

**Appendix B**

**ISRAEL CORPORATION LTD.**  
**COMPENSATION POLICY**

**In accordance with the provisions of the Companies Law, 5759 – 1999**

Below is the Compensation Policy of Israel Corporation Ltd. (hereinafter: “**Israel Corporation**” or the “**Company**”), which was determined by the Board of Directors of the Company, after considering the recommendations submitted thereto by the Company’s Compensation Committee.

**1. The Objectives of the Compensation Policy – General**

- 1.1. The Company’s Compensation Policy is intended to advance the Company’s objectives, its work plan and its policy with a long-term perspective, whilst providing a response to the Company’s needs and requirements, taking into consideration the size of the Company, the complexity of its business and the ever-changing challenges which it faces, and also taking into consideration the uniqueness of the Company and the nature of its operations as a holding company.
- 1.2. In the determination of the Compensation Policy for the officers, various considerations were taken into account, *inter alia*, the position of the officers, the current terms and conditions of office at the Company, the managerial inputs required in the management of a company of this sort, the areas of responsibility of the officers and the officers’ contribution to the achievement of the Company’s objectives and to maximizing the Company’s profits and for the benefit of its shareholders, with a long-term perspective.<sup>1</sup>
- 1.3. The objectives of this Compensation Policy are, *inter alia*, as set forth below:
  - 1.3.1. To retain the officers serving at the Company, who possess the skills and qualifications as required, and who also possess experience and knowledge of the Company, its characteristics and its various investments and the needs and requirements thereof;
  - 1.3.2. To advance the Company’s ability to recruit to its ranks, in accordance with its needs, new officers, with the appropriate experience and qualifications;
  - 1.3.3. To create the appropriate incentives for the officers of the Company to act to maximize the Company’s value and to advance its objectives in the long-term, taking into consideration, *inter alia*, the Company’s risk management policy;

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<sup>1</sup> This was done after addressing the objectives of the policy and the considerations as set forth in Part A of the First Addendum A to the Companies Law.

- 1.3.4. To provide a basis for compensating the officers, by incorporating fixed components and variable components, in such a manner so as to tie a part of the Officers' compensation to the creation of value for the shareholders of the Company;
- 1.3.5. The grant of terms of office to the directors which will guarantee the freedom of action and independence of the directors, *inter alia*, in accordance with the law and with the standard terms in office at the Company for directors, and also to guarantee appropriate compensation for directors, *inter alia*, taking into consideration the Company's objective to appoint directors with the appropriate qualifications, for the Company's benefit, and while taking into consideration the Company's objective to strengthen the alignment of the directors' interests with all of the shareholders' interest in maximizing the Company's value.

1.4. **Definitions:**

In this Compensation Policy, the following terms shall have the meaning set forth beside them (all as the context and the case may be):

**"Annual Financial Reports"** – the audited and consolidated annual financial reports of the Company;

The **"Law"** or the **"Companies Law"** – the Companies Law, 5759 – 1999;

The **"Related Terms"** – as defined in section 5.2 of this Policy;

The **"Corporate Headquarter Companies"** – the Company and also the HQ companies, which are wholly owned by the Company.

**"Officer/s"** – as this term is defined in the Companies Law<sup>42</sup>;

**"Net Profit"** – in reference to a particular calendar year, the profit attributed to the owners of the Company, in the said year, as expressed in the Company's Annual Financial Statements;

**"Salary"** – the regular monthly salary (gross) paid to the Officers, as stated in section 4 of this Compensation Policy;

**"Bonus Year"** – the calendar year in respect of which an Officer is entitled to an annual bonus pursuant to this Compensation Policy;

**"Compensation Regulations"** – Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 5760-2000 (or any provisions of the law which shall replace and/or amend same).

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<sup>42</sup> Notwithstanding the foregoing, with regard to the terms of compensation for directors (including outside directors), see section 10 of the Compensation Policy. The reference in the rest of the sections of the Compensation Policy (excluding the general provisions) to the term "officers" is done for reasons of convenience, and it ~~does-is~~ not intended~~ed~~ to include directors, unless stated otherwise.

## 2. Structure of the Compensation Package

The compensation for the Officers of the Company shall include the following components:

- 2.1 Salary;
- 2.2 Related terms and conditions;
- 2.3 Retirement arrangements;
- 2.4 Periodic and/or special bonuses;
- 2.5 Capital compensation.

In addition, the Company's policy is that pursuant to the terms of office, the Officers shall be entitled to the Company's indemnity, release (if applicable) and insurance arrangements.

During the period of the Compensation Policy, no more than five VPs will serve in office at the Company.

~~It should be emphasized that Together with this Compensation Policy, the updated terms and conditions of office and employment of the Company's incumbent CEO, as of the date of the determination of this Compensation Policy, were approved by the General Meeting, which are consistent with the terms and conditions of this Compensation Policy, are also being brought for approval of the Company's shareholders that was held on June 27, 2019,<sup>3</sup> and this Compensation Policy does not derogate from the terms and conditions of office that were approved by the aforesaid General Meeting. In this regard, it should be emphasized that a significant part of the adjustments to this Compensation Policy below is the incorporation in the Compensation Policy of the current terms of office that had been approved for the CEO before this Compensation Policy came into effect.<sup>4</sup>~~

In addition, it is clarified that the terms and conditions of this Compensation Policy are in such format that takes into account, *inter alia*, the updating of and additions to the terms of compensation to which the CEO of the Company, Mr. Yoav Doppelt, shall be entitled from ICL Group Ltd. (hereinafter: "ICL"), effective from July 2022, in respect of his term in office as the chairman of the Board of Directors of ICL. According to this

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<sup>3</sup> ~~As stated in the Report Convening a Meeting of the Company dated June 16, 2019 (Reference No. 2019-01-059392), which is presented by way of incorporation by reference.~~

<sup>4</sup> For details regarding the CEO's current terms of office immediately prior to the date of the approval of this Compensation Policy, see Article 21 of Part D of the Periodic Report for 2021, which was published on March 24, 2022 (Reference No.: 2022-01-034903) (hereinafter: the "Periodic Report for 2021"), which is incorporated herein by reference.

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format, effective from July 2022, ICL shall bear approximately one half<sup>5</sup> of the total annual scope of the terms of compensation to which Mr. Doppelt shall be entitled in respect of his duties as the CEO of the Company and as the chairman of the Board of Directors of ICL (when, prior to the update, the Company bears most of the said overall terms of compensation), in such a manner that no significant change is expected to take place in the total scope of the compensation to which Mr. Doppelt shall be entitled in respect of his duties as the CEO of the Company and as the chairman of the Board of Directors of ICL, and this is together with the termination of the Management Agreement between the Company and ICL (effective from July 2022).<sup>6</sup>

~~It should be noted that there has been no change to the terms and conditions of the Company's incumbent CEO, and with respect to the provisions regarding the Capital Compensation in Acquired Companies, see section 9.7.3 below.~~

### 3. **The Ratio between the Components of the Compensation Package**

Given the maximum compensation components as set forth in this Policy, the proportionate part of the variable compensation out of the total compensation is within a range of approximately ~~30~~50% - ~~55~~70% (in accordance with the position of the Officer, and the terms of his employment)<sup>7</sup>. It shall be clarified that the actual ratios may vary in accordance with the actual compensation. Thus, for example, in a year in which no bonus is given, or a bonus is given which is lower than the maximum bonus, the ratio between the variable compensation and the total compensation is expected to ~~could~~ be lower than that stated above.

As part of the formulation of this Compensation Policy, the Compensation Committee and the Board of Directors gave their opinion regarding the mix of the compensation package and the desired ratio between the fixed compensation components and the variable compensation components and determined that the Company's policy is that the aforesaid ratio is appropriate and serves the objectives of the Compensation Policy.

### 4. **The Salary of the Company's Officers**

#### 4.1 **Objective**

The Company shall pay the Company's Officers an appropriate salary, so as to allow the Company to recruit and retain, for the long-term, managers with the optimal

<sup>5</sup> This is assuming that the variable compensation shall be in the amount of the compensation ceilings to which Mr. Doppelt is likely to be entitled.

<sup>6</sup> For further details regarding the changes in accordance with the updating of the terms of office at ICL, including in connection with the termination of the Management Agreement between the Company and ICL, effective from July 1, 2022, see Article 21 of Part D (Further Details) of the Periodic Report for 2021, which is incorporated herein by reference.

<sup>7</sup> With regard to this estimated range: the retirement pay component is included in the fixed component.

qualifications and abilities, in accordance with the Company's needs and requirements, characteristics, and the complexity of its business and investments, and for the purpose of advancing its objectives and its policy with a long-term perspective.

4.2 The Salary of the Company's Officers shall be determined and/or updated from time to time with reference to, *inter alia*, the objectives of the Compensation Policy as set forth in section 1 above and the following subjects, insofar as relevant:

4.2.1 The position in which the Officer serves (or is intended to serve, as the case may be)<sup>8</sup>;

4.2.2 The Officer's areas of responsibility;

4.2.3 Previous salary agreements between the Company and Officers;

4.2.4 The Officer's education, qualifications, expertise and professional experience<sup>9</sup>;

4.2.5 The Officer's achievements and his contribution to the Company;

4.2.6 The achievement of the Company's best interests in the retention of the Officer for the long-term;

4.2.7 The ratio between the Officer's salary and the salary of other officers at the Company;

4.2.8 An analysis of the relevant market conditions, taking into consideration the size of the Company, its complexity and the scope of its investments, which may justify higher compensation as compared to other companies, however, in any event, not beyond the maximum salary as set forth in section 4.4 below;

4.3 The Salary shall be linked to the Consumer Price Index, and the index known on the date of determination of the Salary shall serve as the base index.

4.4 The maximum monthly salary (gross) which shall be paid by the Company to of the Officers-the Officers shall not exceed the following amounts (in accordance with the Officer's position), which shall be linked to the index in respect of December 2012<sup>10</sup>:

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<sup>8</sup> In this Policy document, reference to the officer's positions, to his areas of responsibility, and so on and so forth, relates to his actions, his duties and his responsibility, as the case may be, both at the Company and also at companies held by the Company.- Nothing stated in this Compensation Policy shall derogate from the possibility that the Officers (including directors) have to receive compensation for their service as directors of companies held by the Company. The point of departure in the determination of this Compensation policy is that the Officers of the Company (with the exception of the Company's CEO as of the date of the determination of this Policy) will not receive compensation from companies held by the Company in respect of their serving in office thereat, with the exception of Capital Compensation in Acquired Companies, as set forth in section 9.7 below, insofar as granted.

