

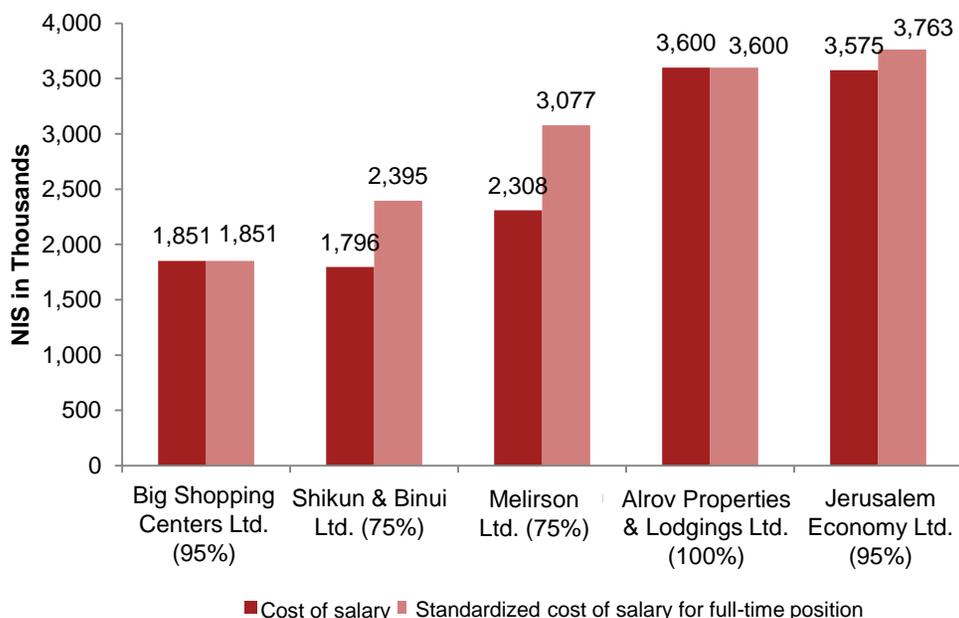
- It shall be clarified, that the data analysis performed by you and the interpretation thereof should be effected with due caution, while using in-depth analysis of the companies included in the sample, examining their suitability as Benchmark Companies, the statistical distribution of the findings, and the desirable relative positioning of the Company in relation to the results of the comparison, while taking into consideration the gamut of considerations set forth in the provisions of Amendment 20 of the Companies Law.
- It shall be clarified and stressed that the information and data presented in this document, provide factual information only, and do not replace a substantial and specific discussion regarding the compensation plan suitable for the Company's officers, while referring to the gamut of considerations and provisions prescribed by Amendment 20 of the Companies Law.
- It shall be clarified, that the data presented herein is based on a analysis of the data reported by the Benchmark Companies. In certain cases, due to an ambiguity in the reports, the data analysis required estimates and evaluations and therefore an inconsistency may exist between the data presented herein - and the relevant agreements that are specified.

Part 3

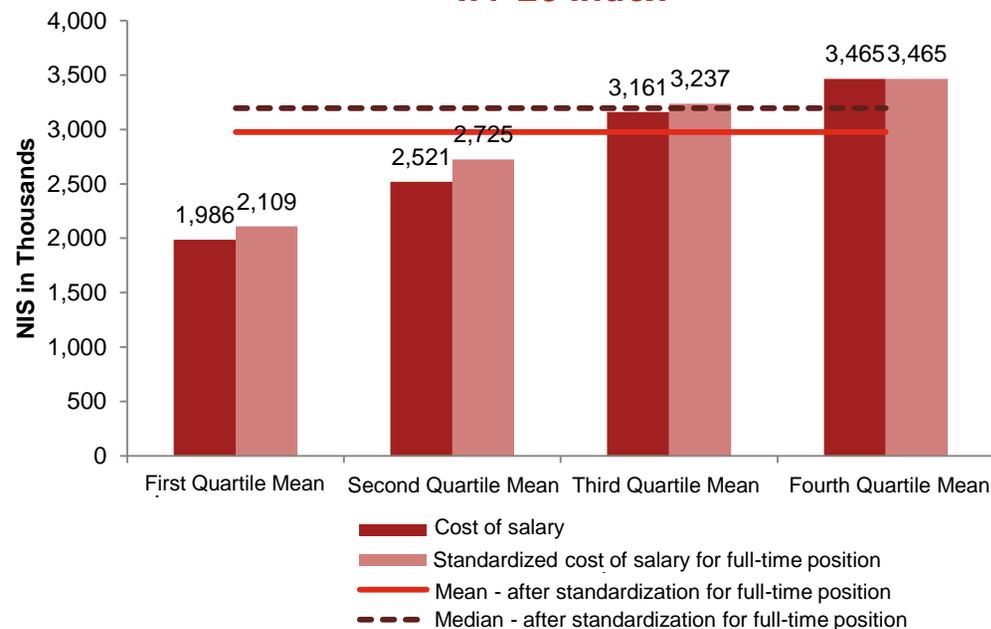
Annual compensation of Chairmen in the benchmark companies

Chart 1 – Cost of Annual Salary 2013 (without bonuses and equity compensation)

TA RealEstate–15 Index



TA–25 Index

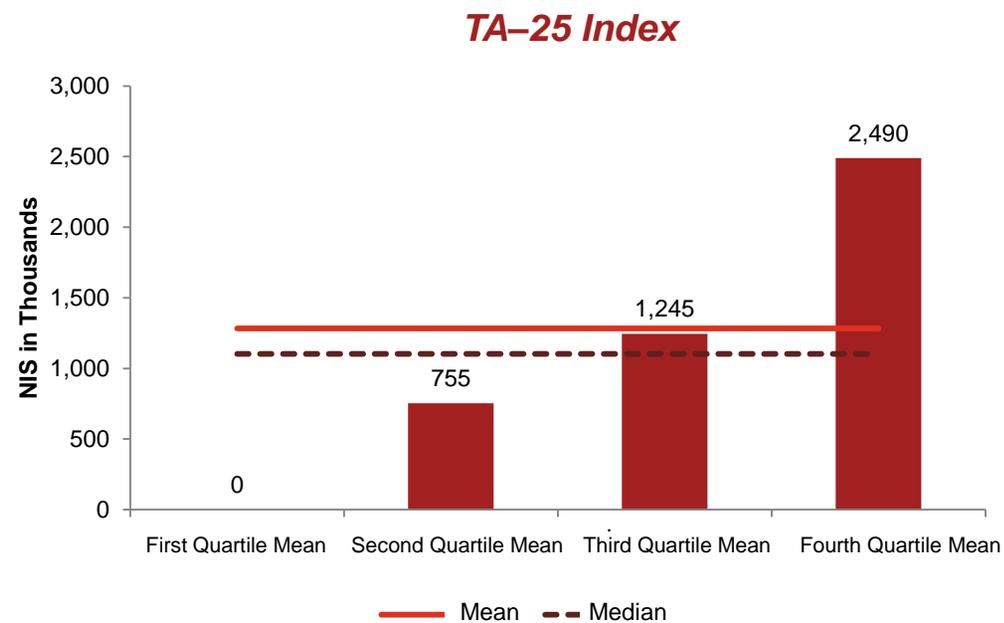
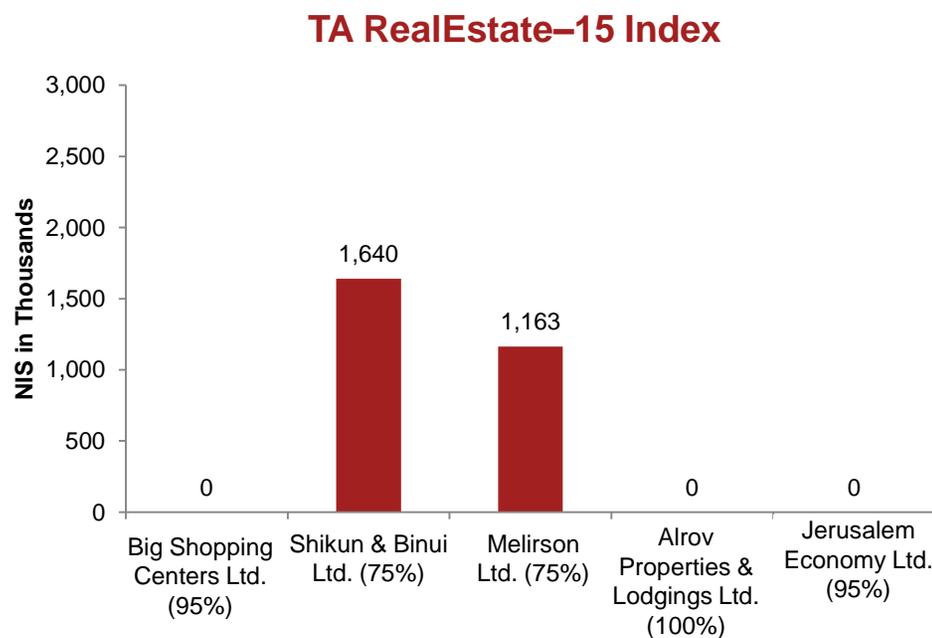


Cost of Annual Salary (NIS in thousands)	Mean	Minimum	25 th percentile	Median	75 th percentile	Maximum	Number of Companies
Without standardization for full-time position	2,626	1,796	1,851	2,308	3,575	3,600	5
After standardization for full-time position	2,937	1,851	2,395	3,077	3,600	3,763	5

Cost of Annual Salary (NIS in thousands)	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Without standardization for full-time position	2,889	1,702	2,518	3,083	3,342	3,600	10
After standardization for full-time position	2,977	1,702	2,623	3,197	3,342	3,600	10

For a specification of the companies included in the quartiles and for comments see Annexes 2 and 3.

Chart 2 – Annual Bonus for 2013

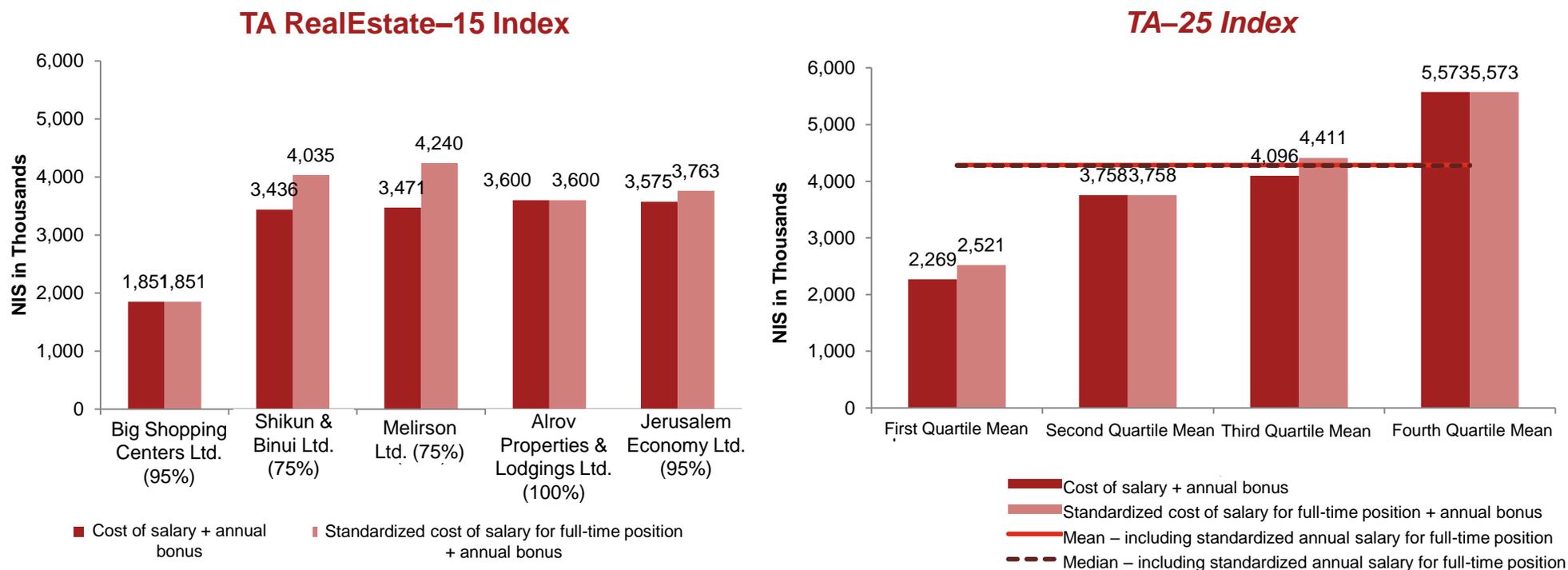


	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Annual Bonus (NIS in Thousands)	561	0	0	0	1,163	1,640	5

	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Annual Bonus (NIS in Thousands)	1,283	0	755	1,103	1,774	2,820	7

For a specification of the companies included in the quartiles and for comments see Annexes 2 and 3.

