

Office Holder Remuneration Policy

B.S.D. Crown Ltd.

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Introduction

The purpose of this document is to describe and specify the Company's policy on the remuneration of the office holders of B.S.D. Crown Ltd. (the "**Company**"), the components thereof and the manner of determination thereof, *inter alia* in accordance with the Companies Law (Amendment No. 20), 5773-2012 ("**Amendment 20**").

The remuneration policy is a tool in the hands of the Company in which it can, insofar as necessary, incentivise and remunerate the office holders. The only remuneration components to which the office holders will be entitled will be those specifically approved by the organs authorised therefor at the Company, and subject to the provisions of any law. Adoption of the remuneration policy by the Company confers no right on the officers thereof and does not change, in itself, the rights conferred on them.

The Validity of the Remuneration Policy

The remuneration policy will take effect from the date of approval thereof by the general meeting, for 3 years, pursuant to the provisions of the Companies Law, 5759-1999, including the regulations thereunder, as shall be updated from time to time (the "**Companies Law**").

The Company's Remuneration Committee shall examine and update the remuneration policy at least once every 3 years and as shall be required from time to time, and shall recommend to the Company's Board of Directors on the update or extension of the validity thereof and shall supervise its implementation.

As of the date of Amendment 20's taking effect and as of the date of approval of this remuneration policy document, the Company has no remuneration mechanisms for the Company's office holders, which are binding upon the Company.

The Company shall further aspire, in the framework of the execution of new employment agreements and/or management agreements / renewal of existing agreements, to incorporate and implement the principles of the remuneration policy included below.

The Organs Authorised to Approve the Remuneration Conditions at the Company

Approval of the terms of employment and modifications to the remuneration plans of the office holders in the framework of the policy shall be discussed and authorised by the Company's competent organs pursuant to the provisions of any law.

Guiding Principles for Setting the Remuneration Policy

The considerations weighed by the Company's Remuneration Committee and the Company's Board of Directors when determining the remuneration policy are:

1. To create fitting and balanced incentives for the Company's office holders, considering, *inter alia*, the Company's risk management policy. The remuneration policy defines a remuneration structure whose purpose is to incentivise the office holders to act to achieve targets that will promote the Company's goals, its work plan, in both the immediate and long terms, including the proper ratio between the variable and fixed components out of the total remuneration package, *inter alia* in order not to encourage the relevant office holder to take risks deviating from the Company's policy in this regard, while emphasising balancing the need to retain the Company's executive office holders.
2. To develop and retain high-quality suitable managers who form the solid foundation of the Company's management, *inter alia* in view of the Company's modest manpower structure and the executive status and position of the office holders, its continued development and success over time.
3. In determining variable components in the terms of office and employment of the office holders, the remuneration policy expresses the contribution of the office holder to achieving the Company's targets and maximising its profits, *inter alia* in the long-term and in accordance with the office holder's position.
4. The remuneration policy reflects the consideration of the Company's size and the nature and complexity of its business.
5. The policy shall apply to all of the Company's office holders, as defined in the Companies Law.

The Remuneration Policy

General

Generally, office holders' remuneration plans are adapted to their duties and responsibilities in the Company and to the achievable targets that are set for them in the framework of performance of their duties for the purpose of promoting the Company's goals, its work plan and its policy in the long-term.

Objectives of the remuneration policy:

- a. Promotion of the Company's goals, its work plans and its policy in the short- and long-term;
- b. Creation of fitting incentives for the office holders, considering, *inter alia*, the Company's risk management policy;
- c. Recruitment and retention of excellent, high-quality managers who form the solid foundation of the Company's management, its continued development and success over time.

Considerations upon determining terms of office and employment for office holders:

- a. Consideration of the skills, expertise, professional experience, education and achievements of the candidate or incumbent office holder.
- b. Consideration of the duties, responsibilities, term of employment of and previous agreements with the office holder (in the case of an existing office holder).
- c. The Company's size and the nature of its business.
- d. The recommendation of the office holder's supervisor.
- e. The office holder's contribution to achieving the Company's targets and maximising its profits, all in the long-term and in accordance with the office holder's position (in reference to variable remuneration components).
- f. Relation to the earning bracket of the Company's employees and managers – upon approval of remuneration for an office holder, data will be presented regarding: (1) the remuneration of office holders at a similar level in the Company (insofar as relevant); (2) the salary of the previous office holder in the same position (insofar as relevant); (3) the average salary and the median salary of the Company's employees and contract workers engaged by the Company, and the ratio between each one of these as well as the remuneration proposed for approval for the office holder – in this context, the effect of the disparity between the terms of office of the office holders and the salary conditions of the Company's other employees on working relations at the Company will be examined.
- g. Comparison from time to time to the earning bracket of office holders in similar positions at similar companies. Similar companies for this purpose will be public companies similar to the Company in terms of the nature and field of business and