<sup>9</sup> In this regard, and for the purpose of the Compensation Committee's assessment regarding a new candidate, details will be presented regarding the Officer's general and/or academic education, and also his resume and/or a summary of his experience as relevant to his position at the Company.

<sup>10</sup> It is clarified that for the purposes of this Compensation Policy, the term "monthly salary" includes updates made thereto, if any.

4.4.1 CEO of the Company: a monthly salary of up to NIS ~~135~~150135,000<sup>11</sup>;

4.4.2 VP: a monthly salary of up to NIS ~~90~~100,000;

It shall be noted that the maximum amounts, as set forth above, are deemed to be the upper salary threshold limit, and therefore, they are not intended to reflect the current salary of any of the Officers<sup>12</sup>.

5. **Related Terms of Employment for Officers of the Company**

5.1 **Objective**

The related terms of employment for Officers include the social terms and conditions as required pursuant by law, additional related conditions granted to the Officers as part of the welfare terms and conditions generally granted to employees of the Company, and also related terms and benefits for the Officers, which are intended to assist the Company in recruiting and retaining managers with the optimal abilities and qualifications, taking into consideration the Company's needs, the nature of its activities and the objectives as set forth in section 1 above.

5.2 The Company's policy is that the related terms and conditions shall include:

5.2.1 Social terms and conditions, including vacation days, sick leave, provisions and deposits to pension funds/ senior employees' insurance plans, a continuing education fund, incapacity to work insurance, and convalescence pay;

5.2.2 Additional related terms and conditions, such as use of a vehicle, the grossing-up of certain tax amounts, a subscription to a newspaper, a medical survey, membership fees of a professional association, telephone charges, Internet charges, holiday gifts etc.;

(hereinafter, collectively: the "**Related Terms**").

5.3 The total of all the Related Terms to which an Officer shall be entitled in respect of a particular year shall not exceed 50% of the annual Salary of the said Officer in that year<sup>13</sup>.

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<sup>11</sup> This amount is relevant to the outline of the CEO's employment as the CEO of the Company and the chairman of ICL, and it does not include the salary that is paid to the CEO of the Company, as it will be from time to time, in respect of his service as the chairman of the Board of Directors of ICL and payments related thereto or derived therefrom (see also Section 2 above). It is clarified that the total cost of the regular salary for the CEO of the Company in respect of his service as the CEO (in terms of principal, including Related Terms, as set forth in Section 5 of the Policy below, and not including an annual bonus and capital compensation) will be approximately NIS 1.8 million, as set forth in Section 3.13 of the Report Convening a Meeting to which this Policy is attached as an appendix. It is clarified that should a new CEO be appointed to the Company during the period of this Policy, his terms of office and employment will be brought for the approval of the shareholders' meeting of the Company, by a special majority, as required pursuant to law.

<sup>12</sup> The above-mentioned amounts have been determined, *inter alia*, taking into consideration the fact that ~~Officers~~the VPs are additionally entitled to a "13<sup>th</sup> salary" as part of their terms of office and employment (for the CEO of the Company, the 13<sup>th</sup> salary forms part of the Related Terms as stated in Section 5.2).

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- 5.4 In addition, the Officers shall be entitled to reimbursement of expenses in connection with their office and position, in accordance with the standard procedures at the Company ~~which have been approved by the Board of Directors of the Company.~~

6. **Retirement Terms for Officers of the Company**

6.1 **Objective**

6.1.1 In order to retain and recruit Officers with the appropriate qualifications and experience, taking into consideration the size of the Company, and the complexity of its business and its investments for the Company's benefit, the Officers of the Company shall be entitled, in addition to the terms and conditions due to them at the time of retiring from the Company pursuant by law, to retirement terms in respect of the Officers' contribution to the Company during the years of their service.

6.1.2 The Compensation Committee and the Board of Directors of the Company believe that the retirement terms should be determined for the CEO of the Company in accordance with his seniority, his position and his importance to the Company and to the advancement of the Company's objectives<sup>14</sup>.

6.2 The Company's policy is that on the date that an Officer leaves the Company, he shall be entitled to the following retirement terms, provided that he was employed as an Officer of the Company for at least 12 months prior to the date of provision of the retirement notice<sup>15</sup>:

6.2.1 **Advance notice:** as part of the terms of office and employment of the Officers, the Officers of the Company shall be entitled to an advance notice period in any event of termination of their office, except in cases where severance pay may be denied pursuant by law. The advance notice period shall be determined in the employment agreement of the said Officer (or in the update thereof, as the case may be), and it shall be mutual, and therefore, it shall also be binding on the Officer, should the Officer leave the Company of his own initiative.

The Company may, in its discretion, request that an Officer continue in his position during the advance notice period or terminate his position prior to the expiration of the advance notice period, provided that in such case, the Salary and the Related Terms due to the Officer shall be paid to him in

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<sup>13</sup> ~~With regard to the CEO of the Company and the VPs, see Footnote 12.~~ It is clarified that this rate does not include increased retirement pay and the adjustment period (as stated in section 6 below) and that it has been calculated assuming that the vacation days were taken.

<sup>14</sup> ~~This is after consideration has been given to the objectives of the Compensation Policy and to the considerations enumerated in Part A of the First Schedule A of the Law.~~

<sup>15</sup> The Company may engage in consulting agreements with its Officers after their retirement, insofar as necessary.

respect of the advance notice period, up until the expiration of the advance notice period as determined pursuant to the Officer's terms of employment.

The advance notice period shall be as set forth below:

- 1) For the CEO of the Company: an advance notice period of six months.
- 2) For the rest of the Officers: the advance notice period shall not exceed six months, paying heed, *inter alia*, to the Officer's position.

During the advance notice period, the Salary shall be paid to the Officer, and the Officer shall also be entitled to the Related Terms, and, in addition, during said period, the vesting period of the Capital Compensation in the Company and the Capital Compensation in Acquired Companies, insofar as granted to the Officer during the period of this Policy and/or prior to its taking effect, shall continue to apply, up until the expiration of the advance notice period.

The Officer shall be entitled to the proportionate part of the annual bonus in relation to the Bonus Year during which his office came to an end, including in respect of the advance notice period during which the Officer continued to actually serve in his position, if he so continued, provided that the conditions have been satisfied for receipt of an annual bonus in respect of the said year.

6.2.2 **Adjustment period:** as part of the terms of office and employment of the Officers of the Company, the Officers shall be entitled to an adjustment period (which does not overlap the advance notice period) in any event of the termination of office, except in cases where severance pay may be denied according to law, subject to the conditions set forth below.

The Officer's entitlement to the adjustment period shall apply as against the signing by the Officer of a Non-Competition Undertaking and a Deed of Release and Waiver to the Company and any entity on the Company's behalf in connection with his office, his employment and the termination of his employment at the Company, in such draft as per standard practice at the Company.

The adjustment period shall be as set forth below:

- 1) For the CEO of the Company: an adjustment period of six months.
- 2) For the rest of the Officers: such adjustment period as shall be determined (after hearing the CEO) taking into consideration the rest of his terms of office and employment, provided that the adjustment period shall not exceed six months.



The adjustment period shall commence at the expiration of the advance notice period, and during the adjustment period, the Officer shall be entitled to the Salary and also to the Related Terms. It is clarified that the Officer shall not be entitled to the proportionate part of the annual bonus in respect to the adjustment period.

6.2.3 **Retirement pay:** as part of the retirement terms for Officers of the Company, the Company's policy is to grant retirement pay in any case of termination of employment, except in cases where severance pay may be denied pursuant to law, as set forth below:

- 1) The CEO of the Company shall be entitled to severance pay/retirement pay at a total rate of two (2) gross monthly salaries (in accordance with the amount of the CEO's most recent monthly salary prior to the retirement date – hereinafter: the “**Last Salary**”), in respect ~~to~~ of each year of work<sup>16</sup>. The Board of Directors of the Company, after the approval of the Compensation Committee (and also the approval of the general meeting, insofar as required by law), may increase the amount of the said pay by an additional rate of up to an additional 10%, taking into consideration the period in office served by the CEO, his terms of office and employment during this period, the Company's performance during the said period, the CEO's contribution to the achievement of the Company's objectives and the maximization of the Company's profits and the circumstances of his retirement.
- 2) With respect to ~~The rest of the officers of the Company shall be entitled to severance pay/retirement pay at a total rate of one gross monthly salary, in the amount of the Last Salary, in respect of each year of work.~~ The Board of Directors of the Company, after the approval of the Compensation Committee (which shall hear, for this purpose, the CEO's recommendation), may approve the right for additional retirement pay, which exceeds the required pursuant to law, for the Officer at a rate of up to one additional Last Salary for each year of work, taking into consideration the Officer's office and the rest of his office and employment terms.

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<sup>16</sup> However, should the CEO's Last Salary be lower than the salary to which the CEO was entitled during his term in office, then for the purpose of the severance pay/retirement pay, the CEO's salary shall be taken into account as it was throughout the period during which it was paid, and his lower salary shall be taken into account solely in respect of the period during which it was paid (and their weighted average in accordance with the relevant periods shall constitute the “Last Salary”).

- 3) With respect to new Officers only (who are not serving in the Company on the date of approval of this Policy), ~~They shall be entitled to severance/retirement pay at the rate of one gross monthly salary, in the amount of the last salary, for each year of employment.~~ Following the approval of the Compensation Committee, the Company's Board of Directors may approve entitlement to additional severance, which exceeds the required pursuant to law, at the rate of up to one more last salary, only subject to an employment period at the Company of not less than three years (the "Qualification Period") and for each year of employment after the Qualification Period, provided that, the amount of the total payment to which such new Officer shall be entitled in respect of that part of the advance notice period during which he did not actually continue to serve in office, in respect of the adjustment period and in respect of that part of the severance pay/retirement pay which exceeds the required pursuant to law, shall not exceed an amount that is equal to the monthly salary of two years.

During the entire period of this Policy, severance/retirement benefits at the total rate of the last two salaries as stated above shall apply only to the five senior Officers.

The severance pay/ retirement pay as stated above include the amounts due to the Officer in respect of the compensation in the pension funds/ provident funds (as calculated by the insurance companies/ provident fund companies, including accrued profits), and the Company shall supplement, for the Officer, those amounts as required to make up the amounts due to him as stated above.