Chart 3 – Cost of Salary + Annual Bonus 2013



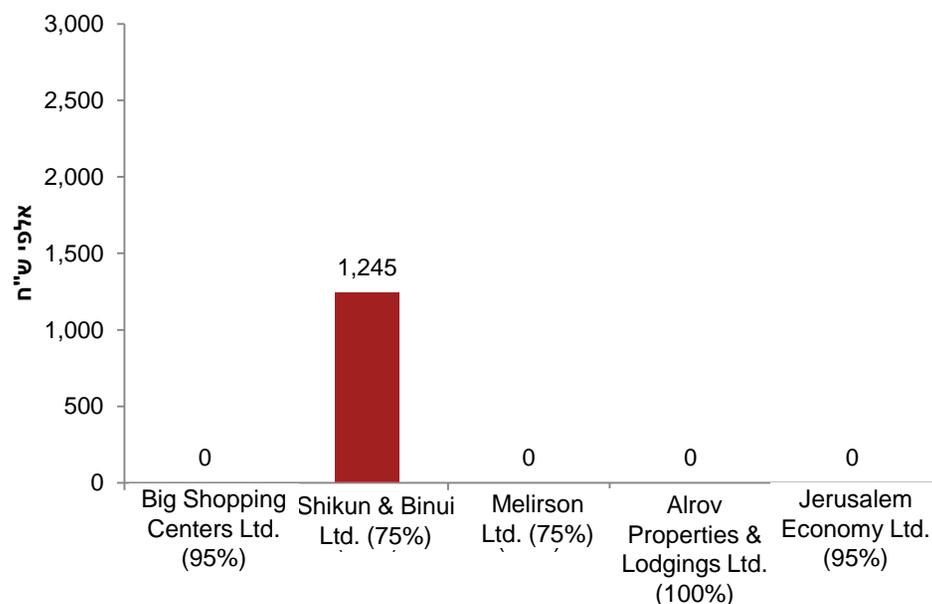
Cost of Salary + Annual Bonus (NIS in thousands)	Mean	Minimum	25 th percentile	Median	75 th percentile	Maximum	Number of Companies
Without standardization for full-time position	3,187	1,851	3,436	3,471	3,575	3,600	5
After standardization for full-time position	3,498	1,851	3,600	3,763	4,035	4,240	5

Cost of Salary + Annual Bonus (NIS in thousands)	Mean	Minimum	25 th percentile	Median	75 th percentile	Maximum	Number of Companies
Without standardization for full-time position	4,160	2,269	3,758	3,912	4,684	6,057	7
After standardization for full-time position	4,286	2,521	3,758	4,279	4,816	6,057	7

For a specification of the companies included in the quartiles and for comments see Annexes 2 and 3.

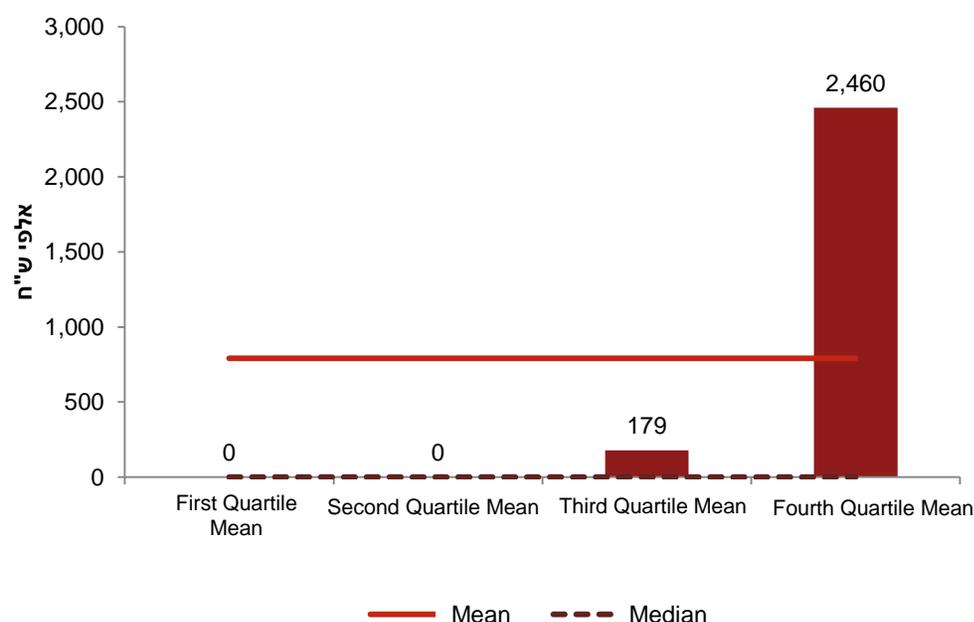
Chart 4 – Mean value of share-based compensation for vesting year 2013

TA RealEstate–15 Index



	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Mean value of share-based compensation (NIS in Thousands)	249	0	0	0	0	1,245	5

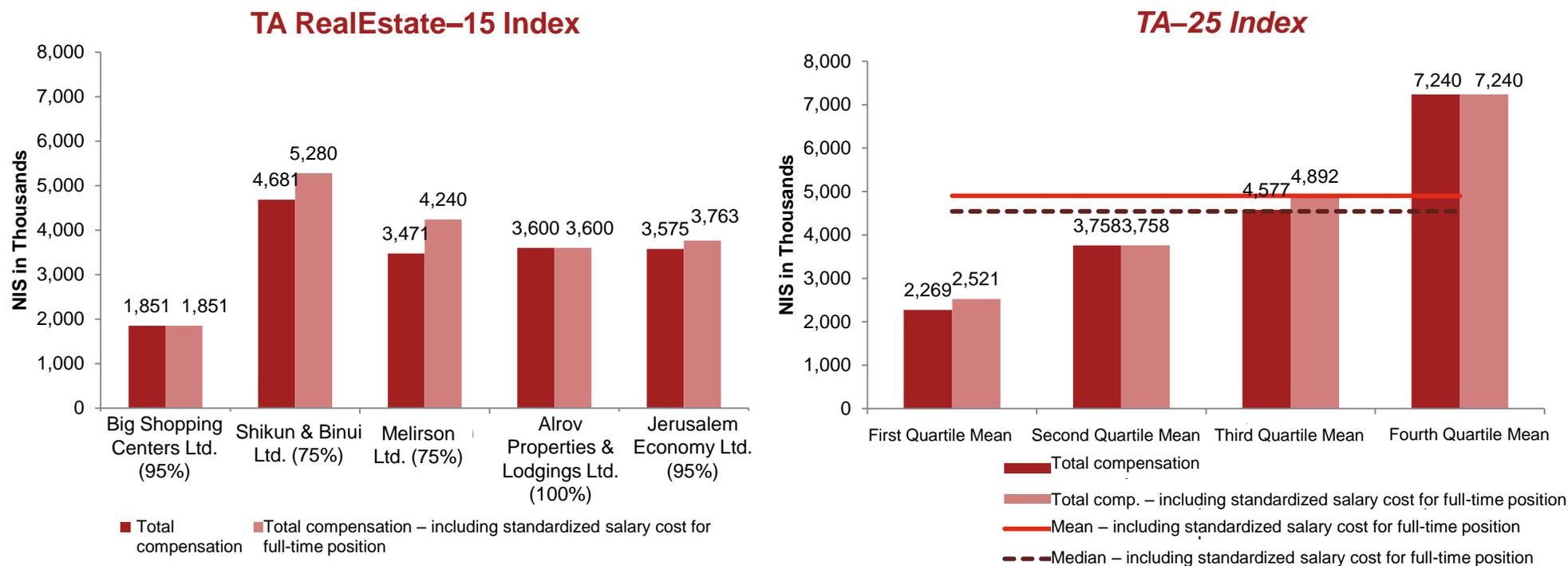
TA–25 Index



	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Mean value of share-based compensation (NIS in Thousands)	792	0	0	0	856	3,619	10

For a specification of the companies included in the quartiles and for comments see Annexes 2 and 3.

Chart 5 – Total compensation 2013



Total compensation (NIS in thousands)	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Without standardization for full-time position	3,436	1,851	3,471	3,575	3,600	4,681	5
After standardization for full-time position	3,747	1,851	3,600	3,763	4,240	5,280	5

Total compensation (NIS in thousands)	Mean	Minimum	25 th Percentile	Median	75 th Percentile	Maximum	Number of Companies
Without standardization for full-time position	4,774	2,269	3,758	3,912	5,917	7,887	7
After standardization for full-time position	4,900	2,521	3,758	4,543	5,917	7,887	7

For a specification of the companies included in the quartiles and for comments see Annexes 2 and 3.

Part 4

Annexes

Annex 1 – Specification of companies omitted from the sample

TA RealEstate–15 Index

Name of Company	Comments
Amot Investment Ltd.	(1)
Bayside Land Corporation Ltd.	(1)
Alony-Hetz Properties & Investments Ltd.	(2)
Nitsba Holdings 1995 Ltd.	(2)
Airport City Ltd.	(3)
Al-Rov (Israel) Ltd.	(3)
Gazit Globe Ltd.	(4)
Africa-Israel Investments Ltd.	(6)
Norstar Holdings Inc.	(8)

TA–25 Index

Name of Company	Comments
Elbit Systems Ltd.	(1)
Nice Systems Ltd.	(1)
Isramco Negev 2 Limited Partnership	(1)
Avner Oil Exploration – Limited Partnership	(1)
Teva Pharmaceutical Industries Ltd.	(1)
Bezeq the Israeli Telecommunications Corp. Ltd.	(1)
Partner Communications Company Ltd.	(1)
Cellcom Israel Ltd.	(1)
Delek Drilling Limited Partnership	(2)
Gazit Globe Ltd.	(4)
Migdal Insurance & Financial Holdings Ltd.	(5)
ICL – Israel Chemicals Ltd.	(6)
Perrigo Company PLC	(7)
Opko Health, Inc.	(7)

Comments:

- (1) No data was found on the compensation of the chairman/ employed in the framework of a management agreement which includes additional services.
- (2) Residing Chairman at a reported scope of position of less than 60%.
- (3) Also serving as Chairman in another company included in the sample, therefore the company was omitted from the analysis.
- (4) The employment agreement with the Chairman was terminated following Amendment 16 of the Law, and therefore the company was omitted from the analysis.
- (5) The Chairman's tenure ended in the reported year. The new Chairman announced that he waives any salary whatsoever in respect of his service as the company's Chairman and as director in Migdal Insurance will not demand salary for such positions.
- (6) No data was found regarding the scope of the position, therefore the company was omitted from the analysis.
- (7) Chairman serving also as CEO, therefore the company was omitted from the analysis.
- (8) Chairman does not receive compensation from the company for 2013, therefore the company was omitted from the analysis.

Annex 2 - Comments

TA-25 Index

Name of Company	Scope of Position	Comments
Strauss Group Ltd.	80%	
Paz Oil Company Ltd.	90%	
Bank Hapoalim Ltd.	100%	
Bank Leumi Le-Israel B.M.	100%	
Delek Group Ltd.	100%	(1)
Israel Corporation Ltd.	100%	(2)
Mizrahi Tefahot Bank Ltd.	100%	(3)
Osem Investments Ltd.	100%	
Israel Discount Bank Ltd.	100%	
First International Bank of Israel Ltd.	100%	

Comments:

- (1) Bonus for the reported year is yet to be determined, and therefore the company was omitted from the sample in respect of bonuses, cost of salary and bonus and total compensation.
- (2) The data was obtained from a report on the extension of an existing employment agreement for six months commencing July 2013, and is an estimate of the company as to the Chairman's salary component and share-based component in 2013. It is impossible to evaluate the amount of the bonus for 2013.
- (3) The bank organs are yet to deliberate the amount of the annual bonus for the Chairman. The cost of salary does not include a sign-in bonus is the amount of NIS 1,080 thousands.

Annex 2 – Comments (continued)

TA RealEstate–15 Index

Name of Company	Scope of Position	Comments
Melirson Ltd.	75%	
Shikun & Binui Ltrd.	75%	
Jerusalem Economy Ltd.	95%	(1)
Alrov Properties & Lodgings Ltd.	100%	(2)
Big Shopping Centers Ltd.	100%	

Comments:

- (1) Holds a 95%-position in the company and in the subsidiaries.
- (2) Holds a full-time position in the company and in the parent company, data obtained from an update to the employment agreement.

