

Appendix 4

Principles of Bonus to the CEO, Mr. Guy Elias¹

1. Overview

- 1.1. The purpose of this document is to define and describe the variable compensation to the Company's CEO, Mr. Guy Elias, which was established together with the representative of Company's Debenture Holders and the trustees of the Debenture Holders, as will be adopted by the Company subject to its approval by the meeting of Company's shareholders and according to terms of the debt arrangement between the Holders of Debentures Series A and Series B of the Company (hereinafter: the "**Holders**" or "**Debenture Holders**") and the Company (hereinafter: the "**Arrangement**") following the approval of the Company's Remuneration, Appointment and Selection committee, its approval by the Company's board of directors and the approval of the meetings of Company's Debenture Holders by a resolution separate from the approval of the Arrangement, in force from the Arrangement closing date (hereinafter: the "**Arrangement Effective Date**").
- 1.2. This Appendix forms an integral part of the Arrangement and shall enter into force only upon the Arrangement Execution Date. The CEO shall have no right to any bonus and/or any other payment referred to in this document, directly and/or indirectly, expressly or implicitly, unless the Arrangement enters into force. The CEO shall agree, confirm and sign this document before it is filed with the court in the framework of the arrangement or approved before the arrangement enters into effect; however, if the arrangement does not enter into effect this document shall also be revoked between the parties and the CEO shall have no argument and/or claim with respect to this matter.
- 1.3. The purpose of this Appendix is to establish the rules for CEO's remuneration in a manner consistent with the Arrangement, meeting the targets which were established in the Arrangement for the repayment of the debt to the Holders from a long term perspective, taking into consideration and balancing between the desire to create proper incentives for the CEO to achieve the goals of the Arrangement in the short run and in the long run and increasing the CEO's sense of identification with the Company and its activity as well as with the Debenture Holders who are, as of the date of the approval of the Arrangement the sole substantial creditors of the Company (other than current liabilities in the ordinary course of business).
- 1.4. It should be emphasized that nothing in this Appendix, including the principles and parameters established therein shall give the CEO any right, unless it is approved as part of the framework of the Arrangement or after the completion of the Arrangement by the relevant organs of the Company and subject to the provisions of the law.

¹ The definitions in this document shall be according to the definitions in the Arrangement or in the Amended Trust Deeds, unless defined otherwise.

- 1.5. The bonus shall be paid to the CEO after payments are made according to the terms and on such dates as established in the Arrangement.
- 1.6. The bonus shall always be calculated by the end of the year after the publication of the financial statements, and shall be audited by the Company's auditor, with the approval of the Holders' Representative Committee if any.

It is agreed that the CEO shall be entitled to a certain bonus or to one or more of the bonuses specified in Section 2 below only after the target specified therein is met and after the Completion of the Transaction or the Completion of the Sale as specified in Section 1.11, and subject to an additional cumulative condition:

- a. For the purpose of the bonus specified in Sections 2.1 and/or 2.2 and/or 2.5, the CEO is employed by the Company and acts as a CEO until the audited annual financial statements of the Company signed by him as a CEO for the calendar year being the subject matter of the bonus are approved, and is still employed by the Company on the date of the Company's board of directors' resolution regarding the CEO's satisfaction of the targets specified in Sections 2.1 and/or 2.2 and/or 2.5 below.
 - b. For the purpose of the bonus specified in Sections 2.3 and/or 2.4 below, the CEO acted as the CEO of the Company on the date of the Company's Board of Directors resolution regarding the CEO's satisfaction of the targets specified in Sections 2.3 and/or 2.4. Without derogating from the provisions of this Section B, it is clarified that only in an exceptional event in which the CEO is dismissed by the Company in circumstances which do not deny the right to severance pay according to the law, and the dismissal date is between the Completion of the Transaction after all approvals were received or all conditions for the execution thereof were met, other than the transfer of the consideration to the Company's pledged accounts, then, for the purpose of the bonus the targets shall be regarded to have been met.
- 1.7. The monthly payment payable to the CEO in consideration for the management services rendered by him in his position as Company's CEO is NIS 85,583.33 per month linked to the index known on the Arrangement completion date, against a tax invoice (hereinafter: the "**Monthly Consideration**").
 - 1.8. No additional payment shall be added to the bonus amounts and all taxes applicable to such payment shall be withheld by the Company at source, unless a proper certificate is presented by the CEO.
 - 1.9. For the avoidance of doubt, the right to receive bonus for the sale or disposal of assets, does not constitute express or implied approval of any sale of assets of the Company or of Kardan Group Companies, in whole or in part, unless according to all terms and conditions of the Arrangement and subject to a prior resolution approving the sale and its conditions adopted by a Holders' meeting.

- 1.10. The CEO shall not claim that he is entitled to receive any bonus, where the sale transaction proposed by the Company was not approved by the Holders, when according to the Arrangement the Holders' prior consent should be given by a Holders' meeting.
- 1.11. Any right to receive bonus for the sale or disposal of assets of the Company or of any of the Kardan Group Companies, shall enter into force only after the completion of the sale and the deposit of the sale proceeds in the Company's Pledged Accounts in favor of the Trustees, or in the Trustees' Accounts from which principal and/or interest payments shall be made to the Debenture Holders, with said monies being available for payment to the Holders and in the absence of any preclusion for repaying the debt to the Holders from said monies (hereinafter - the "**Completion of the Sale**" or the "**Completion of the Transaction**"). If the sale proceeds are actually received by the Company (Kardan N.V.), as aforesaid, in several installments, the bonus shall be paid to the CEO at the same ratio (pro rata) to the funds which shall be received in Trustees' accounts as aforesaid. If the Transaction is canceled or revoked, the CEO undertakes to return to the Company the entire Bonus amounts actually received by him.