~~In case an Officer is entitled to Payment of severance payseverance pay/ retirement pay (at a rate exceeding the rate set forth in the Law), his entitlement shall be established shall be made~~ as against the signing by the Officer of a Non-Competition Undertaking and a Deed of Release and Waiver to the Company and any entity on the Company's behalf in connection with his office, his employment and the termination of his employment at the Company, in such draft as per standard practice at the Company.

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6.2.4 Given that the terms of office for the CEO of the Company as determined in this Compensation Policy, together with the CEO's updated terms of office as the chairman of the Board of Directors of ICL, were not intended to

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derogate from his overall terms of office prior to the date of the approval of this Compensation Policy, if the terms of retirement and termination of employment of the CEO in respect of his service as the chairman of the Board of Directors of ICL, including pursuant to the provisions of ICL's compensation policy, are inferior, as compared with the terms of retirement and termination of employment as set forth in this Section 6 above, then the CEO shall be entitled to the difference, if any, from the Company, in such a manner that the restructuring of the compensation shall not derogate from the terms of retirement and termination of employment to which he was entitled, as aforesaid, in accordance with his terms of office prior to the taking effect of this Compensation Policy, and the Company shall bear this difference as will be approved by the Audit Committee and the Board of Directors of the Company, on the relevant date.

## 7. **Annual Bonus for the Officers of the Company**

### 7.1 **Objective**

7.1.1 The Company deems it fit to determine, for the Company's benefit, that a significant component of the compensation for the Officers serving at the Company shall be determined in accordance with the Company's results and with the goals from its strategic plan, paying heed to the Company's objectives as set forth in section 1 of this Compensation Policy and to the Officers' contribution to the achievement of the Company's objectives, as set forth, *inter alia*, in the Company's work plan, all with a long-term perspective, and taking into consideration the position of each one of the Officers and the Company's risk management policy.

7.1.2 The Company's aspiration is to encourage the Officers to obtain excellent achievements for the Company's benefit, whilst tying the bonus to the Company's results, paying heed to the character of the Company and its challenges.

### 7.2 **Manner of Determining the Annual Bonus**

The amount of the bonus for each Officer shall be determined as set forth below:

7.2.1 For every relevant year, the maximum bonus amount is determined with regard to the Officers' office and seniority, as follows:

For the CEO of the Company – a maximum bonus equal to ~~9-12~~ gross monthly Salaries<sup>17</sup>.

For the VP of the Company – a maximum bonus equal to ~~6-9~~ gross monthly Salaries<sup>18</sup>.

7.2.2 The annual bonus for the Officers will be based on measurable criteria, which are derived from the Company's actual performance during the relevant calendar year with respect to the targets that were set in the work plan, in advance, with respect to the said year (hereinafter: the "**Target-Based Bonus Component**"), with the exception of an immaterial part of the bonus which will be based on discretion (hereinafter: the "**Discretionary Bonus Component**"). Notwithstanding the foregoing, with respect to Officers who are subordinate to the CEO (VPs), the Compensation Committee and the Board of Directors of the Company may determine that the annual bonus, in whole or a material part thereof, will be based on discretion, as will be determined by them (and it will not be subject to the terms and conditions as stated in section 7.2.3-4 below), provided that the following conditions shall apply: (a) the part of the Target-Based Bonus Component with respect to VPs, as determined in advance, as aforesaid, will not be less than 50% of the amount of the maximum bonus; (b) in special cases only, the Compensation Committee and the Board of Directors will be entitled to determine that the part of the Target-Based Bonus Component with respect to VPs will be less than 50% of the amount of the maximum bonus; and (c) the annual bonus~~it will does will~~ not exceed the ceiling as stated in section 7.2.1 above. ~~With respect to the CEO, the Discretionary Bonus Component will not exceed three monthly salaries.~~

7.2.3 With respect to the CEO of the Company: the criteria for the annual bonus for the CEO will be determined by the Audit and Compensation Committee and the Board of Directors in accordance with the provisions below:

1) The Audit and Compensation Committee and the Board of Directors shall determine what the *pro rata* weight is of each target that will be chosen for the purpose of calculating the Target-Based Bonus

<sup>17</sup> With regard to the annual bonus for 2022, the amount of the monthly salary, as it was commencing from January 1, 2022 and up until June 30, 2022, pursuant to the CEO's current terms of office prior to the updating of his terms of office, shall be taken into account, as well as the amount of the monthly salary to which the CEO will be entitled pursuant to the updated terms of office (which are being brought for approval concurrently with this Compensation Policy), commencing from July 1, 2022 and up until December 31, 2022.

<sup>18</sup> It is clarified that the ceiling of the bonus for a VP of the Company in accordance with this Compensation Policy shall apply effective from January 1, 2022.

Component, as stated in Section 7.2.2 above, and the number of targets that will be included. The targets that will be chosen in the framework of the Target-Based Bonus Component shall be measurable targets.

2) The Discretionary Bonus Component shall be up to 3 times the CEO's gross monthly salary<sup>19</sup>, and the amount of the compensation in respect of the Discretionary Bonus Component and the Target-Based Bonus Component shall not exceed the ceiling as stated in Section 7.2.1 above. It should be noted that the Discretionary Bonus Component will be determined in accordance with an assessment by the chairman of the Board of Directors of the Company, and subject to the approval of the Audit and Compensation Committee and the Board of Directors of the Company, and the granting thereof shall not be subject to the Minimum Profit (as defined below).

7.2.34 It should be emphasized that a threshold condition for the granting of a bonus in respect of a Target-Based Bonus Component for a certain calendar year is the existence of ~~a positive~~ (\*)neutralized Net Profit of no less than ~~\$70 million~~ 80% of the Net Profit that was determined in the work plan that was approved by the Board of Directors of the Company for that year, provided that the (\*)neutralized Net Profit shall be no less than US\$ 40 million according to the Company's annual financial reports for that year (hereinafter: the "Minimum Profit"); (\*)"neutralized Net Profit" – for the purpose of calculating compliance with the Minimum Profit, extraordinary events will be neutralized, in accordance with the events set forth in Section 7.2.98 of the Compensation Policy.<sup>20</sup>

<sup>19</sup> With respect to the annual bonus for 2022, see footnote 17 above.

<sup>20</sup> It is hereby clarified that the granting of the Discretionary Bonus Component will not be subject to the Minimum Profit; it is further clarified that the text of the threshold condition as set forth in this Section 7.2.4 was approved for the years 2021 and 2022 prior to the date on which this Compensation Policy took effect. For details in connection with the threshold condition that was approved in respect of the years 2021 and 2022, prior to the taking of effect of this Compensation Policy, see the Report Convening a Meeting dated March 24, 2021 (Reference No.: 2021-01-044040), as approved by the general meeting on April 29, 2021 (Reference No.: 2021-01-073935), which is incorporated herein by reference. It is clarified that, in any event, the threshold condition that was amended in the Report Convening a Meeting dated March 24, 2021, as aforesaid, shall continue to apply with respect to the bonus for 2022 for the CEO and for the other Officers of the Company.

It is clarified that the threshold condition for the purpose of granting a Target Based Bonus Component, for the years 2021 and 2022, will be the existence of a positive neutralized net profit(\*) which is not lower than 80% of the net profit that was determined in the work plan that was approved by the Company's Board of Directors for each of the years 2021 and 2022, respectively (instead of the Original Minimum Profit, as defined above);

\* Neutralized net profit – for the purpose of calculating the "net profit", extraordinary events will be

7.2.54 In the framework of the Target-Based Bonus Component, the Compensation Committee and the Board of Directors of the Company will choose between two and six targets, which will be measurable performance targets or measurable financial targets, out of the following targets: meeting the budget or components within it, net profit, net debt, milestones in the making of investments in accordance with the Company's strategy, (including at Acquired Companies), the disposal of assets, financial costs, return to shareholders, cash flow, debt raising (including issues/debt refinancing), the making of a strategic transaction (including restructuring) in the Company's holdings in the companies held by it (both present and future), the achievement of targets from the strategic plan that will be determined by the Company, measurable targets of companies held by the Company, savings in costs and expenses, regulatory targets<sup>24</sup>; and they will also determine the *pro rata* weight for each target, which will be not less than 15% with respect to each target.

7.2.65 The selection of the structure of the Target-Based Bonus Component, the targets and the weighting for the bonus will be determined by the Compensation Committee and the Board of Directors, as set forth above, each year in advance, no later than by the end of March of the said year, and it will be examined in a detailed manner.<sup>2223</sup>

7.2.76 When the Compensation Committee and the Board of Directors of the Company come to determine the structure of the Target-Based Bonus Component, it will be decided, for each target, whether it will be measured in accordance with one of the following two alternatives:

- (a) The designated target alternative – in accordance with this alternative, a measurable target threshold will be determined with respect to each target that will be derived from the work plan (budget) or directly from a parameter that needs to be modified or achieved (hereinafter: the

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~~neutralized, in accordance with the events set forth in the Report for the Approval of the Terms and Conditions of the CEO's Office (Reference No.: 2019-01-059392), which is incorporated herein by reference.~~

<sup>24</sup> ~~Naturally, the Company's work plan and its strategic plan contain confidential, private and sensitive information, disclosure of which could harm the Company's best interests.~~

<sup>22</sup> It should be noted that the amount of the annual bonus for the VPs in respect of 2019 will be calculated in accordance with the bonus formula that is set forth in the Company's previous compensation policy; however, upon the determination of the Compensation Policy, the payment of the bonus in respect of 2019 will not be subject to the annual bonus payment schedule provisions of the Current Compensation Policy, and it will be paid in full, upon and subject to the approval thereof. The annual bonus formula that is set forth in this Compensation Policy will be in effect commencing from the bonus in respect of 2020.

<sup>23</sup> It is clarified that the targets in connection with the annual bonus for 2022 were set a long while ago, in accordance with the current terms of office of the CEO and of the rest of the Officers.

“**Designated Target Threshold**”). If the Officer complied with the Designated Target Threshold, he will be entitled to the full compensation in respect of the said target; however, if the Officer failed to comply with the Designated Target Threshold, he will not be entitled to any compensation at all in respect of the said target;

(b) The linear alternative – the Compensation Committee and the Board of Directors of the Company will make use of the rules as set forth below:

- (i) For each target, a quantitative Designated Target Threshold will be determined, as defined in Section ~~7.2.7(a)~~ ~~7.2.6(a)~~ above.
- (ii) For each target, a quantitative lower threshold will also be determined, and it will be not less than 80% of the Designated Target Threshold. In the event of failure to comply with the lower threshold, no bonus whatsoever will be paid in respect of the specific target.
- (iii) Compliance with the lower threshold will enable the granting of the bonus at a certain percentage of the bonus in respect of the specific target, and compliance with the Designated Target Threshold (100%) will enable the granting of the full compensation with respect to that target. Compliance at a rate ranging between the lower threshold and the Designated Target Threshold will enable the granting of a bonus that will be calculated in a linear manner (with respect to the difference between the lower threshold and the Designated Target Threshold).