Annex 3 – Specification of companies included in the quartiles

TA-25 Index

Chairmen

Quartile	Cost of Salary	Standardized cost of salary for full-time position	Annual bonus	Cost of salary + annual bonus	Standardized cost of salary for full-time position + annual bonus	Value of share-based compensation	Total compensation	Total compensation – including standardized cost of salary for full-time position
Quartile 1	Delek Group Ltd.	Delek Group Ltd.	Paz Oil Company Ltd.	Paz Oil Company Ltd.	Paz Oil Company Ltd.	Delek Group Ltd.	Paz Oil Company Ltd.	Paz Oil Company Ltd.
	Paz Oil Company Ltd.	Osem Investments Ltd.				Mizrahi Tefahot Bank Ltd.		
Quartile 2	Osem Investments Ltd.	Paz Oil Company Ltd.	First International Bank of Israel Ltd.	Osem Investments Ltd.	Osem Investments Ltd.	Osem Investments Ltd.	Osem Investments Ltd.	Osem Investments Ltd.
	Strauss Group Ltd.	Israel Discount Bank Ltd.	Bank Leumi Le-Israel Ltd.	First International Bank of Israel Ltd.	First International Bank of Israel Ltd.	Strauss Group Ltd.	First International Bank of Israel Ltd.	First International Bank of Israel Ltd.
Quartile 3	Israel Discount Bank Ltd.	Strauss Group Ltd.	Osem Investments Ltd.	Strauss Group Ltd.	Bank Leumi Le-Israel Ltd.	First International Bank of Israel Ltd.	Strauss Group Ltd.	Strauss Group Ltd.
	Bank Hapoalim Ltd.	Bank Hapoalim Ltd.	Strauss Group Ltd.	Bank Leumi Le-Israel Ltd.	Strauss Group Ltd.	Paz Oil Company Ltd.	Bank Leumi Le-Israel Ltd.	Bank Leumi Le-Israel Ltd.
	Bank Leumi Le-Israel Ltd.	Bank Leumi Le-Israel Ltd.				Bank Hapoalim Ltd.		
Quartile 4	First International Bank of Israel Ltd.	First International Bank of Israel Ltd.	Israel Discount Bank Ltd.	Israel Discount Bank Ltd.	Israel Discount Bank Ltd.	Bank Leumi Le-Israel Ltd.	Bank Hapoalim Ltd.	Bank Hapoalim Ltd.
	Mizrahi Tefahot Bank Ltd.	Mizrahi Tefahot Bank Ltd.	Bank Hapoalim Ltd.	Bank Hapoalim Ltd.	Bank Hapoalim Ltd.	Israel Discount Bank Ltd.	Israel Discount Bank Ltd.	Israel Discount Bank Ltd.
	Israel Corporation Ltd.	Israel Corporation Ltd.				Israel Corporation Ltd.		

In the event that a compensation component is identical in several of the sampled companies, the position within the quartile/between quartiles is random.

Part 5

Disclaimer

Disclaimer

It has been agreed by and between PricewaterhouseCoopers Consulting Ltd. (“**PwC Israel**”) and Azrieli Group Ltd. (“**You**” or the “**Client**”) that our role merely consists of the provision of advice. You are responsible for all of the duties of Management and the functioning thereof and for making decisions in relation to this engagement, including the assessment and acceptance as pertains to the compatibility of the scope of services with your needs. You are also responsible for the results to be achieved in consequence of the use of any of the services or products.

We provide the services for use by You alone and for your benefit only, and in the context of a service provider-client relationship with You alone. We shall bear no liability, contractual or otherwise, to others, that derives from the services or from any of the products or from the advice provided.

Since PwC Israel is not liable to third parties in any manner with respect to the services and the products, the Client agrees to indemnify PwC Israel and to discharge the same from any liability, in relation to any claim and/or demand by a third party, deriving from the provision of services and/or from the products to be provided under this agreement, and with respect to any and all damage, arrangements, losses, liabilities, costs and expenses related thereto, including, and with no limitation whatsoever – reasonable attorney fees, and except if and insofar as it is conclusively determined that the same derived from severe negligence by PwC Israel or from willful wrongful conduct on its part, in connection with the services and/or products as aforesaid.

Without derogating from the aforesaid, You undertake not to initiate legal proceedings in relation to this engagement against any of the partners, managers or employees of PwC Israel personally.

It is agreed and accepted by the Client that it may initiate any legal proceeding deriving from the services and/or related thereto by no later than one year as of the day on which it learns of the facts that give rise to the cause of our alleged liability, or as of the day on which it should have reasonably been aware of such facts, and, in any event, by no later than the elapse of seven years following the creation of any such cause of action.

Advisory

קבוצת עזריאלי בע"מ

ניתוח נתונים אודות תוכניות תגמול של יושבי ראש

אוקטובר 2014

מחלקת תגמול עובדים
פרייסוותרהאוסקופרס ייעוץ בע"מ
אוקטובר 2014

pwc

פרייסוואטר האוסקופרס ייעוץ בע"מ
מגדל הסחר, המרד 25
תל אביב 68125
טלפון- 03-7954588
פקס- 03-7954682

אוקטובר 2014

לכבוד

קבוצת עזריאלי בע"מ ("עזריאלי" או "החברה")

הנדון: ניתוח נתונים אודות תוכניות תגמול של יושבי ראש

הננו מתכבדים להגיש לכם בזאת מסמך המרכז נתונים שאספנו וניתחנו בהתייחס להיקפי תוכניות תגמול של יושבי ראש בחברות ציבוריות ישראליות ("יו"רים").

הבהרות:

- ניתוח הנתונים שמבוצע על ידכם ופרשנותם צריכים להיעשות בזהירות הראויה, תוך ניתוח מעמיק של החברות הכלולות במדגם, בחינת התאמתן כחברות השוואה, ההתפלגות הסטטיסטית של הממצאים, והמיקום היחסי הרצוי של תגמול נושא המשרה הרלוונטי בהשוואה לנתוני חברות ההשוואה.
- לאור מיעוט הדגימות המאפיין עבודות מסוג זה, אין לראות בנתון קיצון ככזה המלמד על פרקטיקה מקובלת.
- לאור כניסתו לתוקף של תיקון 20, עשוי להיות שינוי מהותי בהיקפי ומנגנוני התגמול של חברות ההשוואה במהלך שנת 2014.
- המידע והנתונים המוצגים במסמך זה, מספקים מידע עובדתי בלבד ואינם מחליפים דיון מהותי ופרטני בדבר תוכנית התגמול המתאימה לנושא המשרה בחברה.

בכבוד רב

PricewaterhouseCoopers Advisory Ltd

קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

אוקטובר 2014

PwC

תוכן עניינים

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חלק 1

היקף העבודה וחברות השוואה

היקף העבודה

➤ היקף עבודתנו כלל את ההליכים הבאים:

איסוף וריכוז נתונים אודות היקפי תוכניות התגמול שהוענקו ליושבי ראש בקרב מדגם של חברות ישראליות ציבוריות ("חברות השוואה"), כמפורט להלן, תוך הבחנה בין רכיבי התגמול השונים (שכר, מענק ותגמול מבוסס מניות).

➤ הנתונים בהם נעשה שימוש

▪ הנתונים המופיעים בעבודתנו נאספו מתוך:

- הדוחות הכספיים והתקופתיים של חברות השוואה לשנת 2013;
- הדיווחים המיידים המתפרסמים באתר הרשמי של הבורסה לניירות ערך בתל-אביב;
- דיווחי ה-PROXY של החברות הדואליות הנסחרות בבורסה לניירות ערך בתל-אביב.

חברות ההשוואה

קבוצה א'

לבקשתכם, חברות ההשוואה הן חברות הנסחרות במדד ת"א 25 בבורסה לניירות ערך בת"א**. כל זאת בהתייחס לדוחות הכספיים והתקופתיים לשנת 2013.

יו"ר	שווי שוק ממוצע שנתי* (מיליוני ש"ח)	שם החברה
	155,219	טבע תעשיות פרמצבטיות בע"מ
	64,906	פריגו קומפני
	36,915	כימיקלים לישראל בע"מ
V	25,822	בנק הפועלים בע"מ
V	20,391	בנק לאומי לישראל בע"מ
	17,141	בזק החברה הישראלית לתקשורת בע"מ
V	15,655	קבוצת דלק בע"מ
V	14,877	החברה לישראל בע"מ
	14,281	קבוצת עזריאלי בע"מ
	12,568	אופקו הלת', אינק
V	10,124	בנק מזרחי טפחות בע"מ
V	8,895	אסם השקעות בע"מ
	8,122	גזית-גלוב בע"מ
V	6,974	שטראוס גרופ בע"מ
V	6,645	בנק דיסקונט לישראל בע"מ
	6,106	מגדל אחזקות ביטוח ופיננסים בע"מ
V	5,711	הבנק הבינלאומי הראשון לישראל בע"מ
V	5,706	פז חברת הנפט בע"מ
	4,519	חברת פרטנר תקשורת בע"מ
	4,337	סלקום ישראל בע"מ

* לצורך החישוב נלקח ממוצע של השווי בחמש נקודות זמן, יום המסחר האחרון לחודשים: 09/2013, 12/2013, 03/2014, 06/2014, 09/2014.

** לפירוט החברות שהושמטו מהמדגם ראונספח 1.

קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

חברות ההשוואה

קבוצה ב'

לבקשתכם, חברות ההשוואה הן חברות הנסחרות במדד נדל"ן 15 בבורסה לניירות ערך בת"א**. כל זאת בהתייחס לדוחות הכספיים והתקופתיים לשנת 2013.

יו"ר	שווי שוק ממוצע שנתי* (מיליוני ש"ח)	שם החברה
	14,281	קבוצת עזריאלי בע"מ
	8,122	גזית-גלוב בע"מ
V	3,954	מליסרון בע"מ
V	3,467	שיכון ובינוי בע"מ
	3,279	אלוני-חץ נכסים והשקעות בע"מ
	3,006	נצבא החזקות 1995 בע"מ
	2,997	אמות השקעות בע"מ
V	2,739	כלכלית ירושלים בע"מ
	2,468	איירפורט סיטי בע"מ
V	2,205	אלרוב נדל"ן ומלונאות בע"מ
	1,930	חברת גב-ים לקרקעות בע"מ
V	1,713	ביג מרכזי קניות בע"מ
	1,241	אפריקה-ישראל להשקעות בע"מ

* לצורך החישוב נלקח ממוצע של השווי בחמש נקודות זמן, יום המסחר האחרון לחודשים: 09/2013, 12/2013, 03/2014, 06/2014, 09/2014.

** לפירוט החברות שהושמטו מהמדגם ראונספח 1.

קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

חלק 2

מתודולוגיה

מתודולוגיה

תכניות התגמול מורכבות משלושה רכיבים עיקריים:

- שכר שנתי ונלוות
- מענק שנתי
- תגמול מבוסס מניות

לצורך הניתוח התייחסנו ליושבי ראש בחברות המדגם תוך הבחנה בין רכיבי התגמול השונים.

נטרולים:

- במסגרת הניתוחים שביצענו, נטרלנו את יושבי הראש הבאים (ככל שהמידע שדווח אפשר לנו):
 - יושבי ראש שסיימו את כהונתם בשנת הדיווח.
 - יושבי ראש המכהנים כמנכ"לים/ נושאי משרה של חברות בנות ציבוריות.
 - יושבי ראש שעבדו בהיקף משרה מדווח של פחות מ- 60% בשנת הדיווח.
- בהתייחס ליושבי ראש שעבדו בשנת הדיווח במשרה לא מלאה (60% לפחות) - ביצענו התאמה לעלות השכר של יושבי ראש אלו, כך שתשקף עלות שכר התואמת למשרה מלאה. מענק ושווי תגמול מבוסס מניות לא הותאמו.

מתודולוגיה (המשך)

➤ שכר שנתי:

- הנתונים מתייחסים לעלות השכר של יו"ר בשנת 2013, בהתאם לדיווחי החברה במסגרת הדוחות השנתיים לשנת 2013 ודיווחים נוספים של החברה לציבור.

➤ מענק שנתי

- הנתונים מתייחסים למענק השנתי של יו"ר בגין שנת 2013 (לרבות אם נדחה), בהתאם לדיווחי החברה במסגרת הדוחות השנתיים לשנת 2013 ודיווחים נוספים של החברה לציבור.
- המענק אינו כולל מענק שדווח וטרם אושר.

➤ תגמול מבוסס מניות:

▪ חברות ההשוואה הנסחרות בישראל בלבד/ חברות דואליות אשר לא מפרסמות PROXY

- הנתונים אודות תגמול מבוסס מניות כוללים נתונים שנאספו אודות מכשירים הונים שהוענקו ליושבי ראש בחברות המדגם בשנים 2010-2013 כפי שדווח על ידן בדוחות הכספיים ובדיווחים המידיים, ואשר ההוצאה בגינם דווחה במסגרת תקנה 21 בדוחות הכספיים של החברות בשנת 2013.
- הנתונים מתייחסים לשווי הכלכלי המקורי במועד ההענקה כפי שדווח על ידי החברה, מחולק במספר שנות ההבשלה של המכשיר ההוני, המיוחס לשנת 2013.

➤ סך התגמול:

- בחלק זה מפורטים נתונים שנאספו אודות סך התגמול שהוענק ליו"ר בחברות המדגם - בסכום זה נכללים עלות שכר, מענק שנתי ושווי ממוצע של תגמול מבוסס מניות לשנת הבשלה, ככל שהוענקו כאלו בשנה שנבחנה ליושבי הראש הרלוונטיים.

מתודולוגיה (המשך)

ניתוח נתונים :

י"ר – מדד נדל"ן 15

הנתונים הוצגו בנפרד עבור כל אחת מהחברות.

