

Appendix

Principles of Grant for the CEO, Mr. Guy Elias, in 2024¹

1. **Background**

- 1.1 The following document defines and describes the variable remuneration for the Company's CEO, Mr. Guy Elias, formulated in cooperation with the representatives of the Company's bondholders and the trustees for the bondholders, as will be adopted by the Company subject to its approval by the shareholders' meeting and in accordance with the terms of the debt restructuring by the holders of Series A Bonds and Series B Bonds of the Company (hereinafter – the “**Holders**” or the “**Bondholders**”) and the Company (hereinafter – the “**Settlement**”), after receiving the approval of the Company's remuneration committee, the approval of the Company's board of directors and the approval of the meetings of the Bondholders, in a separate resolution from the resolution approving the Settlement, effective as of the date of completing the Settlement (hereinafter – the “**Settlement Execution Date**”).
- ~~1.2 This Appendix is an integral part of the Settlement and will only come into effect on the Settlement Execution Date. The CEO will not have any right to a grant and/or any payment included in this Appendix, directly and/or indirectly, expressly or impliedly, unless the Settlement comes into effect. The CEO will agree, approve and sign this document before it is submitted to the court as part of the Settlement or will be approved before the Settlement enters into force; however, if the Settlement does not enter into force, this document will become void without the CEO having any claim in this regard.~~
- 1.2 The principles for the grant to the CEO were approved on the Settlement Execution Date and were in effect until December 31, 2023. The final date of payment according to the bond Settlement was set for December 31, 2024. Therefore, this document, stating the principles of the grant to the CEO of the Company in 2024, is submitted for the approval of the Bondholders in accordance with section 18.6 of the Settlement and section 17.7 of the amended trust deeds. The force of this document, subject to the necessary approvals as mentioned in section 1.4 below, shall be as of January 1, 2024.
- 1.3 The purpose of this Appendix is to establish rules for the CEO's remuneration in accordance with the Settlement, meeting the objectives stipulated in the Settlement for repayment of the debt to Holders with a long-term perspective, while taking into account and balancing the desire to set appropriate incentives for the CEO to achieve the objectives of the Settlement in the short and long term and to increase his sense of affinity with the Company and its activities, as well as with the Holders who are, as of the date of approval of the Settlement, the material and sole creditors of the Company (with the exception of current obligations in the ordinary course of business).
- 1.4 It should be noted that nothing in this Appendix, including the principles and criteria established herein, shall confer any right upon the CEO, unless it is approved as stipulated in the Settlement, ~~or following the completion of the Settlement and the amended trust deeds, by the Bondholders~~ and then by the relevant organs of the Company and subject to the provisions of the law.
- 1.5 The grant will be paid to the CEO after the payments are made in accordance with the terms and schedule set forth in the Settlement.

¹ The terms in this document will be in accordance with the terms defined in the Settlement or the amended trust deeds, unless explicitly stated otherwise.

- 1.6 The calculation of the grant will be made at the end of the year after the publication of the financial statements and will be audited by the Company's accountant, with the approval of the representatives of the Holders, to the extent there is a representative at that time.

It is agreed that the CEO's entitlement to a specific grant or to one or more of the grants detailed in section 2 below, shall only be established after the objective detailed therein is met and after completing the transaction or completing the sale as stated in section 1.11 below, ~~and with an additional cumulative condition~~ and all the additional cumulative conditions:

- A. ~~As for the grant detailed in sections 2.1 and/or 2.2 and/or 2.5~~ The CEO is employed by the Company and serves as CEO until the approval of the Company's audited annual financial statements which he will sign as CEO for the calendar year of the grant and will remain employed by the Company at the time of the resolution of the Company's board of directors regarding the CEO's compliance with the objectives detailed in section ~~2.1 and/or 2.2 and/or 2.5~~ below.
- B. As for the grant detailed in section ~~2.2.3 and/or 2.4~~ below, the CEO served as the Company's CEO at the time of the resolution by the Company's board of directors, regarding the CEO's compliance with the objectives detailed in section ~~2.2.3 and/or 2.4~~. Without prejudice to this section ~~b~~, it is clarified that only in an exceptional case where the CEO is terminated by the Company in circumstances that do not exclude severance pay under the law, and the termination happened after the completion of a transaction and after all the approvals have been obtained or all the terms for its execution have been met, excluding the transfer of the proceeds to the Company's pledged accounts, the above will be considered achievement of the objectives for the purpose of the grant.
- C. In accordance with section 15 of the Settlement, the Company will fulfill its obligation to reduce current management expenses to the amount of EUR 2,250,000 per year (excluding the D&O insurance premium, Settlement costs, and the grant to the CEO as defined in section 15 of the Settlement) and regarding this grant, the Company's undertaking to reduce it to the amount of EUR 2,200,000. This section is not a precondition for receiving the grant as stated in section 2.2.
- 1.7 The monthly payment to the CEO in exchange for the management services he provides to the Company as CEO is NIS 85,583.33 per month, linked to the index at the time of completion of the Settlement, paid against a tax invoice (hereinafter - the "**Monthly Consideration**"). As of January 1, 2024, the monthly payment will be reduced by 10% from the last salary paid for December 2023.
- 1.8 No additional payment will be added to the grant amounts, and all taxes applicable to the payment will be withheld by the Company, unless the CEO presents an appropriate certificate.
- 1.9 For the avoidance of doubt, where a grant has been established for the sale or realization of assets, the aforementioned does not expressly or implicitly authorize the sale of the assets of the company or companies from the Kardan Group, in whole or in part, except in accordance with all the terms of the Settlement and subject to a prior resolution of the shareholders' meeting approving the sale and its terms.
- 1.10 The CEO will not claim that he is entitled to a grant where a sale transaction proposed by the Company was not approved by the Holders, provided that according to the Settlement, their consent must be obtained in advance at the Holders' meeting.

1.11 Whenever a grant is determined for the sale or realization of assets of the company or companies from the Kardan group, entitlement to the grant will only be established after the completion of the sale, and after the proceeds of the sale are deposited into the Company's pledged accounts for the benefit of the trustees, or to the trustees' accounts from which principal and/or interest payments will be paid to the Bondholders, to the extent that these funds are available for payment to the Holders and there is no preclusion from using them to repay the debt to the Holders (hereinafter - "**Completion of the Sale**" or "**Completion of the Transaction**"). If the proceeds of the sale are actually received by the Company (Kardan NV), as stated above, in several payments, the grant will be paid to the CEO relative (pro rata) to the funds received in the trustees' accounts as mentioned above. If the transaction is revoked or terminated, the CEO undertakes to return to the Company all the grant amounts actually received by him.

2. The principles of the grant

~~2.1. Reducing headquarter expenses~~

~~In accordance with section 15 of the Settlement, the Company has undertaken to reduce current management expenses to the amount of EUR 2,250,000 per year (excluding the D&O insurance premium, Settlement costs, and the grant to the CEO as defined in section 15 of the Settlement). To the extent that the scope of these expenses is met in a particular year, the CEO will be entitled to an amount equal to three to four Monthly Consideration payments, the final amount will be determined by the Company's board of directors at its sole discretion. It is clarified that the CEO will be entitled to a grant for saving expenses for the year 2021, even if the Settlement is completed in 2022 (and without detracting from the term of entitlement).~~

1.12 For the avoidance of doubt, it is clarified that this 2024 Grant Appendix does not affect the grant Appendix approved by the Bondholders up to December 31, 2023, including the salary components in section 1.7 for the purpose of the calculations even if the actual payment of the grant for these periods is made in 2024.