7.2.8 The Company shall include in its annual reports, disclosure with respect to the types of the target based bonus targets that have been determined for the Officers of the Company in respect of that year which is the subject of the said bonus, the relative weight determined for each target, and relate to the Officer’s compliance or non-compliance with the set of targets. In addition, the Company shall disclose any neutralization and adjustment, if performed, relating to such targets.

7.2.789 The “exclusion” of exceptional events – exceptional events and/or events that are not related to the current activities of the Company and/or of companies held by the Company, as stated below, will be excluded from the cancellation of the performance for the purpose of the Target-Based Bonus Component, so that they will not affect the eligibility to the annual bonus

and the calculation thereof during the Bonus Year in which the said events occurred, provided that their impact was not taken into account ~~in the Company's budget in advance~~ for the Bonus Year:

- (a) Exclusions that were made in respect of the said fiscal year by ~~Israel ChemieICL Group~~als Ltd., Oil Refineries Ltd. and ~~another company~~iesy in which the Company has a material impact in connection with annual bonuses to the ~~Officer-general managers~~ at these companies.
- (b) Effects of investment accounting on the Company, which were not budgeted for, such as: changes in the accounting treatment as a result of going into consolidation or coming out of consolidation, an increase/decrease of control, any other change in the manner of the accounting treatment of an investment (for example, a transition from equity to assets designated for sale, etc.), disposals, amortizations, revaluations.
- (c) The exclusion of the effect of accounting results, which were not budgeted for, in respect of mergers, acquisitions or disposals.
- (d) The exclusion of accounting profit or loss, which was not budgeted for, arising from an event that is not backed by the receipt or withdrawal of cash flow, such as: the effect of expenses or income as a consequence of previous claims, deferred taxes.
- (e) The exclusion of the effect of financial and capital transactions, which were not budgeted for, such as: derivatives, COLLAR, the replacement and revenue of financial assets, the issue of securities with a discount/premium.
- (f) The exclusion of the effect of changes in accounting standardization, which were not budgeted for.

For the purpose of the provisions of this section, the "Company" means the Company and the Company's Corporate Headquarter Companies, as defined in the section of definitions in the Chapter of the Corporation's Business in the Company's Periodic Report for ~~2018~~2021.<sup>24</sup> It should be clarified that notwithstanding the foregoing, the Compensation Committee and the Board of Directors will be entitled to determine that they will not make such an exclusion or that they will make an exclusion of an exceptional event that has not been included above, provided that with respect to the CEO only, the

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<sup>24</sup> Which was published on March 19, 2019, and which is presented by way of incorporation by reference (Reference No.: 2019-01-024244).



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supplement, as a consequence of the non-making of such exclusion or the making of another exclusion, together with the Discretionary Bonus Component, will not exceed the maximum Discretionary Bonus Component as stated in section 7.2.2 above.

~~7.3 Upon the determination of this Policy, the Compensation Committee may determine that amounts that were scheduled in respect of the annual bonus for 2018, in accordance with the provisions of the Company's previous compensation policy, will be paid to the Officers on the date of the payment of the annual bonus for 2019.<sup>25</sup>~~

**7.34 Power to Reduce the Bonus**

Notwithstanding the foregoing, the Board of Directors may, in its discretion, reduce the amount of the bonus to which an Officer shall actually be entitled, including, and without derogating from the generality of the foregoing, in the event of a significant deviation from the Company's risk management policy.

**7.45 Reimbursement of Amounts Based on the Financial Statements**

Should it transpire that payments were made to an Officer based on data which subsequently transpired to be erroneous and which were restated in the Company's Financial Statements, the Officer shall be required to reimburse the Company for the difference between the amount which he received and the amount which should have been received in accordance with the updated calculation, provided that no more than three years had passed from the date of publishing the financial reports on the basis of which the bonus is given. Without derogating from the said commitment, the Company may offset the amount of the reimbursement due to the Company, as aforesaid, from any amount which it shall be required to pay to the said Officer.

~~7.56~~ As stated above, in the event of the termination of employment during a Bonus Year, an Officer will be entitled to a *pro rata* bonus in respect of the period during the said Bonus Year in which the Officer continued to actually serve in his position (including during the advance notice period), subject to the terms of eligibility to an annual bonus in respect of the said Bonus Year, and it will be paid on the date of the payment of the annual bonuses to the Officers who will be serving at the Company at that time ~~(as stated in sections 7.2.1 to 7.2.7 above)~~. The Officer will not be entitled to an annual bonus (or to a *pro rata* share thereof) in the event of the termination of his office under circumstances in which severance pay can be denied by law.

**8. Special Bonus**

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<sup>25</sup> For additional details regarding the Company's former compensation policy see company's reports from 28.6.2018 and from 9.7.2018 (Reference No.: 2018-01-057546 and 2018-01-062016) (hereinafter and foregoing: "the Previous Compensation Policy").

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- 8.1 The Compensation Committee and the Board of Directors of the Company see the importance in providing incentives to the Officers, to act in order to perform transactions or extraordinary actions, from a strategic point of view, which are intended to promote the Company's business and the best interests of its shareholders, from a long-term perspective.
- 8.2 In special cases of performance of a transaction (including restructuring, spin-off, sale of holdings/activities or merger) of exceptional significance and complexity for the Company, the Compensation Committee and the Board of Directors of the Company may grant, in addition to the compensation components pursuant to this Compensation Policy, to officers who are VPs, a special bonus of up to three monthly salaries, only once during the period of this Compensation Policy, taking into consideration the VP's contribution to the advancement of the transaction and completion thereof, the special efforts that were devoted by him beyond the usual scope of his position, the transaction's contribution to the creation of value for the Company's investors from a long-term perspective, and the total compensation to which he is entitled after completion of the transaction.

## 9. **Capital Compensation**

### 9.1 **Objective**

Capital compensation is intended to create an alignment between the shareholders' interests and the Officers' compensation, thereby creating appropriate incentives for the Officers to maximize the Company's value over the long-term.

- 9.2 Accordingly, the Company may adopt a capital compensation plan at the Company, which is based on the granting of ~~units of restricted shares and/or restricted shares (whether or not performance dependent) and/or~~ option warrants convertible into shares of the Company, ~~or a combination thereof,~~ the allocation and vesting of which will be contingent upon the provisions set forth below (hereinafter: "**Capital Compensation in the Company**" and the "**Capital Compensation Plan**," as applicable). The granting of the Capital Compensation in the Company to the Officers may be done in the format of an annual grant (i.e., the allocation of capital compensation units each year) or in the format of a periodic grant (such as the granting of capital compensation units once every three/four years).

In the framework of this Compensation Policy, the possibility is formalized of granting Capital Compensation in the Company to the VPs and to the directors (as stated in Section 10 below) only, and all as set forth below.

- 9.3 In addition, in accordance with the Company's ~~updated~~ business strategy, as reported by the Company on March 13, 2019 (Reference No. 2019-01-021592), the Company will

also aspire to maximize the value for its shareholders, *inter alia*, from new investments, ~~in a format that is similar to the private equity format~~. Therefore, in respect of each subject to completion of the Company's engagement in a new investment<sup>26</sup> (hereinafter: the "**Investment Transaction**" and the "**Acquired Company**," respectively), should it be implemented, the Officers may receive, without consideration, capital compensation that will consist of option warrants convertible into shares of the Acquired Company, which shall be allocated by the Acquired Company (hereinafter: the "**Options for Shares in Acquired Companies**") or, in cases in which, in the framework of an Investment Transaction, it is not possible, for any reason whatsoever, for the Acquired Company to grant Options for Shares in the Acquired Company, to the Company's Officers upon the completion of the Investment Transaction, the Officers will be entitled to receive from the Company, upon the completion of the Investment Transaction or shortly thereafter, without consideration, options for the purchase of shares in the Acquired Company from the Company (relative to the number of shares out of those shares in the Acquired Company that will be purchased by the Company) (hereinafter: the "**Designated Shares**" and the "**Options for the Designated Shares**"), in accordance with the principles as set forth in this section below (hereinafter: the "**Capital Compensation in Acquired Companies**").<sup>27</sup>

- 9.4 The granting of capital compensation to Officers of the Company by virtue of a Capital Compensation Plan and Capital Compensation in Acquired Companies ~~will~~ shall be subject to obtaining the approval of the Compensation Committee and the Board of Directors of the Company. The scope of the capital compensation and the specific terms and conditions for the allocation to each one of the Officers, including the mix of the capital compensation that may include Capital Compensation in the Company or a combination of Capital Compensation in the Company and Capital Compensation in Acquired Companies, will be determined in accordance with the provisions of the Compensation Policy, as set forth below, and also in accordance with the position, the actions and the contribution of each one of the Officers to the Company's performance, in accordance with the assessment by the Compensation Committee and the Board of Directors of the Officer's ability to contribute to the achievement of the Company's targets in the long-term, and the Company's aspiration to retain the Officer at the Company for the long-term.

#### 9.65 Principles of the Capital Compensation in the Company

- 9.65.1 At the time of the determination of a Capital Compensation Plan at the Company, as stated above, this Plan, as well as the Capital Compensation in the Company and the allocation thereof to the Officers, will be brought for

<sup>26</sup> The Compensation Committee and the Board of Directors may approve that receipt of shares by the Company as a consequence of spin-off measures, a merger or a restructuring of the companies held by the Company shall be deemed to be an investment transaction for the purpose of the grant of capital compensation, as stated below.

<sup>27</sup> ~~It is clarified that the Company's incumbent CEO as of the date of the determination of this Compensation Policy is entitled to Capital Compensation in Acquired Companies.~~

approval by the Compensation Committee and the Board of Directors of the Company. It should be clarified that the Compensation Committee and the Board of Directors of the Company may determine additional provisions in connection with the Capital Compensation Plan for the Officers of the Company, and they may also update, from time to time, the terms, conditions and provisions thereof, provided that the said modification or update will not contradict the provisions that have been set forth in the Compensation Policy.

