

# **Delek Drilling – Limited Partnership**

## **(The “Partnership”)**

July 13, 2020

Israel Securities Authority  
22 Canfei Nesharim Street  
Jerusalem

Tel Aviv Stock Exchange Ltd  
2 Ahuzat Bayit Street  
Tel Aviv

Dear Sir/Madam,

### **Re: Immediate Report on Notice of a Special General Meeting of the Participation Unit Holders**

In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and the provisions of the Partnerships Ordinance [New Version], 5735-1975 (the “**Partnerships Ordinance**”) which imposes certain provisions of the Companies Law, 5759-1999 (the “**Companies Law**”) and the regulations promulgated thereunder, and the trust agreement of July 1, 1993 (and as amended from time to time) signed between Delek Drilling Trusts Ltd. (the “**Trustee**”) and Fahn Kanne & Co. – Accountants jointly with Keidar Supervision and Management (the “**Trust Agreement**”<sup>1</sup> and the “**Supervisor**”, respectively), the Partnership respectfully notifies of the calling of a special general meeting of the holders of participation units issued by the Trustee, as follows:

#### **1. Time and location of the Meeting**

The Meeting shall take place on Tuesday, August 18, 2020 at 16:00, via **Zoom**.<sup>2</sup> The meeting’s details are as follows:

Meeting URL: <https://zoom.us/j/98750928226>  
Meeting ID: 987 5092 8226

Only unit holders holding Units on the Record Date shall be entitled to participate.

#### **2. The issues on the agenda and language of the proposed resolutions**

##### **2.1. Issues No. 1 and 2 – Approval of a budget for the Supervisor for the purpose of engagement with an expert attorney**

Further to the description in Sections 7.22.2 and 7.22.3 of the Partnership’s 2019 periodic report which was released on March 30, 2020 (Ref. no.: 2020-01-032010) (the “**Periodic Report**”), in connection with Section 19 of the Taxation of Profits from Natural Resources Law, 5771-2011 (“**Section 19**”), the Partnership and the

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<sup>1</sup> As published in the Partnership’s immediate report of May 22, 2017 (Ref. no.: 2017-01-043009).

<sup>2</sup> In accordance with the ISA Staff Notice of March 16, 2020, regarding the holding of board meetings and general meetings through means of communication during the period of restrictions to prevent the spread of the Corona virus.

General Partner intend to file a motion with the Tel Aviv District Court, in the context of which the court will be moved, *inter alia*, to determine the appropriate arrangements for striking a balance between individuals and corporations holding participation units, in view of tax payments that the Partnership is required to make pursuant to Section 19, including, with regard to tax payments due to assessment differences that may derive from final tax assessments, and with regard to previously made tax payments, for the 2015-2016 tax years (the “**Legal Proceeding**”).

For the Supervisor to be able to present to the court, in the context of the Legal Proceeding, an independent position on its behalf, the Supervisor has requested to add it as a respondent in the motions which will be filed in the context of the Legal Proceeding, in addition to the holders of the participation units in the Partnership, and that a budget will be approved therefor in order to retain the services of an expert attorney to represent it in the aforesaid proceeding, in accordance with Section 11.1 of the Trust Agreement, and in accordance with one of the alternatives that are proposed in Issues 1 and 2 on the agenda, as follows:

2.1.1. Issue No. 1 – Approval of a budget for the Supervisor for the purpose of engagement with Adv. Dr. Eyal Geva and Matry, Meiri & Co., Law Offices

It is proposed to approve a budget for the Supervisor for the purpose of obtaining legal advice and representation in the Legal Proceeding in relation to Section 19 through Adv. Dr. Eyal Geva and Matry, Meiri & Co., Law Offices, in accordance with the legal fee quotation attached as **Annex A** hereto.

Language of the proposed resolution

“To approve a budget for the Supervisor for the purpose of engagement with Adv. Dr. Eyal Geva and Matry, Meiri & Co., Law Offices, for the purpose of representation of the Supervisor as a respondent in the Legal Proceeding in relation to Section 19 of the Taxation of Profits from Natural Resources Law, 5771-2011, as specified in Section 2.1.1 of the notice of meeting report, in accordance with the fee quotation attached as **Annex A** hereto”.