2. The Principles of the Grant

2.1 Extraction of funds from the Lucky Hope projects

According to the Settlement, the date of repayment of the full principal, linkage differentials and interest is set for December 31, 2024. If, ~~during 2021-2023~~ in 2024, funds are raised to the subsidiary KLC from projects with a partner, Lucky Hope, during a certain calendar year in the amount of EUR 8 million as a result of a transaction or dividend in the Lucky Hope companies (hereinafter - the "**Funds**"), other than from the realization of other assets of the Company, directly or indirectly (including other than from the realization 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**") (regarding the sale of the Dalian Project, see section 2.2.4-2.3 below), and said Funds are used for the purpose of paying off the loan in the Dalian Project and/or for the purpose of early repayment to the Holders, the CEO will be entitled to a grant in an amount equal to three to four Monthly Consideration payments. The final amount will be determined by the Company's board of directors at its sole discretion. It is clarified and agreed that the decision whether to use the Funds, in whole or in part, will be of the Holders only, at their absolute discretion, at a meeting of Holders convened by the Company, and the CEO will have no claim in this matter, or alternatively if the use of the Funds is discussed in accordance with the new terms of the Chinese loan (the refinancing thereof), under the terms thereof as approved by the Holders, at a meeting of Holders at their sole discretion, and the CEO will have no claim In this matter either.

2.2 The sale of the Dalian Project

The “Dalian Project” – the Europark Dalian project located in Dalian, China, fully owned by KLD (through its subsidiary), which is a fully owned subsidiary (100%) of KLC.

“Sale of the Dalian Project” – the sale of shares of the project company (a Chinese company abbreviated name KLDL), or the sale of shares of the company that holds the project company (a Hong Kong company abbreviated name KLDLHK and fully owned by KLC), or direct sale of the remaining main asset which is the mall in Dalian.

~~2.3~~ The completion of the Sale of the Dalian Project by December 31, ~~2023~~2024 will entitle the CEO to ~~seven~~ nine to ~~ten~~ twelve Monthly Consideration payments, at the sole discretion of the Company’s board of directors. For the avoidance of doubt, it is clarified that if the sale is for only part of the Dalian Project, then the amount of the grant will be granted in the same ratio (pro rata). For example, if only 50% of the shares of the project company are sold, the CEO will be awarded a grant of ~~three to five Monthly Consideration payments, the final amount will be determined according to the sole discretion of the Company’s board of directors.~~

~~2.4~~ Outstanding performance of the Dalian Project by September 30, 2022

~~The completion of the sale of the Dalian Project by September 30, 2022, will entitle the CEO to four to four and a half more Monthly Consideration payments (in addition to the grant in section 2.4 above), at the sole discretion of the Company’s board of directors. For the avoidance of doubt, it is clarified that if the sale is only for part of the Dalian Project, then the grant amount will be in the same ratio (pro rata). For example, if only 50% of the shares of the project company are sold, four and a half to six Monthly Consideration payments, the final amount will be determined according to the sole discretion of the Company’s board of directors.~~

Nothing in the above regarding the approval of the Sale of the Dalian Project by the Company’s board of directors shall detract from the Company’s obligations in accordance with the Settlement to bring forth, through the CEO, a material transaction to be duly approved by the Bondholders, as stated in the Settlement and/or the amended trust deeds.

~~2.5~~ 2.3 The Chinese loan

For the successful completion of refinancing and/or obtaining a loan instead of the Chinese loan ~~during the years 2023-2024~~, under terms that will be approved by the trustees and/or by the Bondholders according to the terms of the Settlement, the CEO will be awarded a grant of ~~one~~ ~~to~~ two to ~~one and a half~~ three Monthly Consideration payments, the final amount will be determined according to the sole discretion of the Company’s board of directors and according to the quality of the improvement in the terms of the loan compared to the current loan. It is clarified that entitlement to this grant will be one time only, even if the Chinese loan is refinanced or its terms are changed several times-

~~2.6~~ ~~This document is valid until December 31, 2023. The principles of remuneration for the CEO for 2024, i.e. for the period from January 1, 2024 to December 31, 2024 detailed above, will be discussed by the trustee and the Bondholders [at the said date Hermetic Trust (1975) Ltd. will serve as trustee for both series of bonds] and the CEO and thereafter will be brought to the approval of the Bondholders in accordance with the provisions of section 18.6 of the Settlement, no later than June 1, 2023, in 2023-2024. In respect of this section, to the extent that the refinancing of the loan was carried out before December 31, 2023, the entitlement of the CEO in this regard will be established after the approval of the financial statements for 2023.~~