י"ר – מדד ת"א 25

ניתוח לפי רביעים – לצורך הניתוח דורגו חברות המדגם בסדר עולה החל מהחברה בה רכיב התגמול לנושא משרה הינו הנמוך ביותר. לאחר מכן החברות חולקו לארבע קבוצות, כך שהרביע התחתון ("**רביע ראשון**") כולל את החברות בהן רכיב התגמול הינו הנמוך ביותר, ואילו הרביע העליון ("**רביע רביעי**") כולל את החברות בהן הרכיב הינו הגבוה ביותר. הנתונים המוצגים בגרפים מתייחסים לממוצע רכיב התגמול ברביע. במקומות בהם נתוני התגמול של י"ר מוצגים לפני ואחרי תקנון, החברות הכלולות בכל רביע לפני התקנון יכולות להיות שונות מהחברות הכלולות בכל רביע לאחר התקנון.

י"ר - כללי

במקרה בו נושא משרה התחלף במהלך שנת 2013 וחברה פרסמה תנאי העסקה של נושא משרה חדש, הנתונים המוצגים מתייחסים להיקפי התגמול של נושא משרה החדש במונחים שנתיים, המחושבים על פי סימולציה, כפי שדווח על ידי החברה, חלף נתוני תגמול של נושא משרה שסיים את תפקידו. שווי תגמול מבוסס מניות מתייחס לשווי כלכלי במועד ההענקה מחולק במספר שנות הבשלה.

מתודולוגיה (המשך)

פרשנות הנתונים

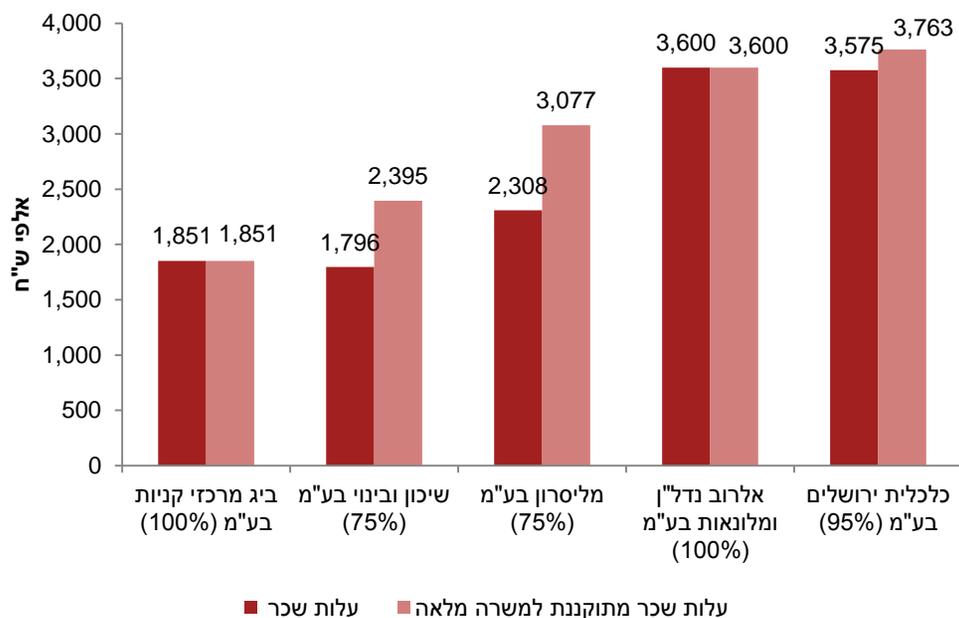
- יובהר כי ניתוח הנתונים שמבוצע על ידכם ופרשנותם צריכים להיעשות בזהירות הראויה, תוך ניתוח מעמיק של החברות הכלולות במדגם, בחינת התאמתן לחברות השוואה, ההתפלגות הסטטיסטית של הממצאים, והמיקום היחסי הרצוי של החברה בהשוואה לתוצאות השוואה, תוך לקיחת בחשבון של מכלול השיקולים כקבוע בהוראות תיקון 20 לחוק החברות.
- יובהר ויודגש כי המידע והנתונים המוצגים במסמך זה, מספקים מידע עובדתי בלבד ואינם מחליפים דיון מהותי ופרטני בדבר תוכנית התגמול המתאימה לנושאי המשרה בחברה, תוך התייחסות למכלול השיקולים וההוראות הקבועים בתיקון 20 לחוק החברות.
- יובהר כי הנתונים המוצגים במסמך זה מבוססים על ניתוח הנתונים המדווחים על ידי חברות השוואה. במקרים מסוימים, בשל חוסר בהירות הדיווחים, ניתוח הנתונים דורש אומדנים והערכות ולפיכך עשוי להיות חוסר מתאם בין הנתונים המוצגים במסמך זה – לבין ההסכמים המפורטים הרלוונטיים.

חלק 3

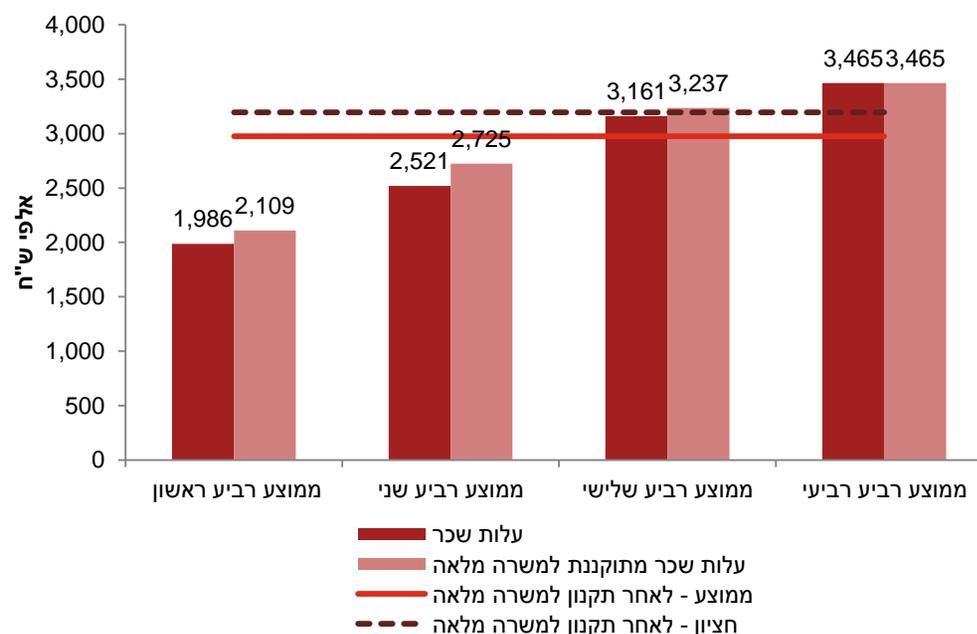
תגמול שנתי ליו"ר בחברות ההשוואה

תרשים 1 – עלות שכר שנתי 2013 (ללא מענקים ותגמול הוני)

מדד נדל"ן 15



מדד ת"א 25



מספר חברות	ממוצע	מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	עלות שכר שנתי (אלפי ₪)
5	2,626	1,796	1,851	2,308	3,575	3,600	ללא תקנון למשרה מלאה
5	2,937	1,851	2,395	3,077	3,600	3,763	לאחר תקנון למשרה מלאה

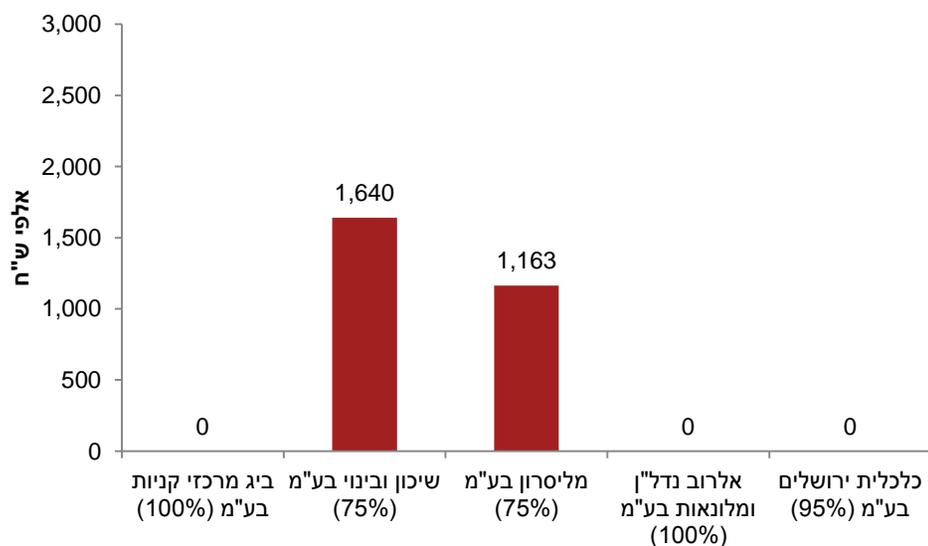
מספר חברות	ממוצע	מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	עלות שכר שנתי (אלפי ₪)
10	2,889	1,702	2,518	3,083	3,342	3,600	ללא תקנון למשרה מלאה
10	2,977	1,702	2,623	3,197	3,342	3,600	לאחר תקנון למשרה מלאה

לפירוט החברות הכלולות ברביעים ולהערות ראו נספחים 2 ו-3.

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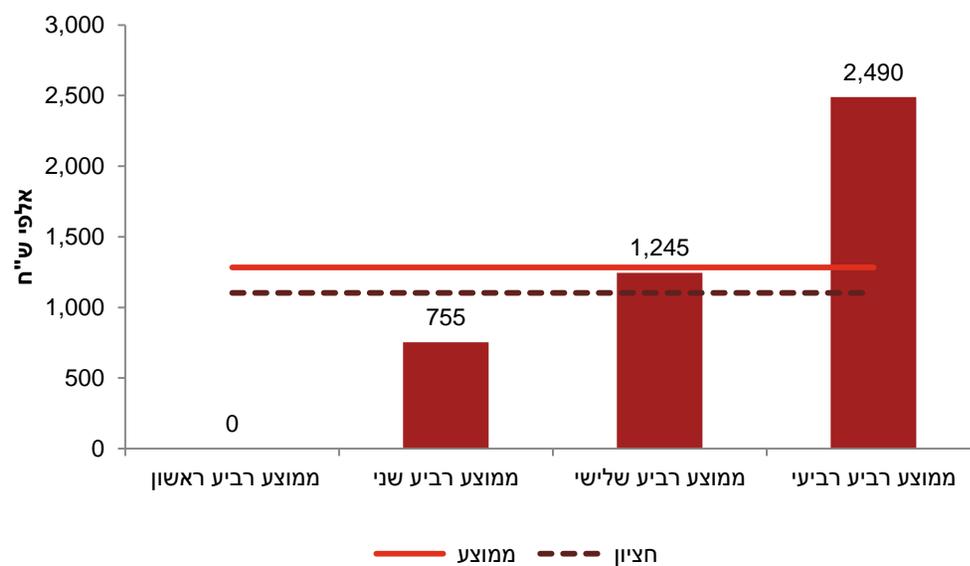
תרשים 2 – מענק שנתי 2013

מדד נדל"ן 15



מספר חברות	ממוצע מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	מספר חברות	מענק שנתי (אלפי ש"ח)
5	0	0	0	1,163	1,640	5	561

מדד ת"א 25



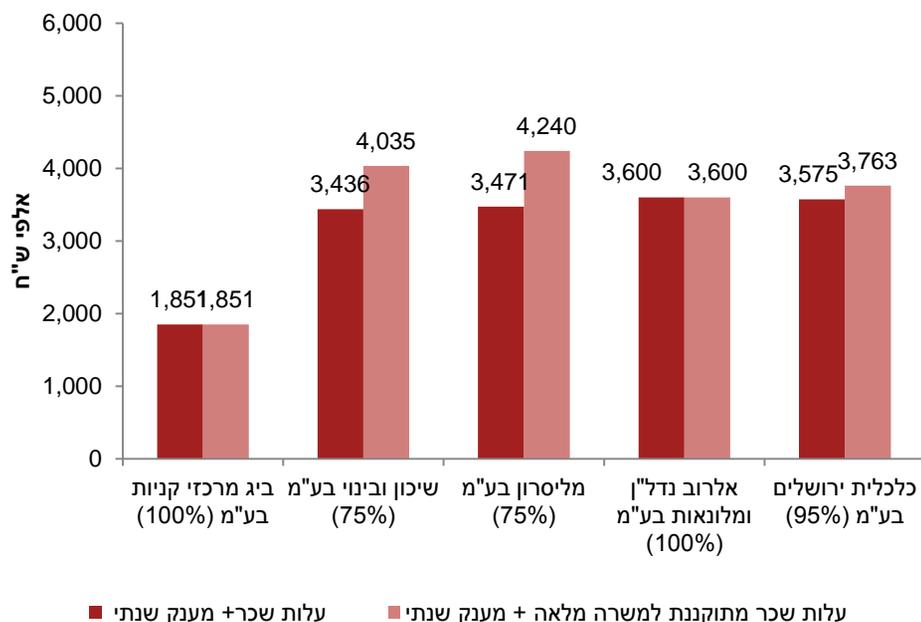
מספר חברות	ממוצע מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	מספר חברות	מענק שנתי (אלפי ש"ח)
7	0	755	1,103	1,774	2,820	7	1,283

לפירוט החברות הכלולות ברביעים ולהערות ראו נספחים 2 ו-3.