9.65.2 ~~With respect to an Officer who is a VP~~—The maximum fair value<sup>28</sup> of the Capital Compensation in the Company for a VP will not exceed nine times the monthly salary (gross) of the ~~Officer-VP~~ for any year (it will be calculated in accordance with the result that is obtained by dividing the fair value of the capital compensation on the date of the grant thereof by the number of vesting years, and in such a manner that is not necessarily in accordance with the accounting entry of the expense) (hereinafter: the “**Fair Value Ceiling at the Company**”).

9.5.3 The vesting period of the capital compensation will be at least three years from the date of the allocation, and each year, the *pro rata* share of the amount of the securities that was allocated to the Officer will vest (hereinafter: the “**Vesting Period**”).

The Vesting Period is intended to serve as an incentive from a long-term perspective. Nevertheless, the Company may determine provisions in the Capital Compensation Plan with respect to the acceleration of the Vesting Period, such as in the event of the termination of employment, retirement, restructuring, a change of control in the Company or other events, in accordance with the discretion of the Compensation Committee and the Board of Directors.

9.6.35.4 In the event of the allocation of options, the options may be exercised during the exercise period. Options that have not been exercised will expire at the expiration of the exercise period, as will be determined by the Compensation Committee and the Board of Directors, and it will not exceed seven years from the date of the grant. After the expiration of the options, they will be devoid of any value whatsoever.

9.6.45.5 In the event of the allocation of options to Officers, the options will be exercisable at a price that will be, at the very least, the average share price of the Company's share during the 30 Stock Exchange trading days that preceded the resolution of the Company's Board of Directors on the allocation or the Company's share price on the Stock Exchange at the end of the trading day

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<sup>28</sup> The value as of the date of the grant, when the economic value will be determined in accordance with the Black-Scholes model or with the binomial model or with any other generally accepted economic model for the performance of valuations, as will be determined by the Compensation Committee.

that preceded the date of the allocation, whichever is the higher of the two, plus a premium of 5% above the said price. ~~In the event of restricted shares, they will be granted without an exercise price.~~

- 9.6.55.6 The Company may determine, in the Capital Compensation Plan, provisions with respect to a cashless exercise mechanism, so that at the time of the exercise of options, the Officer will be entitled to such number of underlying shares that will reflect the benefit component only, as well as provisions with respect to the Company's right to purchase the shares from the Company's employees.
- 9.6.65.7 In addition, the terms and conditions of the Capital Compensation in the Company will include adjustments, in keeping with standard practice, to protect the offeree, such as in events of the distribution of a dividend at the Company, the distribution of bonus shares, the issue of rights, a merger, the purchase or sale of assets, a restructuring, the alteration of capital, and so on and so forth.
- 9.5.86.7 The Capital Compensation may be granted in accordance with the provisions of Section 102 of the Income Tax Ordinance (New Version) 5721-1961 (hereinafter: the "**Ordinance**"), or any provision that will replace or modify same, and it may be done in accordance with another tax track that is optimal as far as the Officers are concerned, as will be determined from time to time.
- 9.6.85.9 On the date of the approval of the Capital Compensation Plan, the Company's shares that may arise from all of the Capital Compensation Plans for all of the Officers who are VPs, which are in effect at the said time, will not constitute more than one percent of the Company's paid-up and issued share capital (after the allocation and on a fully diluted basis).
- 9.5.106.9 The Capital Compensation Plan will include terms and conditions with respect to the vesting and/or exercise of the capital compensation by the Officer in the event of the termination of office under different circumstances.
- 9.65.1011 As aforesaid, the principles as set forth above reflect the main terms and conditions of the Capital Compensation in the Company for the Officers of the Company. The rest of the provisions that pertain to the allocation of the Capital Compensation in the Company will be determined in the Capital Compensation Plan, and, *inter alia*, provisions with respect to the rights of the Officers in connection with the ~~units of restricted shares and/or restricted shares and/or~~ options to shares; tax aspects; the manner of exercise, etc. The Compensation Committee and the Board of Directors will be able to determine additional provisions in connection with the Capital Compensation in the Company and they will also be able to update, from time to time, the terms, conditions and provisions thereof, provided that the said modification or

update does not deviate from the ceilings for the capital compensation as set forth above.

## 9.76 Principles of the Capital Compensation in Acquired Companies<sup>29</sup>

9.76.1 CEO: In respect of each completion of an Investment Transaction in an Acquired Company, the CEO is entitled to receive, without consideration, Capital Compensation in the Acquired Company, which shall consist of Options for Shares in the Acquired Company or Options for the Designated Shares, as set forth above, without additional approvals being required of the Company's organs, as soon as practicable after the completion of the Investment Transaction, and all in accordance with the principles set forth in this Section 9 of the Compensation Policy.

9.6.1.1 (a) A threshold condition for the granting of the Capital Compensation in Acquired Companies to the CEO is an undertaking by the CEO that an amount equal to 23% of the amount of the last net annual bonus which was actually paid to the CEO (if any), prior to the completion of the Investment Transaction, shall be given by way of the allocation of Options for Shares in the Acquired Company (from the Acquired Company) or Options for Designated Shares from the Company, as the case may be.<sup>30</sup>

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<sup>29</sup> It is clarified that the principles of the Capital Compensation below were prepared based on the principles of the Capital Compensation that were approved for the Officers in the framework of the amendment to the Compensation Policy and the amendment of the terms of office of the Company's CEO, prior to the date on which this Compensation Policy took effect. See reports dated November 21, 2021 (Reference No.: 2021-01-168939) and dated December 27, 2021 (Reference No.: 2021-01-185538), incorporated herein by reference.

<sup>30</sup> Such *pro rata* share shall be granted: (a) in Options for Shares in the Acquired Company (from the Acquired Company); or (b) should it not be possible to receive Options for Shares in the Acquired Company from the Acquired Company – in Options for Designated Shares from the Company, in an Investment Transaction that is performed in the year in respect of which the bonus is being granted, in accordance with the value thereof on the date of the grant. The allocation of the Capital Compensation in Acquired Companies in respect of the aforesaid threshold condition shall be done on the date of completion of the Investment Transaction or thereabouts (together with and in addition to the allocation in respect of the Capital Compensation in Acquired Companies in respect of the said Investment Transaction), in such scope as required for the purpose of the CEO's investment, as stated in this section, in accordance with the amount of the last net annual bonus that was actually paid to the CEO prior to the date of the Investment Transaction, when this amount shall be offset from the next bonus to which the CEO shall be entitled (in the event of the termination of his office, the said amount shall be deducted from the amounts to which the CEO shall be entitled in respect of the termination of his office). The Options for Shares in the Acquired Company and/or the Options for Designated Shares in respect of the *pro rata* share out of the annual bonus shall be subject to the terms and conditions as set forth in this Compensation Policy. It is clarified that if, in any year, no Investment Transaction was made, there will be no offsetting from the annual bonus. It should be noted that due to the reduction in the scope of the annual bonus to be paid by the Company in accordance with the terms of office as brought for approval in the Report Convening a Meeting to which this Compensation Policy is attached, effective from July 2022 (if paid), as compared with the scope of the bonus that was paid in respect of 2021 in accordance with the current terms of office, the threshold condition for the granting of the Capital Compensation in respect of 2022 shall be 23% out of half of the amount of the last net annual bonus that was actually paid to the CEO in respect of 2021, and the other terms and conditions shall apply, as set forth above.

(b) If, in the calendar year in respect of which the bonus is being given, the Basic Annual Grant (as defined below) for that year was not granted in full, the rate of the amount out of the net annual bonus which the CEO shall invest and which shall be given as Capital Compensation in Acquired Companies, as stated above, shall be reduced in accordance with the rate of the Capital Compensation in Acquired Companies that was actually given out of the Basic Annual Grant (as defined below).

If, in that same year, a certain amount was given on account of this undertaking by the CEO (in Options for Shares in the Acquired Company from the Acquired Company or in Options for Designated Shares from the Company, as the case may be), the said amount shall be subtracted from the CEO's aforesaid undertaking, so that in any event, an amount higher than 23% of the net annual bonus in each year shall not be given by way of Capital Compensation in Acquired Companies, as aforesaid.

9.6.1.2 In addition to the provisions of Section 9.6.1.1 above with regard to the granting of Capital Compensation on account of part of the annual bonus, the value of the annual grant of the Capital Compensation in Acquired Companies to the CEO shall equate to (subject to what is stated in Section 9.6.5 below) NIS 3 million per calendar year (the value as of the date of the grant, when the economic value will be determined in accordance with the Black-Scholes model or with the binomial model or with any other generally accepted economic model for the performance of valuations, as will be determined by the Compensation Committee) (hereinafter: the "**Basic Annual Grant**").<sup>31</sup> It should be clarified that the CEO shall be entitled to one grant only of Capital Compensation in Acquired Companies, at each Acquired Company, and this is in addition to and without derogating from that stated in Section 9.6.1 above with respect to the grant on account of part of the annual bonus.

9.6.1.3 If, in a certain calendar year, the Company does not make an Investment Transaction or when the value of the Capital Compensation in Acquired Companies which the CEO actually received in any calendar year is lower than the Basic Annual Grant for any reason whatsoever, the part that was not granted shall be

<sup>31</sup> It is clarified that in the event of the granting of Options for Designated Shares, the Audit and Compensation Committee shall determine the number of Options for Designated Shares that are derived from the value of the Capital Compensation in Acquired Companies as of the date of the grant that will be granted to the CEO (in accordance with the economic model that will be determined, as stated in this section above).



carried forward to one additional calendar year only (the amount of the Basic Annual Grant in respect of a particular calendar year, including the amounts carried forward from the previous calendar year, and which can be used in that year, shall hereinafter and hereinabove be referred to as: the “Cumulative Grant for the CEO”). It should be clarified that in any granting of Capital Compensation in Acquired Companies, the grant shall first be applied in respect of the differences accumulated from the previous year, and thereafter, in respect of that year.

9.6.2 VPs: Subject to the making of Investment Transactions, the Options in Acquired Companies will be granted to an Officer in such a manner that the Acquired Company will allocate to the Officer the Options in the Acquired Company (in the framework of the Investment Transaction or as an undertaking to make the allocation on a future date, around the time of the Investment Transaction) or, ~~in cases in which, in the framework of an Investment Transaction, it is not possible, for any reason whatsoever, for the Acquired Company to grant Options for Shares in the Acquired Company, to the Company's Officers upon the completion of the Investment Transaction, the Officers will be granted as the case may be, Options for Designated Shares, which shall be allocated to the Officer by the Company.~~ The Compensation Committee and the Board of Directors of the Company will approve the scope of the Capital Compensation in the Acquired Companies that will be allocated to the Officers who are VPs out of the Fair Value Ceiling at Acquired Companies (including a Cumulative Grant for the VP, if relevant), as these terms are defined below. It should be clarified that the Officer will be entitled to one grant only of capital compensation in an Acquired Company, at each Acquired Company.