relevant financial figures such as the market cap, total balance sheet, income and/or the totality of such parameters in accordance with the nature and size of the Company and its type of business. In addition, a maximum range will be defined for each parameter relative to the Company itself, such that the comparison group will not include companies in which such parameters deviate from the said range. In addition, the Company **shall aspire** to have no less than 8 companies in its comparison group.

- h. The Company's financial position.

Set forth below are guidelines for the Company’s remuneration policy, as approved by the Remuneration Committee and the Board of Directors, with respect to the components of the remuneration plans.

It is emphasised and clarified that this policy does not impose any undertaking on the Company vis-à-vis its office holders.

1. Fixed salary components

Fixed salary – intended to remunerate the office holder for the time that he invests in performing his duties at the Company on an ongoing basis. Fixed salary reflects both the office holder’s skills and professional experience and the definition of his position, the characteristics and level of his position at the Company, including the authority and responsibility deriving therefrom.

Generally, the Company shall update or determine that the range of fixed monthly salary¹ for full-time office holders of the Company shall not exceed 75 percent of the fixed monthly salary of office holders in similar positions at similar companies as explained above.

The Company, at its discretion, may link the base salary of the office holders to the consumer price index.

In the event that the Company shall engage with the office holder through a management agreement for receipt of his services, the management fee ceiling will be equal to the ceiling of the fixed salary (base salary), plus the ceiling of the related and social benefits, as shall be defined, and plus V.A.T as required by law (if applicable), with the exception of reimbursement of expenses.

Related benefits – the terms of office and employment of the office holders include related and social benefits pursuant to law and Company practice.

Related benefits include, *inter alia*, leave, recuperation, contributions for provident payments and severance pay and contribution to a study fund.

The Company may provide the office holder, for the purpose of performance of his duties, with a mobile telephone, car, laptop etc., as the Company’s management shall determine. The Company may determine that it shall bear any and all expenses entailed by such related benefits, including gross-up of the tax thereon. Changes to the related benefits will be examined as part of the total fixed component in reference to the ratios defined by the Company between variable and fixed components in the remuneration package.

In any event, the related and social benefits specified above shall not exceed 40% of the gross monthly salary of the office holder (with the exception of reimbursement of expenses) and subject to the provisions of the relevant law.

The Company may also determine in its engagement with the office holder that it shall bear part or all of the office holder’s expenses which are incurred for the purpose of

¹ The fixed salary for this purpose is the gross base salary without the related and social components.

performance of his duties, including telephone, internet, accommodation (in and outside of Israel), *per diem*, hospitality, travel expenses in Israel and overseas, newspapers, professional literature, professional organisation membership fees etc.

2. Variable remuneration – target-based bonus

The variable component shall reflect the office holder's contribution to achieving the Company's targets and maximising its profits, in the short- and long-term, according to measurable criteria. The variable component will be determined in accordance with the Company's performance and the office holder's personal performance against the targets defined for him in the framework of performance of his duties according to his responsibilities.

The Company's remuneration policy is that significant weight is given to the meeting of targets, which derive from the Company's annual and multi-year work plan and/or the Company's strategic plan. The Company's targets express the Company's success on the whole in realising its plans, the contribution of the office holders to the Company's success and the Company's desire to remunerate office holders for meeting such targets.

The Company's remuneration policy, as set forth herein, determines that the more senior the office holder, the greater the proportional weight of the Company's targets out of the total targets.

The targets shall include measurable targets that reflect the Company's goals and strategy in the short- and long-term in order to create an identity of interests between the Company, the shareholders and the office holders, in promoting the Company's goals and strategy as aforesaid.

An immaterial part of the total variable remuneration components will be granted according to non-measurable (i.e. discretionary) criteria, considering the office holder's contribution, which cannot be measured by identified quantitative criteria.

The bonus which is based on measurable criteria shall derive from and be calculated based on the measurable targets but shall not exceed the bonus ceilings.

Variable remuneration calculation model

Applicability

The office holders who may be entitled to variable remuneration – a bonus, are: Chairman of the Board, CEO, CFO, Deputy CEO and any other office holder who reports directly to the CEO.