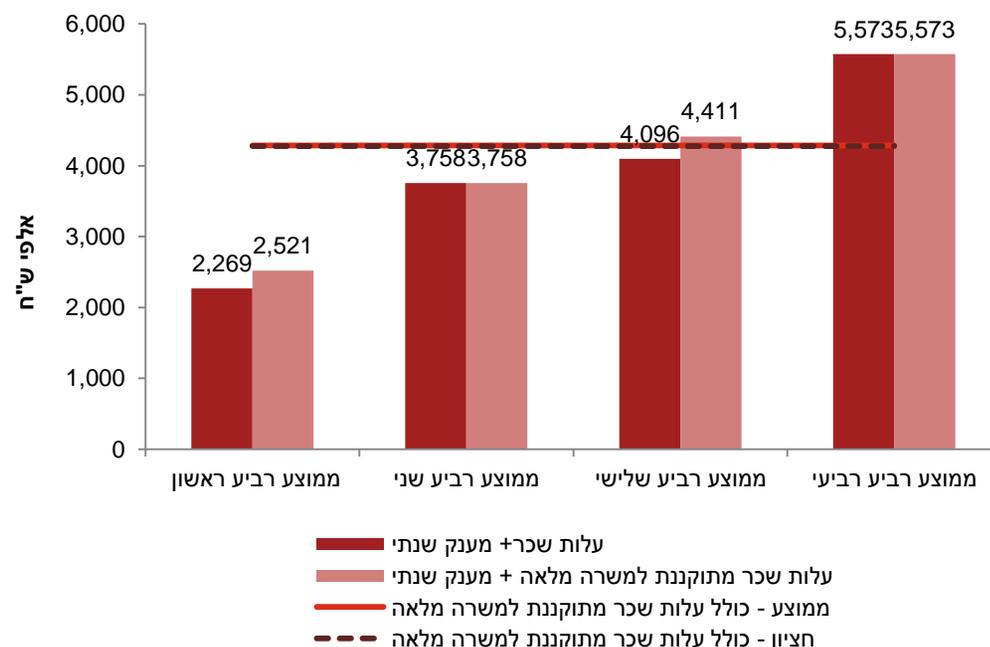
קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

תרשים 3 – עלות שכר + מענק שנתי 2013

מדד נדל"ן 15



מדד ת"א 25



מספר חברות	ממוצע מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	עלות שכר + מענק שנתי (אלפי ש"ח)	עלות שכר מתוקנת למשרה מלאה + מענק שנתי (אלפי ש"ח)
5	1,851	3,436	3,471	3,575	3,600	3,187	לא תקנון למשרה מלאה
5	1,851	3,600	3,763	4,035	4,240	3,498	לאחר תקנון למשרה מלאה

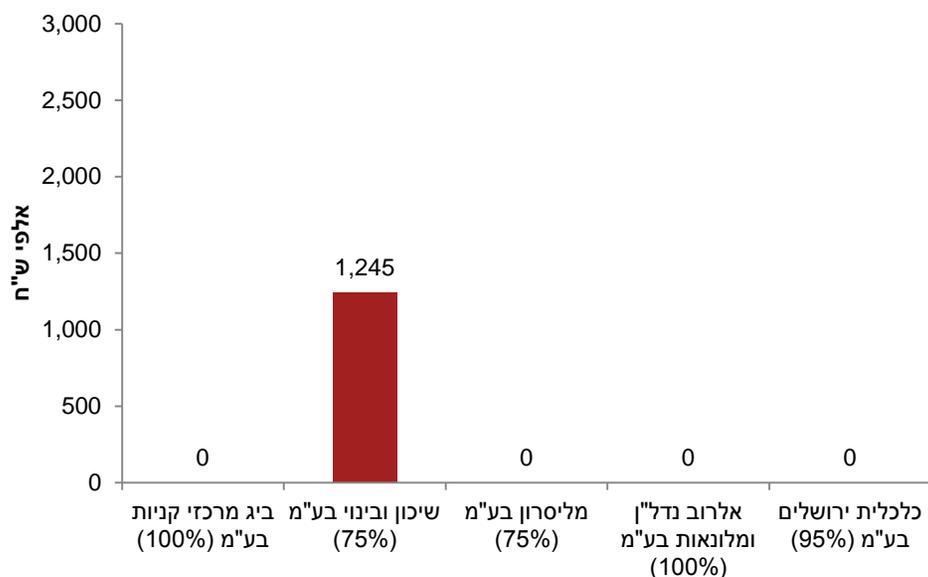
מספר חברות	ממוצע מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	עלות שכר + מענק שנתי (אלפי ש"ח)	עלות שכר מתוקנת למשרה מלאה + מענק שנתי (אלפי ש"ח)
7	2,269	3,758	3,912	4,684	6,057	4,160	לא תקנון למשרה מלאה
7	2,521	3,758	4,279	4,816	6,057	4,286	לאחר תקנון למשרה מלאה

לפירוט החברות הכלולות ברביעים ולהערות ראו נספחים 2 ו-3.

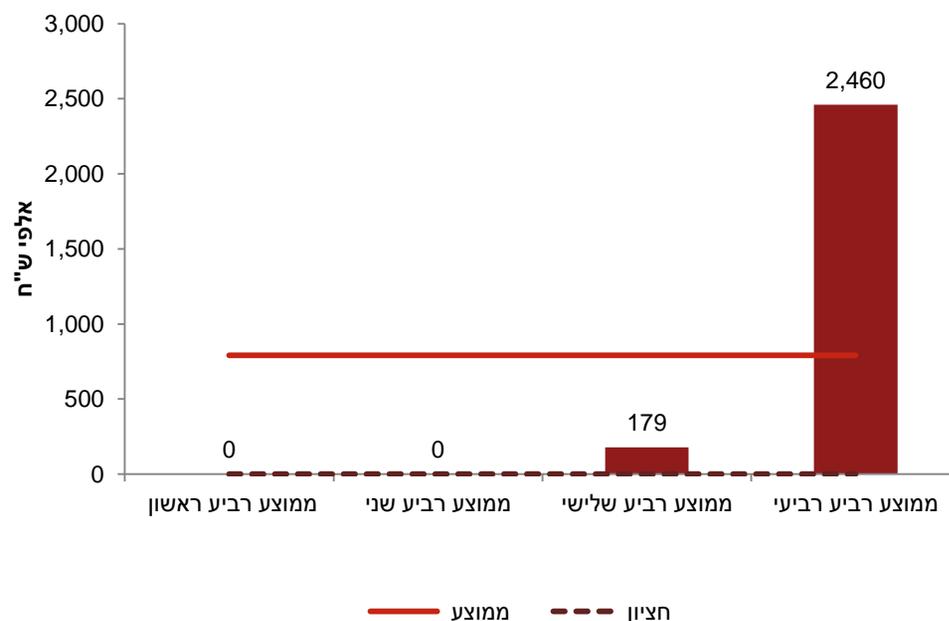
קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

תרשים 4 – שווי ממוצע של תגמול מבוסס מניות לשנת הבשלה 2013

מדד נדל"ן 15



מדד ת"א 25



מספר חברות	ממוצע	מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום
5	249	0	0	0	0	1,245

שווי ממוצע של תגמול מבוסס מניות (אלפי ש"ח)

מספר חברות	ממוצע	מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום
10	792	0	0	0	856	3,619

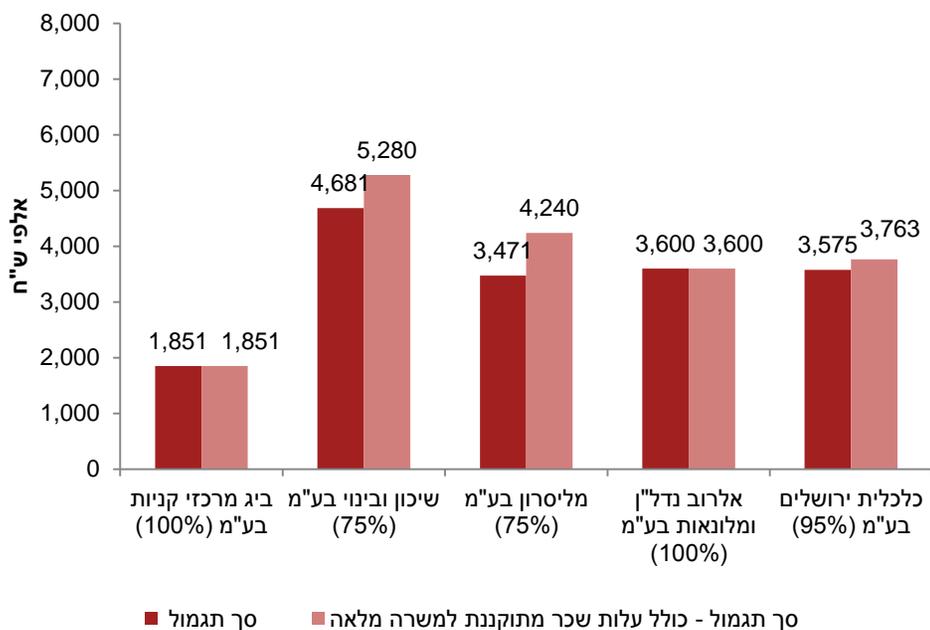
שווי ממוצע של תגמול מבוסס מניות (אלפי ש"ח)

לפירוט החברות הכלולות ברביעים ולהערות ראו נספחים 2 ו-3.

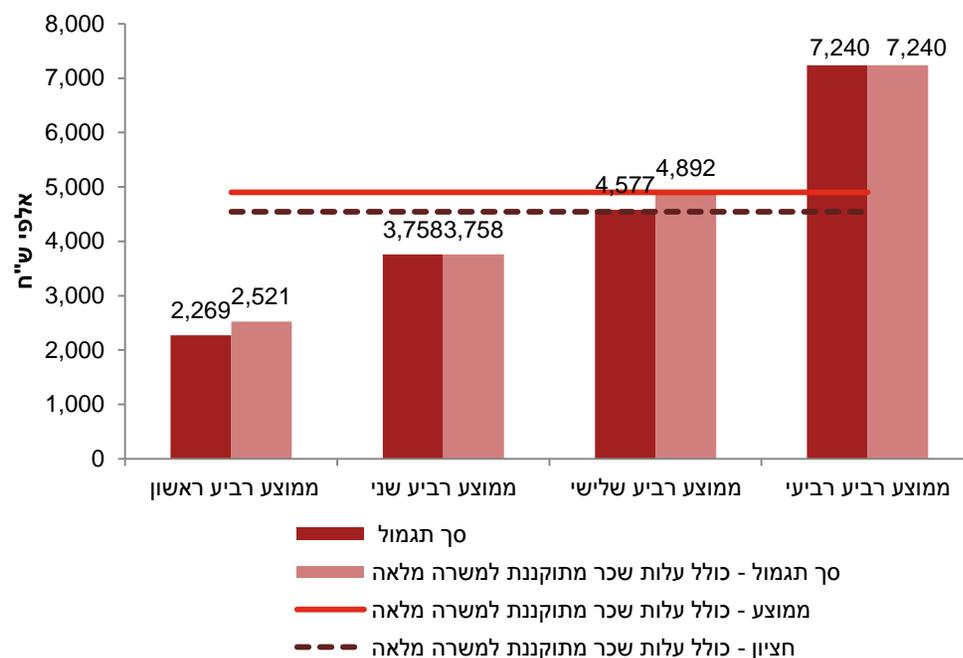
קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

תרשים 5 – סך התגמול 2013

מדד נדל"ן 15



מדד ת"א 25



מספר חברות	ממוצע מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	סך התגמול (אלפי ש"ח)
5	1,851	3,471	3,575	3,600	4,681	ללא תקבון למשרה מלאה
5	1,851	3,600	3,763	4,240	5,280	לאחר תקבון למשרה מלאה

מספר חברות	ממוצע מינימום	אחוזון 25	חציון	אחוזון 75	מקסימום	סך התגמול (אלפי ש"ח)
7	2,269	3,758	3,912	5,917	7,887	ללא תקבון למשרה מלאה
7	2,521	3,758	4,543	5,917	7,887	לאחר תקבון למשרה מלאה

לפירוט החברות הכלולות ברביעים ולהערות ראו נספחים 2 ו-3.

קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

חלק 4

נספחים

נספח 1 – פירוט החברות שהושמטו מהמדגם

מדד נדל"ן 15

שם החברה	הערות
אמות השקעות בע"מ	(1)
חברת גב-ים לקרקעות בע"מ	(1)
אלוני-חץ נכסים והשקעות בע"מ	(2)
נצבא החזקות 1995 בע"מ	(2)
איירפורט סיטי בע"מ	(3)
אל-רוב (ישראל) בע"מ	(3)
גזית-גלוב בע"מ	(4)
אפריקה-ישראל להשקעות בע"מ	(6)
נורסטאר החזקות אינק	(8)

מדד ת"א 25

שם החברה	הערות
אלביט מערכות בע"מ	(1)
נייס סיסטמס בע"מ	(1)
ישראלמקו נגב 2 שותפות מוגבלת	(1)
אבנר חיפוש נפט וגז - שותפות מוגבלת	(1)
טבע תעשיות פרמצבטיות בע"מ	(1)
בזק החברה הישראלית לתקשורת בע"מ	(1)
חברת פרטנר תקשורת בע"מ	(1)
סלקום ישראל בע"מ	(1)
דלק קידוחים - שותפות מוגבלת	(2)
גזית-גלוב בע"מ	(4)
מגדל אחזקות ביטוח ופיננסים בע"מ	(5)
כימיקלים לישראל בע"מ	(6)
פריגו קומפני	(7)
אופקו הלת', אינק	(7)

הערות:

- (1) לא אותרו נתונים אודות תגמול יו"ר/ מועסק במסגרת הסכם ניהול הכולל שירותים נוספים.
- (2) יו"ר מכהן בהיקף משרה מדווח של פחות מ- 60%.
- (3) מכהן גם כיו"ר בחברה אחרת הכלולה במדגם, לכן החברה נטרלה מהניתוח.
- (4) הסכם העסקה עם יו"ר הדירקטוריון הסתיים בעקבות תיקון 16 לחוק לכן החברה נטרלה מהניתוח.
- (5) יו"ר סיים את כהונתו במהלך שנת הדיווח. יו"ר חדש הודיע כי הוא מוותר על שכר כלשהו בקשר עם כהונתו כיו"ר דירקטוריון החברה וכדירקטור במגדל ביטוח ולא ידרוש שכר בגין כהונתו שלו.
- (6) לא אותרו נתונים אודות היקף משרה, לכן החברה נטרלה מהניתוח.
- (7) יו"ר מכהן גם כמנכ"ל לכן החברה נטרלה מהניתוח.
- (8) יו"ר אינו מקבל גמול מהחברה בגין 2013 לכן החברה נטרלה מהניתוח.

קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

נספח 2 – הערות

מדד ת"א 25

הערות:

- (1) טרם נקבע מענק בגין שנת הדיווח, בהתאם לכך החברה נוטרלה מהניתוח בהתייחס למענק, עלות שכר ומענק וסך התגמול.
- (2) הנתונים נלקחו מדיווח על הארכת הסכם העסקה קיים לשישה חודשים מיולי 2013 ומהווים הערכת החברה באשר לרכיב השכר ורכיב תשלום מבוסס מניות של יו"ר הדירקטוריון בשנת 2013. לא ניתן להעריך את גובה המענק בגין שנת 2013.
- (3) מוסדות הבנק טרם דנו בסכום המענק השנתי ליו"ר. עלות שכר אינה כוללת מענק הסתגלות בגובה 1,080 אלפי ש"ח.

שם החברה	היקף משרה	הערות
שטראוס גרופ בע"מ	80%	
פז חברת הנפט בע"מ	90%	
בנק הפועלים בע"מ	100%	
בנק לאומי לישראל בע"מ	100%	
קבוצת דלק בע"מ	100%	(1)
החברה לישראל בע"מ	100%	(2)
בנק מזרחי טפחות בע"מ	100%	(3)
אסם השקעות בע"מ	100%	
בנק דיסקונט לישראל בע"מ	100%	
הבנק הבינלאומי הראשון לישראל בע"מ	100%	

נספח 2 – הערות (המשך)

מדד נדל"ן 15

הערות:

- (1) מכהן ב-95% משרה בחברה ובחברות הבנות
 (2) מכהן ב-100% משרה בחברה ובחברת האם, הנתונים נלקחו מעדכון בהסכם העסקה

שם החברה	היקף משרה	הערות
מליסרון בע"מ	75%	
שיכון ובינוי בע"מ	75%	
כלכלית ירושלים בע"מ	95%	(1)
אלרוב נדל"ן ומלונאות בע"מ	100%	(2)
ביג מרכזי קניות בע"מ	100%	

נספח 3 – פירוט החברות הכלולות ברביעים

מדד ת"א 25

יו"ר

רביע	עלות שכר	עלות שכר מתוקננת למשרה מלאה	מענק שנתי	עלות שכר + מענק שנתי	עלות שכר מתוקננת למשרה מלאה + מענק שנתי	שווי תגמול מבוסס מניות	סך תגמול	סך תגמול - כולל עלות שכר מתוקננת למשרה מלאה
רביע 1	קבוצת דלק בע"מ פז חברת הנפט בע"מ	קבוצת דלק בע"מ אסם השקעות בע"מ	פז חברת הנפט בע"מ	פז חברת הנפט בע"מ	פז חברת הנפט בע"מ	קבוצת דלק בע"מ בנק מזרחי טפחות בע"מ	פז חברת הנפט בע"מ	פז חברת הנפט בע"מ
רביע 2	אסם השקעות בע"מ שטראוס גרופ בע"מ	פז חברת הנפט בע"מ בנק דיסקונט לישראל בע"מ	הבנק הבינלאומי הראשון לישראל בע"מ בנק לאומי לישראל בע"מ	אסם השקעות בע"מ הבנק הבינלאומי הראשון לישראל בע"מ	אסם השקעות בע"מ הבנק הבינלאומי הראשון לישראל בע"מ	אסם השקעות בע"מ שטראוס גרופ בע"מ	אסם השקעות בע"מ	אסם השקעות בע"מ
רביע 3	בנק דיסקונט לישראל בע"מ בנק הפועלים בע"מ בנק לאומי לישראל בע"מ	שטראוס גרופ בע"מ בנק הפועלים בע"מ בנק לאומי לישראל בע"מ	שטראוס גרופ בע"מ בנק לאומי לישראל בע"מ	שטראוס גרופ בע"מ בנק לאומי לישראל בע"מ	בנק לאומי לישראל בע"מ שטראוס גרופ בע"מ	הבנק הבינלאומי הראשון לישראל בע"מ פז חברת הנפט בע"מ בנק הפועלים בע"מ	שטראוס גרופ בע"מ בנק לאומי לישראל בע"מ	שטראוס גרופ בע"מ בנק לאומי לישראל בע"מ
רביע 4	הבנק הבינלאומי הראשון לישראל בע"מ בנק מזרחי טפחות בע"מ החברה לישראל בע"מ	הבנק הבינלאומי הראשון לישראל בע"מ בנק מזרחי טפחות בע"מ החברה לישראל בע"מ	בנק דיסקונט לישראל בע"מ בנק הפועלים בע"מ	בנק דיסקונט לישראל בע"מ בנק הפועלים בע"מ	בנק דיסקונט לישראל בע"מ בנק הפועלים בע"מ	בנק לאומי לישראל בע"מ בנק דיסקונט לישראל בע"מ החברה לישראל בע"מ	בנק הפועלים בע"מ בנק דיסקונט לישראל בע"מ	בנק הפועלים בע"מ בנק דיסקונט לישראל בע"מ

במידה ורכיב התגמול זהה במספר חברות במדגם, מיקום בתוך הרביע/ בין הרביעים הינו אקראי.

קבוצת עזריאלי בע"מ • ניתוח נתונים אודות תוכניות תגמול של יו"רים

חלק 5

הגבלת אחריות

הגבלת אחריות

הוסכם בין פרייסוואטר האוסקופרס ייעוץ בע"מ ("PwC Israel") לבין קבוצת עזריאלי בע"מ ("אתם" או "הלקוח") כי תפקידנו מסתכם במתן ייעוץ בלבד. אתם אחראים לכל תפקידי ההנהלה ותפקודה, ולקבלת החלטות הקשורות להתקשרות זו, לרבות הערכה וקבלה בכל הנוגע להתאמה של היקף השירותים לצרכים שלכם. אתם אחראים גם לתוצאות שיושגו בעקבות השימוש באיזה מהשירותים או מהתוצרים.

אנו מספקים את השירותים לשימוש על ידיכם בלבד ולתועלתכם שלכם בלבד, ובמסגרת יחסי ספק שירותים – לקוח, איתכם בלבד. אנו לא נישא בכל אחריות, חוזית או אחרת, כלפי אחרים, הנובעת מהשירותים או מאיזה מהתוצרים או מהייעוץ שניתן.

מכיוון ש – PwC Israel אינה אחראית בכל דרך כלפי צדדים שלישיים בכל הנוגע לשירותים ולתוצרים, הלקוח מסכים לשפות את PwC Israel ולשחרר אותה מכל חבות, בנוגע לכל תביעה ו/או דרישה של צד שלישי הנובעת ממתן השירותים ו/או מהתוצרים שיסופקו מכח הסכם זה, ובנוגע לכל הנזקים, ההסדרים, ההפסדים, החבויות, העלויות וההוצאות הנלוות לכך, לרבות וללא כל מגבלה – שכר טרחה סביר של עורכי דין, ולמעט אם וככל שנקבע באופן סופי כי אלה נבעו מרשלנות חמורה של PwC Israel או מהתנהגות פסולה בזדון מצידה, בקשר לשירותים ו/או לתוצרים כאמור.

מבלי לגרוע מהאמור לעיל, אתם מקבלים על עצמכם שלא לנקוט הליכים משפטיים בקשר עם התקשרות זו, כנגד מי מהשותפים, המנהלים או העובדים ב-PwC Israel, באופן אישי.

מוסכם ומקובל על הלקוח, שהוא יהיה רשאי להתחיל בכל הליך משפטי הנובע מהשירותים ו/או הקשור אליהם עד לא יאחר משנה מיום בו נודע לו על העובדות המקימות את העילה לאחריותנו הנטענת, או מיום בו היה עליו באופן סביר להיות מודע לעובדות כאמור, ובכל מקרה, עד לא יאחר מתום שבע שנים לאחר היווצרות כל עילת תביעה כאמור.

Annex E

Principal terms of office and employment offered to Ms. Danna Azrieli compared with the terms of office and employment approved for Ms. Danna Azrieli as the Active Vice Chairman of the Board of the Company

	Terms of Office in the approved agreement as Active Vice Chairman of the Board of the Company¹	Proposed Terms of Office of Ms. Danna Azrieli serving as Active Chairman of the Board of the Company
Scope of Position	80%.	100% ² .
Description of Position (the "Management Services")	<ul style="list-style-type: none"> ✓ Active Vice Chairman of the Board; ✓ Member of the Company's executive committee, which is engaged, <i>inter alia</i>, in formulating the Company's policy and strategy, formulating the Company's financial forecasts, decisions in respect of business development and outlining material transactions; ✓ Overseeing existing projects and monitoring their progress; ✓ Responsibility for outlining the Company's ties with the community and for representing the Company in conferences in Israel and abroad. 	<ul style="list-style-type: none"> ✓ Active Chairman of the Board; ✓ Chairman of the executive committee of the Company's management; ✓ Overseeing the implementation of strategic decisions and formulation of business and managerial decisions with respect to the development and management of the Company's assets, business development, financing and budget, targets and the examination of new operating segments; ✓ Providing ongoing managerial and professional advice to the Company's management and to the managers of the principal operating segments; ✓ Overseeing, leading and analyzing business opportunities and leading transactions and acquisitions in Israel and abroad; ✓ Overseeing development and construction and business development abroad; ✓ Overseeing existing projects and monitoring their progress; ✓ Responsibility for outlining the Company's ties with the community and for representing

¹ For details pertaining to the terms of compensation approved see the report of convening a meeting of the Company dated May 14, 2013 (Reference No.: 2013-01-062023) as amended on June 6, 2013 (Reference No.: 2013-01-058431) (the "**Previous Transaction Report**").

² It shall be clarified that Ms. Danna Azrieli may continue performing additional activities, including philanthropic activities in which she is involved, from time to time, provided that performance thereof does not compromise the fulfillment of her duties at the Company.