9.6.2.1 The maximum fair value per year of the Capital Compensation in Acquired Companies will not exceed the difference between the Fair Value Ceiling at the Company and the fair value of the Capital Compensation at the Company that was actually granted to the Officer, when this difference is multiplied by 1.33<sup>32</sup> (hereinafter: the “**Fair Value Ceiling at Acquired Companies**”). It is clarified that in accordance with this Policy, Capital Compensation will not be granted to a VP only at the Acquired Companies.

9.6.2.2 If, in a certain calendar year, the Company does not make an Investment Transaction or when the value of the Capital

<sup>32</sup> For example, in the event that Capital Compensation at the Company was granted to an Officer in the value of six salaries per year, then the Fair Value Ceiling at Acquired Companies will equate to four salaries per year.



Compensation in Acquired Companies which a VP actually received in any calendar year is lower than the Fair Value Ceiling at Acquired Companies in respect of that year, the part that was not granted to the relevant VP shall be carried forward to one additional calendar year only (the amount of the Fair Value Ceiling at Acquired Companies in respect of a particular calendar year, including the amounts carried forward from the previous calendar year, and which can be used in that year, shall hereinafter and hereinabove be referred to as: the “Cumulative Grant for the VP”). It should be clarified that in any granting of Capital Compensation in Acquired Companies, the grant shall first be applied in respect of the differences accumulated from the previous year, and thereafter, in respect of that year.

9.76.23 If, at the time of the making of an Investment Transaction, an additional Investment Transaction is expected in the very same year, the Compensation Committee will determine the value of the Capital Compensation that will be granted to the Officer in respect of each Investment Transaction out of the Fair Value Ceiling at Acquired Companies or the Cumulative Grant for the VP, as applicable, and with respect to the CEO – out of the Basic Annual Grant or the Cumulative Grant for the CEO-, provided that the aggregate amount of the value of the Capital Compensation in Acquired Companies in respect of all of the Investment Transactions in that calendar year shall not exceed the ceilings set forth in this Compensation Policy with respect to the VPs and the CEO (including the Cumulative Grants for the VPs and the CEO).

9.7.36.4 In the event of the completion of an additional Investment Transaction during the last three months of the year after the entirety of the Fair Value Ceiling at Acquired Companies was allocated for the year, to any Officer, the Compensation Committee and the Board of Directors may approve bringing forward Capital Compensation in respect of the additional investment, out of and on account of part of the Basic Annual Grant for the CEO or of the Fair Value Ceiling at Acquired Companies for the VPs, as the case may be, for the following year for the said Officer, in a scope that will not exceed 33.33% of the Fair Value Ceiling at Acquired Companies for the following year. In the event that Capital Compensation is brought forward, as aforesaid, the period between the allocation date and up until the commencement of the following year will be added to the vesting period for the first tranche of the Capital Compensation in the additional investment.

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~~It is clarified that the provisions of this Section 9.7.3 above will apply with respect to the Capital Compensation in Acquired Companies for all of the~~

~~Officers (who are not directors), including the Company's incumbent CEO as of the date of the determination of this Policy.~~<sup>33</sup>

9.67.54 The Capital Compensation in each Acquired Company which is granted to all of the Officers who are VPs of the Company shall not exceed 3% of the issued capital/the rights of the said Acquired Company (assuming the full exercise of ~~the Capital Compensation in Acquired Companies, the Options in the Acquired Company or of the Options for Designated Shares, as the case may be~~). and the Capital Compensation with respect to the CEO shall not exceed 7% of the issued capital/the rights of the Acquired Company (assuming the full exercise of the Capital Compensation in Acquired Companies, as the case may be).

9.76.56 The Capital Compensation in Acquired Companies shall vest in stages, –in three equal and fixed tranches, over a period of three calendar years, commencing from January 1<sup>st</sup> of each year in respect of which Capital Compensation in Acquired Companies is granted~~given~~ to the Officer~~in respect of the completion of an Investment Transaction (date of vesting commencement)~~, in such a manner that on the 1<sup>st</sup> of each following January, one third (1/3) of the amount granted in respect of the said year that has passed shall vest.<sup>34</sup> It is clarified that the vesting period of the Capital Compensation in Acquired Companies shall be three years from the date of vesting commencement, while after one year from the date of vesting commencement, 1/3 (one third) of the number of the securities allocated to the Officer shall be vested, after two years and 1/3 shall be vested, and after three years from the date of vesting commencement the last 1/3 shall be vested.

It is clarified that the foregoing is also valid for a year in which the “Cumulative Grant for the CEO” or the “Cumulative Grant for the VP,” as the case may be, has accumulated, together with the “Basic Annual Grant,” so that if the relevant Officer is entitled to Capital Compensation in Acquired Companies also in respect of such Cumulative Grant, the vesting period of the Capital Compensation in Acquired Companies that was granted in respect of the Cumulative Grant shall commence on the 1<sup>st</sup> of January of the year preceding the year in which the Investment Transaction was performed, together with the vesting period of the Capital Compensation in Acquired

<sup>33</sup> And this is without derogating from the rest of the terms and conditions for the granting of the Capital Compensation in Acquired Companies.

<sup>34</sup> It is clarified that in accordance with the provisions of the Compensation Policy in effect up until the approval of this Compensation Policy, the VPs were granted Options for Designated Shares in connection with the completion of the AKVA transaction, whose vesting terms were linked to the vesting terms of the last Capital Compensation in the Company, which was granted to the Officers as aforesaid (see the Private Placement Report dated December 6, 2020 (Reference No.: 2020-01-124186) (hereinafter: the “**Private Placement Report**”) and also the Report on the Changes in Officers’ Holdings, dated December 20, 2020 (Reference No.: 2020-01-130264), which are incorporated herein by way of reference). It is clarified that the terms and conditions of this Compensation Policy do not derogate from the terms of allocation and vesting in respect of the Grant that was performed prior to the approval of this Compensation Policy, as aforesaid.

~~Companies which was granted in respect of the Basic Annual Grant (to the CEO), or in respect of the Fair Value Ceiling in Acquired Companies (to the VP), as the case may be, which shall commence on the 1<sup>st</sup> of January of that year in which the Investment Transaction was made, the last date of the allocation of the Capital Compensation in the Company, which was granted to any officer, prior to the granting of the Capital Compensation in the Acquired Company (hereinafter: the “Date of the Allocation of Capital Compensation in the Company”), in such a manner that at the expiration of each subsequent year after the last Date of the Allocation of Capital Compensation in the Company that was granted to the officer, 1/3 (one third) of the amount of the Capital Compensation in the Acquired Company, which was granted, shall also vest.~~<sup>35</sup>

9.7.66.7 Any capital compensation in an Acquired Company can be exercised up until the expiration of a period not exceeding seven years from the date of commencement of its vesting period (hereinafter: the “Exercise Period”).

9.7.76.8 The exercise price of the Capital Compensation in Acquired Companies shall be the price at which the Company made the preliminary investment (including capital investments and shareholders’ loans) in the Acquired Company (hereinafter: the “Company’s Investment Price”). Notwithstanding the foregoing, should the Acquired Company be a public company whose shares are traded on the Stock Exchange, the exercise price will be the Company’s Investment Price or the price of the Acquired Company’s share according to the closing price on the last trading day that preceded the date of the completion of the Investment Transaction, whichever is the higher of the two.

<sup>35</sup> ~~Some of the officers of the Company were granted capital compensation in the Company on December 20, 2020 (see the Private Placement Report dated December 6, 2020 (Reference No.: 2020-01-124186) (hereinafter: the “Private Placement Report”) and also the Report on the Changes in Officers’ Holdings, dated December 20, 2020 (Reference No.: 2020-01-130264), which are incorporated herein by way of reference). In accordance with Section 2.A of the Private Placement Report For example: in the event that an Investment Transaction is performed during 2022, in respect of which the CEO will be granted Options for Shares in the Acquired Company or Options for Designated Shares in respect of the Basic Annual Grant and the Cumulative Grant (in view of the fact that in 2021, the CEO was not granted the Basic Annual Grant in its entirety), the vesting period of the options that shall be granted in respect of the Basic Annual Grant will commence on January 1, 2022, and yet the vesting period of the options that shall be granted in respect of the Cumulative Grant will commence on January 1, 2021.~~  
~~the capital compensation that was granted as aforesaid shall vest in stages and in three equal and fixed tranches, over a period of three years, commencing from the Date of the Allocation of Capital Compensation in the Company; accordingly, if, in the course of 2021, an investment transaction was made in respect of which the said officers will be granted Options for Shares in the Acquired Company or Options for Designated Shares (subject to receiving the approvals as required for that purpose), the vesting period of the Capital Compensation in Acquired Companies that will be granted to the officers will commence on the Date of the Allocation of the Capital Compensation in the Company, i.e., on December 20, 2021, and it will vest in stages, in equal annual tranches over an identical period (when the first tranche will vest on December 20, 2021, and so on and so forth, over three years from the date of the Date of the Allocation of the Capital Compensation in the Company).~~

9.7.6.98 The mechanism for the exercise of the Capital Compensation in Acquired Companies shall be a cashless option exercise mechanism, unless the Officer opts for exercise for consideration.<sup>36</sup>

9.7.96.10 The terms and conditions of the Capital Compensation in Acquired Companies will include adjustments, in keeping with standard practice, to protect the offeree, such as in events of the distribution of a dividend at the Company, the distribution of bonus shares, the issue of rights, a merger, the purchase or sale of assets, a restructuring, the alteration of capital, etc., as well as adjustments in respect of payments that will be received by the Company and that were included in the value of the preliminary investment (such as the repayment of shareholders' loans, the payment of capital notes, the redemption of redeemable securities, etc.).

9.7.106.11 The terms and conditions of the Capital Compensation in Acquired Companies will include the full acceleration of the Vesting Periods in cases that arise from a change of control in the Company or in the Acquired Company, from exit events at the Company or at the Acquired Company, such as an issue, merger (including a reverse triangular merger), a transaction for the sale of all or most of the Company's or the Acquired Company's assets, in the event that the Company sells most of its holdings in the Acquired Company (directly or indirectly), or any other event whose outcome shall be similar, in nature, to the aforesaid events.