Components of the annual bonus mechanism

The amount of an office holder's annual bonus will be determined by a model which may include the following three parameters:

a) Meeting the Company's target which is subject to threshold conditions:

The office holder shall be entitled to an annual bonus for meeting the Company's target specified below only if the Company meets the following cumulative threshold conditions:

1. **Net Profit** – in the course of the relevant calendar year, the Company presents a consolidated net profit in its audited annual financial statements.
2. **Meeting financial covenants** – in the course of the relevant calendar year, the Company shall fully meet the financial covenants undertaken with respect to its creditors.

Failure to meet one or more of the threshold conditions specified above means that the office holders will not be entitled to the annual bonus for meeting the Company's targets in the relevant calendar year.

The Company's target is meeting the Company's annual ROE. "ROE" measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners and it calculated by dividing the ownership interest's net income with the average shareholders' equity. In this regard, "Average Shareholders' Equity" is the average of the book value according to the Company's consolidated financial statements (does not include minority interest).

Each year, the ROE rate shall be determined by the authorised organs of the Company, taking into consideration the following parameters: risk-free rate, the Company's liquidity needs, payment of the bonds and other loan balances, etc.

In addition, each year, the authorised organs of the Company shall determine the minimal rate of achievement, which shall be no less than 50%. Achievement of less than 50% of the Company target shall be deemed as failure to meet the relevant Company target. Each increase of 0.25% of the Company target shall entitle an additional 10% of the achievement of such target (on a straight line), up to a ceiling of 100%.

b) Meeting personal targets

On an annual basis, the personal targets of an office holder shall be defined by the Company's competent organs, as measurable, absolute and necessitating no exercise of discretion.

Determination of the personal targets for the Company's office holders and determination of the weight for each personal target as aforesaid shall be determined each year by the Company's Board of Directors considering the Company's plans for such year; and considering special tasks that shall be imposed on the office holder, if any.

These metrics may include, inter alia, the following targets: meeting the objectives of corporate governance, efforts to locate potential investments, credit line's conservation, etc.

At the date of approval of the remuneration policy, the minimum rate of achievement of each personal target that shall be defined which grants entitlement to remuneration for such targets, is 70%.

c) Discretionary bonus

The Company will be entitled to decide on the granting of an additional bonus to the Company's office holders, in whole or in part. In any event, the amount of the additional bonus shall not exceed 20% of the sum total of the annual bonus paid to an office holder.

The total variable remuneration (measurable and non-measurable components) will not exceed the ceilings of annual bonuses as defined below.

Weight of the components of the annual bonus mechanism

	Company Targets	Personal Targets	Discretionary	Total
Chairman of the Board	100%			100%
CEO	80%-100%	0% - 10%	0%-10%	100%
Other office holders ²	40%-80%	20% - 40%	0%-20%	100%

Mechanism for calculation of the measurable bonus

The mix and weight of the targets (Company target and personal targets) and the threshold of minimum achievement thereof, which grants entitlement to the measurable bonus, shall be determined each year by the Remuneration Committee and the Board of Directors.

If no personal targets and/or discretionary bonuses are defined for office holders in a given year, their weight will be transferred to the Company's target in the variable remuneration formula.

The remuneration for meeting the measurable targets (Company target and personal targets, if any) shall be calculated as follows: the product reached by multiplying the rate of achievement of the applicable target by the weight such target comprises in the remuneration formula, up to the ceiling of the bonus for office holders.

Ceilings of annual bonuses for the office holders

The ceiling of the annual personal bonus for the office holders is as specified below:

Office holder	Bonus Ceiling in Terms of Employment Cost Per Month³
Chairman of the Board	6
CEO	6
Other office holders ⁴	5

² Not including Chairman of the Board and CEO.

³ The employment cost per month for this purpose is the gross base salary, linked to the index, including the related and social benefits component, as of December of the year in respect of which the remuneration is being granted.

⁴ Not including Chairman of the Board and CEO.

Special bonus

The Remuneration Committee and Board of Directors may decide on granting a special bonus to office holders, as applied in this chapter, for long term objectives and / or other achievements, as defined by authorised functions in the Company; and shall be reviewed once every 3 years. It is to be noted, that special bonuses will be granted in the event that the Company did not meet the abovementioned annual threshold criteria.