2.1.2. Issue No. 2 – Approval of a budget for the Supervisor for the purpose of engagement with Adv. Dr. Zeev Holender

It is proposed to approve a budget for the Supervisor for the purpose of obtaining legal advice and representation in the Legal Proceeding in relation to Section 19 through Adv. Dr. Zeev Holender, in accordance with the fee quotation attached as **Annex B** hereto”.

Language of the proposed resolution

“To approve a budget for the Supervisor for the purpose of engagement with Adv. Dr. Zeev Holender, for the purpose of representation of the Supervisor as a respondent in the Legal Proceeding in relation to Section 19 of the Taxation of Profits from Natural Resources Law, 5771-2011, as specified in Section 2.1.2 of the notice of meeting report, in accordance with the fee quotation attached as **Annex B** hereto”.

**It is clarified that a vote “in favor” may be cast with regard to only one of resolutions no. 1 and no. 2. A holder voting “in favor” of more than one resolution, his vote shall not be counted and shall not be taken into account.**

2.2. **Issue No. 3 – Amendment of Section 13.1 of the compensation policy regarding D&O insurance**

Against the backdrop of the continuation of the Covid-19 crisis, and in view of the dramatic increase in the price of the premiums in the insurance market of D&O liability insurance policies, as specified in Section 3 below, it is proposed to amend Section 13.1 of the officer compensation policy in the Partnership and the General Partner, as the same was approved by the meeting of the unit holders on July 10, 2019 (the “**Current Compensation Policy**”), regarding the purchase of D&O insurance policies (the “**Insurance Policies**”).

In accordance with the proposed amendment, the compensation committee shall be authorized to determine the amounts of the premium and excess in the Insurance Policies to be purchased by the Partnership, according to the market conditions as being on the date of purchase of the Insurance Policies and after consulting with an expert advisor in this field of insurance, subject to the insurance limits of liability in the Insurance Policies as defined in the current compensation plan, which shall remain unchanged.

The language of the proposed amendment to Section 13.1 of the Current Compensation Policy in the context of Issue No. 3 on the agenda, redlined, is attached as **Annex C** hereto.

Language of the proposed resolution

“To approve an amendment to Section 13.1 of the Partnership’s Current Compensation Policy, as specified in Section 2.2 of the notice of meeting report.”

For explanatory notes in relation to Issue No. 3 on the agenda see below in Section 3.

### 3. **Further details regarding Issue No. 3 on the agenda**

#### 3.1. The Insurance Policies effective on the report date and the previous compensation policy

On December 16, 2019 the compensation committee and the board of directors of the General Partner approved the purchase of a D&O liability insurance policy in the context of the group insurance policy of Delek Group Ltd., the control holder of the Partnership (the “**Group Policy**”) and in the context of an independent insurance policy of the Partnership (the “**Independent Policy**”, and together with the Group Policy, the “**Previous Policies**”). For additional details on the Previous Policies see Regulation 22(i) in Chapter D of the Periodic Report.

#### 3.2. The Current Compensation Policy

The Current Compensation Policy, which was approved on July 10, 2019 as aforesaid, sets forth conditions in Section 13.1 with regard to the purchase of D&O liability insurance policies, including the following conditions:

- 3.2.1. The total insurance limit of liability (in the Independent and/or Group Policy) shall not exceed US \$300 million per occurrence and in the aggregate;
- 3.2.2. The total annual premium to be paid by the Partnership (for the Independent and/or Group Policy) shall not exceed US \$800 thousand, plus up to 15% per annum (i.e., up to US \$920 thousand per annum, as of the date of this report);
- 3.2.3. The Partnership’s excess amount shall not exceed \$250 thousand per occurrence;
- 3.2.4. In addition to the aforesaid, the Partnership may exercise an option for the purchase of runoff insurance with a limit of liability that shall not exceed \$300 million per occurrence and in the aggregate, with a premium that shall not exceed \$350 thousand (and relatively for the period for which it will apply) and with an excess amount not exceeding \$100 thousand.
- 3.2.5. In addition to the aforesaid, the Partnership may purchase liability insurance policies that derive from public offerings of securities according to prospectuses by the Partnership and/or a subsidiary, in the event of such offerings (below in this section, the “**Offerings**” and “**POSI Policy**”, respectively), with each POSI Policy in relation to each Offering including the following conditions: a limit of liability of up to \$300 million per occurrence for a period of up to approx. 7 years from the date of the Offering and in addition, reasonable trial costs over and above the limit of liability, to insure the following insureds: the employees and/or officers of the Partnership, the General

Partner and a subsidiary; the Partnership and/or the General Partner for their liability in connection with the prospectus and their liability for indemnification of specific third parties in relation to the prospectus. The insurance premium for the Partnership's engagement in the POSI Policy shall not exceed \$150 thousand per annum, plus up to 15% per annum, and the excess shall not exceed \$500 thousand per claim.