9.7.116.12 In any event of the termination of office—employment of an Officer (hereinafter: the “Termination of Office”), the terms and conditions as set forth below will apply to the Capital Compensation in Acquired Companies which was granted to the relevant Officer:

- (a) The day of the Termination—termination of Office—the employment will be the day on which the advance notice period came to an end, as stated in Section 6.2.1 of the Compensation Policy notice of the Termination of Office was received or given (hereinafter: the “**Day of the Termination of OfficeEmployment**”).
- (b) On the Day of the Termination of EmploymentOffice, all of the Capital Compensation in Acquired Companies whose Vesting Period has not yet ended will expire, and it will be devoid of all validity.
- (c) The Options in Acquired Companies and/or the Options for Designated Shares that were allocated and whose Vesting Period has

<sup>36</sup> In connection with the Options for Designated Shares – upon the vesting of each tranche of the Options for the Designated Shares, the Officer shall be entitled to exercise them into shares of the Acquired Company, and the Company shall transfer to the officer the number of shares of the Acquired Company in the amount of the value of the benefit component, which is derived from the Options for the Designated Shares on the exercise date.

ended by the Day of the Termination of ~~Employment Office~~ will be exercisable by the Officer, by the expiration of the exercise period or up until the expiration of 12 months from the day of the termination of employment, whichever is the earlier of the two dates. For the avoidance of doubt, it is hereby clarified that the 12-month period (which commences on the Day of the Termination of ~~Employment Office~~) during which time the Officer is entitled to exercise the Options in Acquired Companies and/or the Options for Designated Shares will not form part of the Vesting Period.

9.7.126.13 It should be clarified that the aforesaid provisions will be subject to the making of taxation decisions, should such decisions need to be made, and to the content of such decisions, and they will also be subject to the provisions of the Capital Compensation Plan, if any, and to the provisions of any other relevant law.

9.6.147.13 Upon the actual allocation of the Capital Compensation in Acquired Companies, written notice will be given to the Officer with respect to the allocation of the Capital Compensation in the Acquired Company (hereinafter: the "**Allocation Document**"). The Allocation Document will specify, *inter alia*, the terms and conditions of the Capital Compensation in the Acquired Company (for example, the number of options, the exercise price, the vesting period, the expiration date, the tax track that applies to the options, the manner of exercise, transferability, and any other term or condition that is related to the granting of the Capital Compensation in the Acquired Company), provided that the terms and conditions are in accordance with the Company's Compensation Policy and with the applicable law.

9.6.157.14 ~~The~~ Insofar as relevant, the Officer will be given the possibility of choosing the taxation track for the Capital Compensation in the Acquired Company, including options that will be held through a trustee pursuant to the provisions of Section 102 of the Ordinance, insofar as practicable. The Officer will sign any declaration or document as required for the purpose of the allocation, including a declaration that he is aware of the provisions of the tax track that is applicable to him and, insofar as required, also that he agrees to what is stated in the Deed of Trust that will be signed between the Company or the Acquired Company and a trustee in connection with the Capital Compensation in the Acquired Company.

9.7.156.16 Should there be any tax liability or any other compulsory payment (National Insurance contributions, national health tax, etc.) in respect of and/or following the allocation of the Capital Compensation in the Acquired Companies to an Officer, an exercise into shares, the sale of the underlying shares, the receipt of a dividend or any other benefit in respect of the Capital Compensation in

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Acquired Companies or the underlying shares, solely the Officer will bear the said charge.

~~9.7.16~~9.17 The terms and conditions of the Capital Compensation in Acquired Companies may include provisions pursuant to which at the time of the exercise in a particular Acquired Company, the exercise amount that will be transferred to the Officer following the exercise will take into consideration the amount of the gross aggregate profit that is attributed to the Company from all of the investments in the Acquired Companies at the time of the exercise. Should amounts remain that were not transferred to the Officer due to the foregoing, these will be kept and transferred to the Officer while taking into consideration the increase in the aggregate profit in the coming years.

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9.6.18 Additional provisions with respect to the Options for Designated Shares:

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9.6.18.1 It is clarified that up until the exercise date of the Options for the Designated Shares, the Company shall hold the rights attached to the Designated Shares, including the voting rights and any right arising from the Investment Transaction or from the documents of incorporation of the Acquired Company.

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9.6.18.2 Subject to the applicable exercise period, as stated above, upon the vesting of each tranche of the Options for the Designated Shares, the Officer shall be entitled to exercise them into shares in the Acquired Company, and the Company shall transfer to the Officer such number of shares in the Acquired Company as per the amount of the value of the benefit component that is derived from the Options for the Designated Shares on the exercise date (in accordance with the exercise price and the cashless exercise mechanism, as set forth in Section 9.6.9 above).

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9.6.18.3 The Company shall hold Designated Shares in such number as required for the purpose of a grant to the Officers, in respect of each relevant year, as the case may be, in accordance with the terms and conditions set forth in this Compensation Policy, and in accordance with the resolution of the Compensation Committee and the Board of Directors of the Company with respect to the scope of the grant that was made to the Officers. The foregoing shall not derogate from the Company's ability to sell or otherwise transfer its holdings in the shares of the Acquired Company, provided that in such an event, the provisions in connection with the full acceleration of the vesting periods, as set forth in Section 9.6.11 above, shall apply with respect to the shares which are the subject of the Options for the Designated Shares.

9.6.18.4 It is clarified that the value of the Options for the Designated Shares on the date of the grant thereof shall be included for the purpose of calculating the value of the grant to the Officers in accordance with the terms and conditions determined for them in this Compensation Policy, as the case may be.<sup>37</sup>

## 10. **Compensation of Directors**

### 10.1 **Objective**

The Company deems it appropriate to guarantee, for the Company's benefit, appropriate terms of office for directors serving in office at the Company, which are intended to grant the directors security and freedom to act for the Company's benefit in an independent manner. The terms of office shall be in accordance with the law, the Company's Articles and the resolutions of the Company's general meetings, taking into consideration the risks entailed in the Company's activities and the personal responsibility imposed pursuant to law on the actions of the directors. The terms of office of the directors are also intended to give the directors reasonable, appropriate and suitable compensation in respect of the requirements of their position and the time entailed in the performance of their duties, taking into account the complexity of the issues dealt with by the Board of Directors of the Company, which require time, business and financial understanding, qualifications, skill and expertise, taking into consideration the nature of the Company, the scope of its activities and the complexity of its business.

### 10.2 **The Compensation for the Directors**

10.2.1 The directors of the Company shall be entitled to annual Compensation and to Compensation for participation, in the maximum amount to which directors of a company with the Company's status are entitled, in accordance with the Compensation Regulations, including taking into consideration the director's classification as an expert director who is entitled to an expertise supplement, and also to any other supplement which shall be due to directors in accordance with the said Regulations

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<sup>37</sup> The Audit and Compensation Committee shall determine the number of the Options for the Designated Shares that are derived from the value of the Capital Compensation in Acquired Companies on the date of the grant which shall be granted to the Officers (in accordance with the economic model which shall be determined, as stated in Footnote 31 above).



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or any other law which shall replace and/or amend same from time to time<sup>38</sup>.

10.2.2 Furthermore, in addition to the compensation as stated in section 10.2.1 above, and with the objective of strengthening the connection between the directors' compensation and the interests of the Company's shareholders, the Company may, subject to the approvals as required pursuant to law, grant to the directors (including outside directors in accordance with the Remuneration Regulations) Capital Compensation in the Company only, in accordance with the provisions of the Remuneration Regulations and with the Capital Compensation Plan that will be determined by the Company, and in accordance with what is set forth below:

- (a) The annual fair value of the capital compensation for directors will not exceed NIS 100,000 per year or 50% of the maximum amount in accordance with the Remuneration Regulations, whichever is the lower of the two said amounts.
- (b) It will be possible to allocate Capital Compensation in the Company to the directors each year, for a period of three years, which will vest, in full, at the expiration of one year from the allocation date, and it will be exercisable during a period of one year from the aforesaid vesting date, or, in the alternative, it will be possible to make the allocation in the format of a periodic grant for three years, when the *pro rata* share of the grant will vest each year, and each tranche that has vested will be exercisable during a period of one year from the vesting date. A director who has completed his term in office will be entitled to the vesting of a *pro rata* share of the capital compensation as of the date of the termination of his office (without full acceleration of the entire allocated quantity).<sup>39</sup>

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<sup>38</sup> The foregoing shall not derogate from a director's right to assign the compensation to which he is entitled, in whole or in part, to a third party (subject to the approvals as required pursuant to law, if any), provided that the Company shall not be required to make any duplicate payments.

<sup>39</sup> It is clarified that the expiration of a director's term in office and the renewal of the term in office for an additional term shall not be deemed to be the termination of office for the purpose of this section.



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- (c) In the event of allocation of options to the directors, the options will be exercisable at a price that will be not less than the average share price of the Company's share during the 30 Stock Exchange trading days that preceded the resolution of the Company's Board of Directors on the allocation or the Company's share price on the Stock Exchange at the end of the trading day that preceded the date of the allocation, whichever is the higher of the two.

10.2.3 In addition, all the directors (as well as the other officers) shall be entitled to such terms of office as permitted pursuant to law and the Company's Articles, and also to such terms of office as per standard practice at the Company by virtue of the resolutions of the Company's competent organs<sup>40</sup>, including the arrangements of letters of indemnity for the Officers of the Company and insurance coverage, as have been and shall be approved according to law.

10.2.4 The directors shall also be entitled to the reimbursement of expenses in connection with the performance of their duties in accordance with the procedure approved by the Board of Directors and in accordance with the Company's Articles.

10.2.5 It shall be clarified that the terms of office of the outside directors shall not exceed that set forth in the law.