	Terms of Office in the approved agreement as Active Vice Chairman of the Board of the Company¹	Proposed Terms of Office of Ms. Danna Azrieli serving as Active Chairman of the Board of the Company
		the Company in conferences in Israel and abroad.
Fixed Component – Fixed Annual Management Fee	Approx. NIS 2.3 million per year, through a management company, linked to the Index.	Approx. NIS 2.7 million per year, through a management company, linked to the Index. Standardization of the current fixed component to a full-time position ³ .
The Rate of the Fixed Component out of the Maximum Compensation	100%.	Approx. 64%.
Variable Component – Annual Bonus Criteria	No variable component.	The criterion for receipt of the bonus: "Adjusted Profit" (as defined in Section 13.2.5 to which this document is annexed). <ul style="list-style-type: none"> ✓ Threshold for receipt of bonus – NIS 925 million; ✓ Bonus target brackets up to bonus cap: <ul style="list-style-type: none"> § Between NIS 925 million and NIS 1,050 million – 0.5% of the difference between NIS 925 million and the actual Adjusted Profit; § Above NIS 1,050 million – 0.75% of the amount in excess of NIS 1,050 million, plus 0.5% of the difference between NIS 925 million and NIS 1,050 million.
Variable Component Cap	No variable component.	Up to 36% of the total amount of compensation (to be granted if the Company achieves an Adjusted Profit of approx. NIS 1,170 million), i.e., NIS 1.5 million.
Repayment of Compensation	None.	A bonus repayment clause will be determined, in the event it transpires <i>post factum</i> that the data is incorrect and restatement thereof is required in the financial statements.
Term of	3 years, until June 2, 2016, unless	3 years, until December 31, 2017,

³ For the approved compensation terms and conditions, see Previous Transaction Report.

	Terms of Office in the approved agreement as Active Vice Chairman of the Board of the Company¹	Proposed Terms of Office of Ms. Danna Azrieli serving as Active Chairman of the Board of the Company
Agreement	extended prior thereto by agreement between the parties and subject to receipt of all approvals under law.	unless extended prior thereto by agreement between the parties and subject to receipt of all approvals under law.
Advance Notice	Ms. Danna Azrieli is entitled to an advance notice period of 3 months.	Ms. Danna Azrieli is entitled to an advance notice period of 6 months.
Adjustment Period	Ms. Danna Azrieli is entitled to an adjustment period of 9 months in any event of termination of the Management Agreement.	The Management Agreement does not provide for adjustment pay.
Reimbursement of Expenses	Reimbursement of expenses (including <i>per diems</i> , entertainment, air travel in Israel and abroad) and reimbursement of car and telecommunications expenses, up to a cap, as shall be determined from time to time by the audit committee.	Unchanged.
Car and Telecommunication Expenses	The Company shall make available to the Management Company a suitable car of Grade 7 or higher. The expenses of car use and maintenance shall be paid by the Company. The Company shall bear the costs of use of a landline at the home of Ms. Danna Azrieli and a mobile telephone held by her. Reimbursement of car and telecommunications expenses shall not exceed a maximum amount to be determined from time to time by the audit committee and to be determined thereby as appropriate.	Unchanged.
Agreement Termination	<ul style="list-style-type: none"> √ Immediately - in the event of conviction of an offense of moral turpitude or a fundamental breach by Ms. Danna Azrieli or the Management Company of the fiduciary duty to the Company and/or the subsidiaries and/or affiliates thereof; √ In any other event – by prior notice of three (3) calendar 	Unchanged.

	Terms of Office in the approved agreement as Active Vice Chairman of the Board of the Company¹	Proposed Terms of Office of Ms. Danna Azrieli serving as Active Chairman of the Board of the Company
	months.	
Activity Restriction	For as long as Ms. Danna Azrieli provides management services to the Company and/or to companies of the Group, and for a period of six months thereafter, she shall comply with the activity restriction arrangement with the Company, on the same terms and conditions as provided by the management agreement and as stated in Section 3.2 of Part E of the Company's periodic report for 2013, which was released on March 19, 2014 (Reference No.: 2014-01-017433), as amended on March 23, 2014 (Reference No.: 2014-01-021204).	Unchanged ⁴ .
Annual Compensation Cap	None	NIS 4.2 million (for a full-time position).

⁴ For details, see Section 3.2 of Part E of the Company's periodic report for 2013, which was released on March 19, 2014 (Reference No.: 2014-01-017433), as amended on March 23, 2014 (Reference No.: 2014-01-021204).

Annex F

Amended Compensation Policy

[Marked in comparison to the version approved by the general meeting in September 2013]

Azrieli Group Ltd.

(the "Company")

Officer Compensation Policy

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

1. General

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

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

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

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

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

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

2. Purposes and Considerations in Determination of the Compensation Policy

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

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

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

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

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

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

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

When examining and approving an officer's terms of office and employment, the Compensation Committee and the Company's Board of Directors shall address, *inter alia*, the following issues, insofar as they are relevant to the officer:

- 3.1. The officer's education, qualifications, expertise, professional experience and achievements.
- 3.2. The officer's role, responsibilities and his expected contribution to achieving the Company's goals.
- 3.3. Previous salary agreements of the officer.
- 3.4. The terms of employment of holders of parallel positions at the Company.
- 3.5. The ratio ~~between~~of the cost of the terms and conditions of office and employment of the Company's officers ~~and~~to the cost of the salary of the other employees of the Company and of contractor employees who are employed at the Company², and, particularly, the ratio relative to the average salary and the median salary of such employees and the effect of the disparities on the working relations at the Company. The Compensation Committee and the Company's Board of Directors have conducted such examination, as of the date of approval of this policy, and have determined that the ratio³ is reasonable and not expected to affect the working relations at the Company.

Following is the aforesaid ratio as of the date of approval of this policy:

Position	Ratio relative to the Average Salary	Ratio relative to the Median Salary
Directors who receive compensation other than in accordance with the <u>Compensation Regulations</u> ⁴	Does not exceed 11.1	Does not exceed 35.525
CEO	3.6	13.7
The other senior officers ⁵	Does not exceed 3.2	Does not exceed 12.4

² "Cost of Salary" – as per the meaning of such term in the First Schedule A of the Companies Law.

In the calculation of such ratio, the employees of Azrieli Group Ltd. and the senior officers of Azrieli Group Ltd. shall be included.

³ In the calculation of such ratio, the employees of Azrieli Group Ltd. and the senior officers of Azrieli Group Ltd. were included (with the exception of directors who receive compensation in accordance with the Compensation Regulations and with Section 4.1 below). With respect to the senior officers as aforesaid, the maximum possible variable annual bonus was included in the terms of service for the purpose of calculating the ratio, in accordance with the provisions of Sections 4.3 and 6.3 of this policy below.

⁴ For details, see Sections 4.2 to 4.5 below.

⁵ With the exception of directors who receive compensation in accordance with the Regulations and with Section 4.1 below.

- 3.6. The Company's policy with respect to the officers of the Company ~~(with the exception of the Chairman of the Board), determines~~⁶ that the fixed component as aforesaid is required to carry the main weight⁶ in the total compensation package of the officers of a company of the Company's type and character, based on the view that such a mix has a mitigating effect on the risk profile of the conduct of the officers compared with a mix in which the weight of the variable compensation (based on numerical targets) is more significant. Furthermore, such mix encourages action based on long-term vision and considerations and conduct founded upon long-term processes.
- 3.7. Presently, the Compensation Policy does not include capital compensation. It is noted that, in light of the fact that on the date of approval of this Compensation Policy, the Company has a plan, in the framework of which, in the past, officers of the Company were given phantom options, and that the last vesting period under the said plan is expected to end in mid-2015⁷, and considering that this policy is effective for three years, the Compensation Committee and the Board of Directors have found no need to determine new framework conditions for the granting of phantom options in the current Compensation Policy. Therefore, the rates of compensation mentioned above, do not include compensation deriving as a result of the exercise of phantom options that were granted prior to the adoption of this policy. If and insofar as the Company wishes to grant additional phantom options during the term of this policy, then such grant shall be subject to the considerations, provisions and examinations required under Amendment 20 and the approvals required under any law.

4. Compensation Conditions of Directors

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

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

⁶ Standardizing the cost of salary to terms of full-time position – at least 80% of the total compensation to an officer (and with respect to the Chairman of the Board – at least ~~45~~⁶⁴% of the amount of the total compensation). It is clarified that this ratio may vary due to Index linkage differentials..

⁷ The terms and conditions of the phantom units actually granted to officers of the Company prior to the adoption of this Compensation Policy shall continue to apply without any modification of the terms and conditions thereof.

will be entitled to reimbursement of expenses pursuant to the Compensation Regulations.

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

The compensation of directors who are controlling shareholders (who do not receive a salary or management fees)⁸ shall be the compensation approved by the Compensation Committee and the Company's Board of Directors in May 2013, and it shall be deemed compatible with this policy. For details, see the immediate report of May 13, 2013 (Reference No.: 2013-01-062026).

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

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

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

~~4.3.1. The terms and conditions of service of the (Active) Vice Chairman of the Board, who is indirectly a controlling shareholder of the Company, were approved by the Compensation Committee, the Company's Board of Directors and the Company's general meeting in May and June 2013, and they shall be deemed compatible with this policy. For details, see the report on the convening of a meeting dated June 6, 2013 (Reference No.: 2013-01-058431). The fixed component~~

~~In this section:~~

~~**"Monthly Employment Cost" – as defined in Section 5 below.**~~

~~The Monthly Employment Cost paid to an (Active) Chairman of the Board at the Company will be in the amount of NIS 225 thousand linked to the increase rate of the Consumer Price Index for November 2014, as shall be published on December 15, 2014, for a full-time position⁹. In addition, an addition at a~~

⁸ As of the date of this Report, Dr. Naomi Azrieli and Dr. Sharon Azrieli, who are indirectly controlling shareholders of the Company, serve as directors.

⁹ ~~The Monthly Employment Cost cap will be adjusted *pro rata* to the actual scope of the position. Thus, for example, in a manner that for services of an (Active) Chairman of the Board at a scope of 80% position, the Monthly Employment Cost cap will be reduced accordingly and be 80% of the said cap.~~

range between 0% and 7% to the Monthly Employment Cost will be allowed each year (in addition to the linkage to the index) with the approval of the compensation committee and the board of directors subject to the appropriate approvals pursuant to any law.

4.3.2. Related benefits

In addition to the management fee which will be paid to the Chairman of the Board, the Company may bear the related benefits, as specified in Sections 5.5.5 to 5.5.8 below, with the following modifications: (1) the car which will be made available to the Company's Chairman of the Board will be of grade 7 or higher. The car maintenance and usage expenses will be paid by the Company; (2) in addition, the Company will bear the cost of use of a landline telephone at the home of the Chairman of the Board.

4.3.3. Variable component – bonus

The Chairman of the Board will be entitled to a bonus as specified in Section 6 below.

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

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

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

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

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

- 5.1. The ceiling for the monthly cost of employment paid to the Company's CEO shall not exceed NIS 255 thousand, linked to the rate of the rise in the Consumer Price Index for February 2013, as published on March 15, 2013, for a 100% position¹⁰. In addition, and subject to appropriate approvals pursuant to any law, 0% to 7% of the monthly cost of employment may be added each year (over and above linkage to the index), subject to the approval of the compensation committee and the board of directors.
- 5.2. The ceiling for the monthly cost of employment of any other officer of the Company who is not a director or the CEO (whether he is retained through a management company or as a salaried employee) shall not exceed the cost of his employment at the time of adoption of this policy. However, in order to allow for the retaining of officers serving for a duration of time, the Company may update the monthly cost of employment from time to time, at a range between 0% and 7% a year (over and above linkage to the index as specified below), subject to approval by the Compensation Committee and the Board of Directors. As of the date of adoption of this policy, the highest monthly cost of employment of an officer of the Company, other than a director or CEO, amounts to NIS 227 thousand per month. It is clarified that with respect to a new appointment to a specific position of a serving officer or a new officer, such ceiling shall refer to the monthly cost of employment of the predecessor. If an identical position did not exist at the Company prior to such appointment, the ceiling shall refer to the monthly cost of employment of an officer in a parallel position at the Company. With respect to the renewal of an agreement with an incumbent officer, such ceiling shall refer to the cost of employment of the officer according to the last effective agreement with him.
- 5.3. The monthly cost of employment of an officer shall be linked to the Consumer Price Index.
- 5.4. Due to the officers being holders of senior executive positions, within the meaning thereof in the Hours of Work and Rest Law, 5711-1951, this law shall not apply to their terms and conditions of service and they shall not be entitled to compensation for working overtime or during the weekly rest time.
- 5.5. Social and related benefits: In addition to the current monthly salary (gross) or management fees for each officer, the Company may bear social and other related benefits, as specified below (the provisions of Sections 5.5.1 to 5.5.4 will only apply with respect to officers who are salaried employees of the Company and not with respect to those who provide services through a management company):

¹⁰ The compensation conditions of the Company's CEO, in office as of the date of approval of this Compensation Policy, were approved by the competent organs of the Company, including the Company's general meeting after the taking effect of Amendment 20. For details, see the immediate report released on June 6, 2013 (Reference No.: 2013-01-058431).