Detailed below are the objectives / criteria according to which a special bonus will be granted (in terms of employment cost per month⁵):

Objectives/ Criteria	Chairman, CEO	CFO	Other Office Holders⁶
<u>Outstanding Company Achievements</u> – averaging 100% or more for 3 consecutive years.	✓	✓	✓
Ceiling of special bonus	2	1	0.5
<u>Unusual Transaction</u> - acquisitions, restructuring, merger, etc.	✓	✓	✓
Ceilings of Special Bonus	2	1	0.5
Total Ceiling of Special Bonus	4	2	1

Bonus Budget

Generally, the maximum annual bonuses (including special bonuses), for the office holders, shall not exceed the Company's consolidated net profit in its audited annual financial statements ("**Annual Bonus Budget**"). If the total annual bonus amounts exceed the Company's annual bonus budget, then each officer will receive, pro rata, his part of the Company's annual bonus budget.

⁵ The employment cost per month for this purpose is the gross base salary, linked to the index, including the related and social benefits component, as of December of the year in respect of which the remuneration is being granted.

⁶ Not including Chairman of the Board and CEO.

Additional issues:

1. Where there is an office holder who serves in two positions simultaneously, his **variable remuneration** (bonus) shall be subjected to the variable remuneration principles of the more senior position.
2. The Company's Board of Directors, at the recommendation of the Remuneration Committee, will be authorised to deduct up to 20% of the amount of the annual bonus, considering the business and financial condition of the Company.
3. **Timing of payment:** the bonus will be paid to the office holders in respect of each calendar year of the employment period, no later than the date of payment of the first salary following the approval of the financial statements.
4. **Partial bonus and qualification period:** the office holders entitled to variable remuneration shall have accumulated at least one year of seniority. If the office holder begins/ends his term before the end of the relevant remuneration year, the partial annual bonus will be calculated in respect of the year of commencement / expiration of his term, as follows: the sum of the bonus in accordance with the above calculation, multiplied by the ratio between the number of days on which the office holder worked at the Company and 365 days.
5. If the office holder did not work at the Company in practice on the date of entitlement to the bonus, the office holder will be entitled to a bonus in accordance with the ratio between the period of his actual employment at the Company in such year and a full year of employment (while achievement of the targets will be examined on a quarterly basis).
6. The calculation of an office holder's annual bonus, which is subjected to threshold conditions (if any) and the examination of the fulfilment of cumulative threshold conditions, will be performed, discussed and approved by the Company's Remuneration Committee and authorised by the External Auditor (as part of the annual financial statements audit).
7. Unless a personal employment agreement explicitly determines otherwise, any payment that is made to the office holder on account of variable remuneration according to this remuneration policy, if paid, is not and will not be deemed as part of the office holder's regular salary for all intents and purposes and will not constitute a basis for calculation or for entitlement or for accrual of any related right, including, and without derogating from the generality of the aforesaid, not as a component included in the payment of leave, severance pay, contributions to the provident funds etc.
8. **Taxation:** Unless the Company explicitly determines otherwise, insofar as any tax liability or other mandatory payment shall be levied on the variable remuneration (national insurance, national health tax etc.) in accordance with the plan, the office holder shall bear the same pursuant to law (insofar as it shall apply to the office holder pursuant to law).

3. Variable remuneration – capital component

The Company does not propose to grant equity based remuneration for office holders in the future.

4. Retirement conditions

The Company’s office holders are entitled to prior notice required by the relevant law and severance pay of up to 60 days.

The Company has the option of granting a retirement bonus to an office holder who retires, in accordance with the terms and conditions specified below, over and above the remuneration for the prior notice period.

Generally, if the Company terminates the employment relationship with the office holder at the Company’s initiative, the retirement bonus will not exceed 6 fixed monthly salaries⁷. If the office holder ends the employment relationship with the Company at his initiative, the ceiling of the retirement bonus will be according to the following table:

Minimum Seniority (Years)	Retirement Bonus Ceiling in Terms of Fixed Monthly Salaries
One year	2
Two years	4
Three and above	6

Upon determination of the granting of a retirement bonus to an office holder of the Company (if approved), the Company’s Board of Directors, considering the Remuneration Committee’s recommendation, shall consider, *inter alia*, the following parameters: the period and terms and conditions of the office and employment, the Company’s performance in the said period and the office holder’s contribution to the achievement of the Company’s targets and to maximising its profits, and the circumstances of the retirement (without harm to the Company).

5. Ratio between variable and fixed components in the remuneration package

With respect to the Chairman of the Board and the CEO, the variable remuneration component shall not exceed 45% of the total remuneration package for an office holder.