## 11. **Other Issues and Aspects**

11.1 The Company's policy is that the Company's Officers (including Officers who are not directors) shall be entitled to such indemnity and insurance arrangements as permitted pursuant to law, the Company's Articles and the resolutions of the competent organs, including the arrangements of letters of indemnity for the Officers of the Company and insurance coverage, as have been and shall be approved at the

<sup>40</sup> Including the resolutions of the ~~general meeting Company~~ dated 21.3.2001, 18.9.2003, 10.9.2007, 8.11.2011, 9.8.2012, 14.7.2015, 8.10.2015, ~~and~~ 27.12.2017, 6.1.2019, 19.2.2019, 27.6.2019, 30.10.2019, 30.1.2020, 14.5.2020, 10.3.2021, 18.4.2021, 29.4.2021, 27.12.2021, 15.3.2022 and 14.4.2022 regarding indemnity, ~~exempt-release~~ and insurance arrangements (Immediate Reports dated 14.3.2001, 22.3.2001, 2.9.2003, 21.9.2003, 2.8.2007, 11.9.2007, 2.11.2011, 8.11.2011, 4.7.2012, 9.8.2012, 4.7.2012, 9.8.2012, 28.5.2015, 14.7.2015, 31.8.2015, 8.10.2015, 10.12.2017, 27.12.2017, 13.9.2018, 4.10.2018, 30.1.2019, 19.2.2019, 16.6.2019, ~~and~~ 27.6.2019, 12.9.2019, 30.10.2019, 24.12.2019, 30.1.2020, 26.3.2020, 14.5.2020, 10.3.2021, 24.3.2021, 18.4.2021, 29.4.2021, 21.11.2021, 27.12.2021, 15.3.2022, 27.3.2022 and 14.4.2022). For details regarding the terms of office for directors of the Company as of the date of this Compensation Policy, see also Articles 22 and 29 of Part D (Further Details) of the Periodic Report for 2021, which is incorporated herein by reference.

Company's general meetings<sup>41</sup>, in order to guarantee the freedom of action and independence of the Officers, taking into consideration the scope of activities of the Company and the responsibility of the Officers pursuant to law. The said arrangements shall apply in connection with the Officer's office at the Company and/or at the companies held by the Company. In the framework of part of the existing letters of indemnity for incumbent Officers of the Company, an instruction is included according to which the Company releases in advance an officer from his liability for damage caused and/or to be caused in the future by him to the Company as a result of a violation of his duty of care towards the Company. In the framework of the Company's Compensation Policy, the Officers, as aforesaid (including directors), ~~who are serving at the Company as of the date of approving this compensation policy~~ shall continue to be entitled to a letter of indemnity that includes such release provisions, if given to them; h-However, incumbent Officers who were not given a letter of indemnity that contains a release provision and/or new Officers who do not hold a position in the Company as of the date of approving this policy shall be entitled to a letter of indemnity from the Company without the above-mentioned instruction concerning release in advance from liability.

## 11.2 Officers' insurance

11.2.1 The Compensation Committee may, from time to time, approve the Company's engagements for the purchase of insurance policies for the Officers and directors (including the renewal or extension of existing policies or policies purchased in the future) of any kind with any insurer/s in Israel or abroad, for all the directors and Officers who serve and will serve from time to time in the Company and / or its investee companies, including directors in the engagement in respect of which the controlling shareholder may be considered as having a personal interest, as they may be from time to time, provided that the engagement is at market conditions, will not materially effect the Company's profitability, assets or liabilities, and consistent with the principles of the framework set out in the Compensation Policy.

11.2.2 Without derogating from the foregoing, insurance policies that will be purchased as aforesaid may include, *inter alia*, joint policies for the Company and for ICL ~~Group Ltd. ("ICL")~~ (including policies that

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<sup>41</sup> As stated in footnote ~~1340~~, *supra*.

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contain a joint layer for ICL and for the Company, and a separate layer).

Should such policies be purchased, the Company's share in the liability for payment of the insurance premium between ICL and the Company in the joint layer shall be based on the insurers' assessment at that time.

11.2.3 The terms of all the insurance policies for the Officers of the Company (including the additional policies that will be purchased, if purchased and / or renewed, as stated in this Policy) shall be as follows, and approved by the Compensation Committee:

(1) The cost of the annual insurance premium to be paid by the Company in respect of all insurance policies as well as the amount of the deductible for the Company will be in accordance with the market conditions as of the date of the issuance of the policy. It is clarified that pursuant to the insurance policy, there is no deductible for the officers;

(2) The limits of liability for all cumulative insurance policies in effect will not exceed US \$ 200 million per event and per period, plus reasonable legal defense costs beyond the limits of the liability;

11.2.4 In addition and without derogating from the foregoing, the Company will be entitled to engage, from time to time and for any reason whatsoever, in run-off insurance policies with respect to the liability of directors and officers. The limits of liability in the run-off insurance policies, as will be issued from time to time, will not exceed US \$200 million per occurrence and per period, plus reasonable legal defense expenses beyond the limits of liability. The cost of the insurance premium that will be paid by the Company in respect of all of the run-off insurance policies and also the amount of the deductible will be in accordance with the market conditions on the date of the issuance of insurance policy.

It should be noted that a deviation of up to 25% of the limits of liability of the said insurance – will not be deemed to be a deviation from the Compensation Policy.

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11.2.5 To remove any doubt, it is hereby clarified that nothing in this Policy shall prejudice the validity of existing insurance arrangements and / or approvals obtained by law for engagements in the insurance of Officers prior to the determination of this Policy.

11.3 In the course of formulation of this Compensation Policy, the Compensation Committee and the Board of Directors of the Company examined the ratio between the terms of office and employment of each one of the Officers serving in office at the Company, and the salary of the Company's other employees<sup>42</sup>, including the ratio to the average salary and to the median salary of such employees<sup>43</sup>, and they also examined the said ratio based on the cost of the salary of the Officers as compared with the Company's other employees. Paying heed to the small number of employees at the Company, most of whom are corporate headquarter employees, and paying heed to the nature of the Company as a holding and investment company, the Compensation Committee and the Board of Directors of the Company believe that the said ratios, which they found to be reasonable *per se*<sup>44</sup>, are not relevant to the employment relations at the company, and most certainly, they do not have any adverse effect on the employment relations at the Company.

## 12. **General**

12.1 The Company's engagement in employment agreements with the Officers and/or any grant of compensation to the Officers may be made through the Company directly or through a wholly-owned subsidiary of the Company and with regard to Capital Compensation in an Acquired Company, it may be given through receipt of the Capital Compensation in the Acquired Company directly from the Acquired Company, or from the Company itself.

12.2 The engagement with an Officer in connection with his terms of employment and office may be done with a company wholly controlled by the Officer (*mutatis mutandis*, with the objective of maintaining the equivalent amount of compensation),

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<sup>42</sup> ~~As of the present time, no contractor's employees are employed at the Company.~~

<sup>43</sup> Without derogating from the foregoing, it shall be noted that the Compensation Committee and the Board of Directors gave consideration to the fact that a comparison to all the terms of office and employment of the Company's other employees is expected to narrow the ratio, and *a fortiori*, it will not have any adverse effect on the employment relations at the Company.

<sup>44</sup> For details regarding the ratio between the cost of employment of the Company's incumbent CEO (who assumed office on July 1, 2019) as of the date of the approval of this Policy and the average and median cost of employment of the Company's other employees in accordance with the salary data at the Company for ~~2018~~2021, see Footnote No. ~~2918~~ of the Company's Immediate Report of the Convening of a General Meeting dated ~~June 16, 2019 (Reference No.: 2019-01-059392)~~ June 6, 2022, to which this Compensation Policy is attached as an appendix.

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provided that the engagement will include terms and conditions, to the satisfaction of the Compensation Committee and the Board of Directors of the Company, pursuant to which the undertakings and the services to be provided to the Company shall be performed personally by the Officer.

12.3 The Company's engagement with the Officers may be done for a specified period of time or for an unspecified period of time.

12.4 The Compensation Committee and the Board of Directors of the Company shall examine from time to time the need to update the Compensation Policy in accordance with the circumstances of the matter and subject to the law.

12.5 Subject to the provisions of any law, the Compensation Policy shall not derogate from existing agreements, and it shall not derogate from the terms of office and employment or compensation which had been approved prior to the determination of the Compensation Policy.

12.6 The Compensation Policy contains general principles for the compensation of Officers of the Company as of the date of approval of the Policy, whilst the actual compensation and the terms entailed in the application of the said principles shall be determined by the Compensation Committee and/or the Board of Directors of the Company, in accordance with the purpose thereof and the Company's best interests. The actual compensation, in accordance with the foregoing, shall be submitted for obtaining the requisite approvals.

12.7 Wherever the Compensation Policy determines that the Compensation Committee or the Board of Directors has the authority to approve a particular action, the authority shall be conferred on the Compensation Committee or the Board of Directors (as the case may be) to do so in their discretion, without requiring additional approval (subject to the provisions of mandatory law).

12.8 The amounts paid to the Officers shall be gross, and subject to deduction as required by law.

12.9 It is clarified that the Officers may, in their discretion, waive any compensation component to which they will be entitled, on a one-time basis or for a period, without derogating from their eligibility to the rest of the terms and conditions of office and employment (and without derogating from the Officer's eligibility to receipt of the compensation that he waived).

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- 12.10 Wherever this Policy includes ranges and/or ceilings for compensation and/or various terms of compensation, this does not obligate the Company to provide the compensation in the maximum scope or in such scope which includes the full compensation components specified in this Policy, and the Officer shall have no vested right in connection with the said compensation. It is also clarified that should any Officer be granted compensation which is lower than the compensation described in this Policy (including the determination of restrictions and obligations in connection with the terms of office and employment), this shall not constitute a deviation from the provisions of this Policy. In addition, any modification of the terms of office whose effect on the total annual cost of the relevant officer is not greater than 10% will not constitute a deviation from the provisions of this Compensation Policy (including in the event of a deviation from the ceilings of the components that have been determined in the Compensation Policy).
- 12.11 In accordance with the provisions of Section 272(d) of the Companies Law, and subject to any law, the Compensation Committee will be entitled to approve changes that are not material in the terms of employment of Officers, in accordance with the provisions of the Compensation Policy. In accordance with the provisions of Regulation 1B3 of the Companies Regulations (Easements in Transactions with Interested Parties) 5760-2000, an immaterial change in the terms of office and employment of an Officer subject to the CEO of the Company shall not require the approval of the Compensation Committee if approved by the CEO of the Company, provided that such terms of office and employment are consistent with the Compensation Policy.
- 12.12 Wherever the provisions of the law, as will be in effect from time to time, allow the granting of concessions pertaining to the manner of compensation of Officers and/or pertaining to the manner of the proceedings for the approval of compensation for Officers, subject to the approval of the Compensation Committee and the Board of Directors of the Company, these provisions will apply to the Company and they will form part of this Compensation Policy.
- 12.13 This Compensation Policy has been drafted in the male gender solely for reasons of convenience, and it refers to males and females alike.