- 5.5.1. Favorable pension arrangement, loss of working capacity and advanced study fund;
- 5.5.2. Leave days – up to a ceiling of 30 days a year and no less than as set forth in the law, including entitlement to accrual of the leave days and to redemption of the leave days.
- 5.5.3. Recuperation pay – up to a ceiling of 15 days a year and no less than as set forth in the law.
- 5.5.4. Sick days – up to a ceiling of 35 days a year and no less than as set forth in the law, including entitlement to accrual of the sick days and without entitlement to redeem the same.
- 5.5.5. Annual medical examination which shall be carried out for the Company's officers in accordance with the Company's procedures.
- 5.5.6. A company car (no higher than grade 7 for the Company's CEO and no higher than grade 6 for another officer) or alternatively payment of car expenses, including grossing-up of the value of the benefit for tax purposes.
- 5.5.7. In addition, the Company will be entitled to grant the officers related benefits as accepted for officers of the same ranking such as: a mobile telephone, including the bearing of the full cost and usage thereof, a laptop, internet connection, a subscription to a daily newspaper, financing of participation in professional conferences, professional literature, professional liability insurance, professional association membership fees, holiday gift, and financing of various advanced studies, including the bearing of the costs of academic studies, all including grossing-up of the value of the said benefits for tax purposes.
- 5.5.8. In addition, the Company will be entitled to indemnify the officers (including a management company through which the officers' services are provided), as accepted in such positions, in respect of out-of-pocket expenses that they shall incur in the framework of their position, all in accordance with the Company's procedures. Reimbursement of such expenses shall not exceed a maximum amount to be determined, from time to time, at the Audit Committee, and which shall be determined thereby as appropriate, considering the Company's business and the scope thereof.

6. **Officers (who are not directors) and (Active) Chairman of the Board - Variable Component (Bonuses)**

Variable annual bonus for officers who are not directors

The Company deems fit to determine, in the Company's best interests and for the promotion of its objectives, its work plan and policy based on a long-term perspective, that the Company will be entitled, but not obligated, to grant officers who are not directors, a variable component (bonus), in an amount that shall not exceed 36% of the total cost of the annual compensation to the (Active) Chairman of the Board and in an amount which will not exceed 20% of the total cost of annual compensation of the officer, who is not a director all in accordance with the criteria specified below.

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

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

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

6.1. For an officer (who is not a director):

- 6.1.1. First criterion – quantitative threshold condition – A precondition to payment of a bonus to officers (who are not directors) in a specific year is that the average Adjusted Profit, as defined below, in the three years preceding the relevant date, is equal to or greater than NIS 565 million.

"Adjusted Profit"^{††} for this purpose, in respect of any calendar year – annual pre-tax profit, in accordance with the Company's audited consolidated annual financial statements, net of the

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

amounts specified below: (1) a dividend received from financial assets available for sale included in the annual pre-tax profit; (2) profit (loss) deriving from revaluation of real properties; (3) results of companies which do not engage in the Company's core business (real estate) and were included in the annual pre-tax profit; (4) linkage differentials accrued on financial liabilities; (5) interest expenses at the actual weighted effective interest rate for such year, of the Company and companies controlled thereby which engage in the Company's core business, on loans (regardless of whether or not they were taken), at a financing rate of 65% on the historical purchase cost on the books of the investment in the companies which are not in the core business; (6) the sum total of the management fees (including bonus) of ~~Mr. David Azriel~~ (Active) Chairman of the Board for such year, as included in the annual pre-tax profit; (7) the sum total of the bonuses given to the Company's officers (with the exception of ~~Mr. David Azriel~~ (Active) Chairman of the Board), as included in the annual pre-tax profit; and (8) profit (loss) from financial assets (marketable securities) held for trade, including interest and dividends in respect thereof.

- 6.1.2. Second criterion – measurement of the officer's contribution – in the event of compliance with the threshold condition, the Compensation Committee and the Board of Directors shall examine, with respect to the CEO - after receipt of the recommendation of the Company's Chairman of the Board, or with respect to a specific officer who is not a director – after receiving the recommendation of the Company's CEO after he consults with the Chairman of the Board, the officer's meeting the criteria, which shall mainly be based on his unique contribution according to his senior position, the scope of his responsibilities and his importance in long-term processes and the achievement of the Company's long-term goals.
- 6.1.3. Third criterion – the amount of the bonus – in the event that the aforesaid is fulfilled, the Compensation Committee and the Board of Directors may decide with respect to a specific officer, to grant a bonus at a rate equal to the multiplication of the monthly cost of employment of the officer by 0 to 3. That is to say, the annual bonus amount, insofar as it is decided to grant it, will not exceed the sum of 3 times the monthly cost of employment of the officer, for each one of the officers who are not directors as aforesaid.

6.2. For an (Active) Chairman of the Board

The (Active) Chairman of the Board will be entitled to an annual bonus, pursuant to meeting the following conditions and criteria:

6.2.1. Quantitative threshold condition for the bonus – a precondition for payment of a bonus to the Chairman of the Board in a certain year is that the Adjusted Profit for the Chairman¹² in the relevant year, will be higher than NIS 925 million.

6.2.2. Bonus brackets:

Given meeting the quantitative threshold condition for the bonus, as specified in Section 6.2.1 above, in respect of a calendar year, the (Active) Chairman of the Board will be entitled to an annual bonus, according to the following brackets:

In a year which the Adjusted Profit will be in the amount of NIS 925 million up to NIS 1,050 million – a bonus at a rate of up to 0.5% of the difference between the threshold for a bonus and the actual Adjusted Profit will be paid;

In a year which the Adjusted Profit will exceed an amount of NIS 1,050 million – an accrued annual bonus will be paid in the following manner:

- (a) In respect of Adjusted Profit in an amount of up to NIS 925 million – no bonus will be paid;
- (b) In respect of the Adjusted Profit share between NIS 925 million and NIS 1,050 million – an amount of 0.5% will be paid.
- (c) In respect of the Adjusted Profit share exceeding NIS 1,050 million, an amount of 0.75% will be paid.

6.2.3. Bonus cap:

The total annual bonus to an (Active) Chairman of the Board will not exceed a sum total of NIS 1.5 million.

6.3. General provisions pertaining to the annual bonus to an officer (who is not a director) and to the (Active) Chairman of the Board:

6.1.4.6.3.1. Reduction of bonus – it is clarified that the Compensation Committee and the Company's Board of

¹² The "Adjusted Profit for the Chairman" – for this matter, in respect of every calendar year – annual pre-tax profit, according to the Company's annual audited consolidated financial statements, net of the following amounts: (1) dividend received from financial assets available for sale included in the pre-tax annual profit; (2) profit (loss) deriving from revaluation of real properties; (3) results of companies which do not engage in the core sectors (real estate) of the Company and were included in the pre-tax annual profit; (4) linkage differentials accrued on financial liabilities; (5) interest expenses at the rate of the actual weighted effective interest for that year, of the Company and of companies controlled thereby engaging in the Company's core business, in respect of loans (whether or not taken) at a financing rate of 65% on the historical purchase cost in the books of the investment in companies which are not part of the core business; (6) the sum total of the management fee (including bonus) to the (Active) Chairman of the Board for that year, as included in the pre-tax annual profit and (7) Profit (loss) from financial assets (negotiable securities) held for trade, including interest and dividend in respect thereof.

Directors shall be entitled, as per their absolute discretion, to decide to reduce the bonus amount, or to not grant any bonus to the officer.

6.1.5.6.3.2. Relative bonus or no entitlement - in the event that the bonus refers to a calendar year in which the employment relationship between the officer and the Company was terminated, the aforesaid criteria shall be updated proportionately to the period of the officer's employment in the same year.

6.1.6.6.3.3. Reimbursement of bonus amounts that were paid – Should it transpire, in retrospect, and during the 3 years after the date of payment of the bonus, that the figures on which the Company relied with respect to the meeting of the criterion of the ~~threshold~~quantitative condition for the bonus, as specified ~~in Section 6.1~~ above, which is based on data in the financial statements, which shall have transpired to be incorrect, in such manner that, under generally accepted accounting principles, requires their restatement in the Company's financial statements, and that after the restatement, the threshold condition was not fulfilled in the relevant year, the officer shall return to the Company the sum of the bonus that he received for such year. The manner of repayment of the amounts to the Company, including a payment schedule, the reimbursement dates, linkage of the amounts etc. shall be determined by the Compensation Committee and the Company's Board of Directors.

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

7. **Retirement Arrangements (for Officers who are Not Directors) and for an (Active) Chairman of the Board**

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

7.1. Severance pay

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

7.2. Prior notice

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

7.2.2. During the prior notice period, the officer will be required to continue to carry out his duties, unless the Company decides, as per its discretion, to release him from such obligation, provided that he will be entitled to have all of his terms of office and employment continue during the prior notice period, unmodified, except with respect to the bonus which, insofar as shall be granted in accordance with Section 6 above, will relate to the period of the officer's actual employment only. In such event where the officer is released from the obligation to continue fulfilling his duties, the Company shall be entitled (but not obligated) to pay the consideration due to the officer *in lieu* of the prior notice, plus the value of the related payments, in one payment, upon the actual termination of work.

7.3. Retirement and Adjustment Bonus

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

7.3.1. (Active) Chairman of the Board/CEO – will each be entitled to an adjustment payment at a rate equal to the monthly cost of employment due to a period ranging ~~between 0~~between 0 and 9 months of service, plus all of the related benefits specified in Section 4.3 or 5.5 above, as applicable, provided that the prior notice period according to Section 7.2 above and

the adjustment period according to this Section 7.3.1 shall not exceed 12 months in the aggregate.

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

8. **Exemption, Insurance and Indemnification**

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

Without derogating from the generality of the aforesaid, the Company will be entitled, at any time during the period of this Compensation Policy, to purchase liability insurance policies for directors and officers (including controlling shareholders), as serving at the Company from time to time, to extend and/or renew the existing insurance policy and/or to engage in a new

policy on the renewal date or during the insurance period, with the same insurer or another insurer in Israel or overseas, under the conditions specified below, for directors' and/or officers' liability insurance, provided that the said engagements shall be based on the main conditions specified below and the Compensation Committee and the Company's Board of Directors shall have approved the same:

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

9. **Miscellaneous**

- 9.1. It shall be emphasized that the provisions of this Compensation Policy do not prejudice existing agreements and/or binding customs (if any) between the Company and the officers thereof on the eve of approval of this Compensation Policy. Previous agreements between the Company and officers thereof shall not be terminated upon the entering into effect of this policy. An existing agreement that is limited in time, which shall come to termination, shall be renewed in accordance with the Compensation Policy. As of the date of the release of this policy, in the existing employment agreements with the Company's officers, the Company preserves the right to terminate their employment at any time, subject to a prior notice and/or an adjustment period in the scopes provided thereby. In addition, the (~~Active-Chairman of the Board, the Active-Vice~~) Chairman of the Board and the Active Deputy Chairman

of the Board have employmentmanagement agreements which are limited in time.

- 9.2. There may be changes to the identity of the officers from one year to the next, and executives who served as officers in a certain year and the terms of whose office and employment were subject to this Compensation Policy, will not necessarily continue their office as officers in subsequent years, and the terms of their office and employment will not be subject to this policy and *vice versa*. In addition, the Company will be entitled to modify the terms of office and employment of any officer at any time, and shall be subject to no obligation to apply to the officer the same terms of office and employment that applied to him in previous years.
- 9.3. This Compensation Policy does not confer legal rights upon the Company's employees in general and the officers and directors of the Company in particular. It is clarified that the compensation components specified in this plan only constitute a framework and top bar, in relation to which the personal compensation plans shall be determined for each of the officers of the Company. It is emphasized that the Company is not obligated to grant the officers or any one of them, including the directors, all of the aforesaid components (except as mandated by law), and is not obligated to grant the maximum amount set for each one of the components. Insofar as the officer is granted compensation that is lower than the compensation described in this policy for an officer holding a similar position at the Company, this shall not constitute a deviation from the provisions of this policy.
- 9.4. Payment to an officer, who provides services to the Company as an independent contractor or through a management company, shall reflect the cost of the fixed compensation components (plus taxes under law), in accordance with the Compensation Policy.
- 9.5. It is clarified that the compensation components specified in this policy do not refer to various components that the Company, at times, grants to some or all of its employees, such as: parking spaces, entry passes to its assets, *per diems*, vacations, company events and the like, and the Company shall not be restricted in connection therewith.
- 9.6. It is clarified that the provisions of this policy do not derogate from the provisions of the Companies Law and/or the Company's articles with respect to the manner of approval of the Company's engagement with any officer in connection with their terms of office and employment. For the avoidance of doubt, it is clarified that in the event that the provisions of the Companies Law or regulations by virtue thereof shall be amended in a manner which is more lenient on the Company with respect to its mode of action regarding compensation of the officers thereof, the Company will be entitled to act pursuant to such provisions, even if they contradict the provisions of this Compensation Policy.

- 9.7. The Compensation Policy will be valid for 3 years from the date of approval thereof by the Company's general meeting, and once every three years the Compensation Policy shall be presented for the approval of the competent organs at the Company, pursuant to the provisions of Section 267A(d) of the Companies Law.
- 9.8. Without derogating from the provisions of Section 9.7 above, the Compensation Committee and the Board of Directors shall examine, from time to time, and at least once a year, the implementation of the Compensation Policy and the need to adjust and update the same to the provisions of Section 267B of the Companies Law, if a material change occurs in the circumstances that existed at the time of determination thereof or for other reasons. Changes in the Compensation Policy, if any, shall be approved pursuant to the provisions of the law.

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