2. Bonus Principles

2.1. Reducing Administrative Expenses

According to section 15 of the Arrangement the Company undertook to reduce the current administrative expenses to the sum of Euro 2,250,000 per annum (not including D&O insurance premium, Arrangement costs and the CEO's Bonus as defined in section 15 of the Arrangement). If this scope of expenses is met in any specific year, the CEO shall be entitled to payment in an amount equal to three to four times the Monthly Consideration Payments. The final amount shall be determined by the Company's Board of Directors at its sole discretion. It is clarified that the CEO shall be entitled to bonus for cost cutting in 2021, even if the Arrangement is completed in 2022 (and without derogating from the entitlement terms).

Extraction of funds from the Lucky Hope Projects

According to the Arrangement, the repayment date of the entire principal, linkage differentials and interest was scheduled for December 31, 2024. If during 2021-2023 the sum of EUR 8 million is transferred upwards to the subsidiary KLC from projects with a partner, Lucky Hope during a certain calendar year - as a result of a transaction or dividend in the Lucky Hope companies (hereinafter: the "**Funds**") not arising from the disposal of other assets of the Company, directly or indirectly (including not from disposal of the Dalian Project in China, in whole or in part, directly and/or indirectly, or from the sale of the shares of Kardan Land Dalian (HK) Ltd. (hereinafter: the "**Dalian Project**") (for the sale of the Dalian Project see Section 2.3-2.4 below), and said Funds were used to make an early repayment to Holders, the CEO shall be entitled to bonus in an amount equal to three to four times the Monthly Consideration Payments. The final amount shall be determined by the Company's Board of Directors at its sole discretion. It is clarified and agreed that the decision to use the Funds,

in whole or in part, shall be made solely by the Holders at their absolute discretion, in a Holders meeting which shall be convened by the Company and the CEO shall have no argument in this regard, or alternatively, if the use of the Funds according to the new conditions of the Chinese loan (the recycling thereof) is considered according to its terms which shall be approved by the Debenture Holders, in a Holders meeting at their sole discretion and in such an event the CEO shall also have no argument in this regard.

2.2. **Sale of the Dalian project**

The "Dalian Project" – the Europark Dalian Project, located at Dalian, China, and wholly owned by KLD (through a subsidiary thereof), a wholly owned (100%) subsidiary of KLC.

"Sale of the Dalian Project" - the sale of shares of the Project company (a Chinese Company whose abbreviated name is KLDL), or the sale of shares of the Project company's holding company (a Hong Kong company whose abbreviated name is KLDLHK which is wholly owned by KLC), or a direct sale of the main remaining asset which is the Dalian mall.

2.3. The completion of the sale of the Dalian project by December 31, 2023, shall entitle the CEO to an amount equal to seven to ten times the Monthly Consideration Payments, according to the Company's Board of Directors sole discretion. For the avoidance of doubt, it is clarified that if only part of the Dalian project is sold, the amount of the bonus shall be in the same ratio (pro rata). For instance, if 50% of the shares of the project company are sold, the CEO will be awarded a bonus in an amount equal to three and a half to five times the Monthly Consideration Payments; the final amount shall be determined by the Company's Board of Directors at its sole discretion.

2.4. **Exceptional execution of the sale of the Dalian project by September 30, 2022**

The completion of the sale of the Dalian project by September 30, 2022, shall entitle the CEO to an additional amount equal to four to four and a half times the Monthly Consideration Payments (in addition to the bonus according to Section 2.4 above), according to the Company's Board of Directors sole discretion. For the avoidance of doubt, it is clarified that if only part of the Dalian project is sold, the amount of the bonus shall be in the same ratio (pro rata). For instance, if 50% of the shares of the Mall's company are sold, a bonus in an amount equal to two to two and a quarter times the Monthly Consideration Payments shall be granted. The final amount shall be determined by the Company's Board of Directors at its sole discretion.

It is clarified that the above provisions regarding the approval of the sale of the Dalian project by the Company's Board of Directors do not derogate from Company's obligations under the Arrangement to bring, by the CEO, a Material Transaction for the lawful approval of the Debenture Holders, all according to the Arrangement and/or the Amended Trust Deeds.

2.5. **The Chinese loan**

For the successful completion of the refinancing and/or taking a loan in lieu of the Chinese loan in terms which shall be approved by the Trustees and/or by the Debenture Holders according to the terms of the Arrangement, the CEO shall be granted a bonus in an amount equal to between one to one and a half Monthly Consideration; the final amount shall be determined at the sole and exclusive discretion of the Company's board of directors. It is clarified that the entitlement to this bonus shall be only once even if the Chinese loan is refinanced or its terms are changed several times.

2.6. This document shall be valid until December 31, 2023. The CEO's remuneration principles for 2024, namely for the period from January 1, 2024 until December 31, 2024, shall be discussed between the Trustee and the Debenture Holders (on the above date Hermetic Trust Company (1975) Ltd. shall act as the Trustee for the two series of Debentures] and the CEO and will thereafter be brought for the approval of the Debenture Holders according and pursuant to the provisions of section 18.6 of the Debt Arrangement, and no later than June 1, 2023.