With respect to CFO, the variable remuneration component shall not exceed 40% of the total remuneration package for an office holder.

With respect to other office holders, the variable remuneration component will not exceed 35% of the total remuneration package for an office holder.

6. Reimbursement of variable remuneration in the case of an error

⁷ The fixed salary for this purpose is the gross base salary, without the related and social components, as of December of the year in respect of which the remuneration is being granted.

If it transpires that an annual bonus or part thereof that was paid to an office holder was calculated on the basis of figures which transpired, within 3 years from the date of payment of the relevant bonus, to be erroneous – the office holder shall return to the Company, or the Company shall pay the office holder, as the case may be, the difference between the sum of the bonus that he received and that to which he was entitled due to the said amendment (while weighting differences, if any, in tax liabilities and payments which apply to an office holder and/or which were paid by him).

In addition, reimbursement as aforesaid, shall not apply in a case of an update or amendment of the financial statements as a result of a modification of the accounting standardisation or the reporting rules.

Reimbursement of the said amounts will be made, on the date of payment of the first salary after the date of approval of the revised financial statements. In addition, the reimbursement of the said amounts will be made by way of setoff or addition (as the case may be) to the annual bonus in the following year, while the balance, if any, will be settled or paid (as the case may be) in the framework of the monthly salary in 12 instalments.

7. The ratio between the terms of employment of the office holder and the terms of employment of the Company’s additional employees

The Company’s Board of Directors and the Remuneration Committee shall examine the ratio between the terms of office and employment of the Company’s office holders and the terms of employment of the Company’s other employees, and particularly the ratio relative to the average and median salary of such employees, and shall opine on the effect of such ratios on working relations at the Company, the reasonableness of the salary of the Company’s office holders in view of the Company’s type, size and mix of employees.

As of the date of approval of the remuneration policy at the Company⁸, set forth below is a specification of the ratio between the cost of the office holders’ salary and the average and median cost of the salary of the Company’s other employees:

	The ratio between the cost of the office holder’s salary and the <u>average</u> salary of <u>other</u> employees	The ratio between the cost of the office holder’s salary and the <u>median</u> salary of <u>other</u> employees
CEO	2.17	2.52
CFO	1.89	2.28

⁸ The calculation of the ratios is based on the salary cost figures in June 2014, including fractions of payments made on an annual basis.

8. Office Holders – Holding Company

On an annual basis, the accounting with respect to employment's scope and payment of the fixed remuneration components (excluding any bonus payments) as defined in this policy document for an office holder who provides his services both at the Company and at its Holding Company⁹, will be determined by the Company's Remuneration Committee and the Board of Directors.

9. Directors' remuneration

Directors of the Company will be entitled to remuneration that shall not exceed the greater of: (i) remuneration according to the Companies Regulations (Rules regarding Remuneration and Expenses of an Outside Director), 5760-2000 (the “**remuneration Regulations**”) and the Companies Regulations (Exemptions Regarding Companies Traded on Foreign Stock Exchanges). 5760-2000; and (ii) GBP 30,000 per year, such amounts to be paid quarterly in respect of annual remuneration and remuneration for attendance at board or committee meetings, subject always to approvals required by law.

In addition, the Company may enter into an agreement with a director to receive additional services, such as professional consulting, subject to the provisions of the law.

10. Exemption, indemnification and insurance

An office holder of the Company (including the directors and the Chairman of the Board of Directors, and including such who are controlling shareholders of the Company and their relatives, if any) may be entitled, in addition to the remuneration package as stated in this remuneration policy, and subject to the approval of the organs authorised therefor in the Company, to office holder's liability insurance and indemnification arrangements in respect of their liability as office holders as is customary, all subject to the provisions of any law and the Company's articles of association.

For the purpose of office holder's liability insurance, the Company may engage in a policy for insurance of the liability of office holders and directors of the Company (including such who are controlling shareholders of the Company and their relatives, if any), in consideration for an annual premium as is acceptable in similar companies.

As at the date hereof, current office holders of the Company benefit from indemnity and insurance arrangements as approved by the Company's annual general meeting held on 8 December, 2009 (the results of which were announced by the Company that same day). Such arrangements may be modified subject to approvals as required by law. To the extent that the Company seeks to modify or add to such arrangements, the approval of the Remuneration Committee, Board of Directors and shareholders of the Company will be sought, as applicable and in accordance with law.

⁹ As of the date of approval of the remuneration policy, B.S.D. Crown Ltd.'s Holding Company is BGI Investments (1961) Ltd.