- 3.3. Since the term of the Previous Policies has expired as aforesaid on June 30, 2020, and in view of the dramatic adverse changes that occurred in the D&O liability insurance market, as will be specified below, especially following the Covid-19 crisis, in June 2020 the Partnership exercised options which were available thereto in the context of the Previous Policies, to purchase runoff insurances that cover events until June 30, 2020, for seven years from July 1, 2020, up to the total insurance limit of liability of \$250 million, in consideration for payment of a premium in the total amount of approx. \$975 thousand for the entire period (approx. \$140 thousand per annum), and an excess amount of up to \$250 thousand per claim, according to the conditions of the Current Compensation Policy (the "**Runoff Policy**").
- 3.4. As aforesaid, the Runoff Policy covers events until June 30, 2020, and in order to supplement the insurance coverage for the period commencing on July 1, 2020, the Partnership is required to purchase an additional insurance policy which covers such events (the "**New Policy**").
- 3.5. As the Partnership was informed by its insurance consultant, the D&O liability insurance market has recently dramatically changed, after many insurers have suffered significant losses. Against the backdrop of the many claims in the D&O insurance sector and in view of significant adverse changes in the industry in general, and with regard to corporations that operate in the energy sector in particular, *inter alia*, in view of both the global and the domestic economic crisis as a result of the Covid-19 outbreak, on the report date there is a genuine difficulty to purchase a new insurance policy whose conditions are similar to those of the Previous Policies, and insofar as such an insurance policy can be obtained, the amount of the premium and the excess required thereunder are significantly higher than the costs and the conditions of the Previous Policies.
- 3.6. Resolutions of the compensation committee and the board of directors of the General Partner
  - 3.6.1. In view of the condition of the insurance market as described above, and in accordance with the recommendation of the insurance consultant, the compensation committee and the board of directors of the General Partner decided, in their meetings of June 30, 2020, to approve the purchase of a New Policy, whose main conditions are as follows:

- a. A limit of liability of \$110 million plus reasonable trial costs;
- b. A premium of \$1.1 million;
- c. Excess in the amount of up to \$250 thousand per claim and without excess for the officer himself.

In addition thereto, it was decided to authorize the Partnership's management to purchase supplemental insurance coverage of \$40 million more (over and above the \$110 million), in consideration for payment of an additional premium, such that the total annual premium for the New Policy shall not exceed \$1.5 million.

The aforesaid resolutions were adopted after the compensation committee and the board of directors examined the conditions of the New Policy as aforesaid and reached the conclusion that the engagement is at market conditions and will not materially affect the profitability, assets or liabilities of the Partnership.

- 3.6.2. In addition to the aforesaid, in view of the dramatic increase in price of the premiums and the amounts of the excess in the Insurance Policies that can be purchased on the report date, the compensation committee and the board of directors adopted a resolution on the amendment of Section 13.1 of the Current Compensation Policy as specified in Issue No. 3 above, in order to enable the Partnership to purchase Insurance Policies that do not deviate from the insurance limits of liability set forth in the Current Compensation Policy however, the amount of the premium and the excess thereunder is higher than the maximum amounts determined in the Current Compensation Policy.

Note in such context that against the backdrop of the dramatic changes in the D&O liability insurance market and in view of many requests that were made to the Securities Authority (the "ISA") in the matter, on July 1, 2020 the ISA released an update to the legal position on compensation policies (best practice).<sup>3</sup> In the context of the position update, the ISA staff changed its position that, for the purpose of use of the relaxation under Section 1B1 of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000, the compensation policy is required to make reference to the elements of the insurance policy (premium, a framework for changes during the three year term, limits of liability and excess). In the position update, the ISA stated that for the

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<sup>3</sup> See Section 10 of the ISA's position at:

[http://www.isa.gov.il/%D7%92%D7%95%D7%A4%D7%99%D7%9D%20%D7%9E%D7%A4%D7%95%D7%A7%D7%97%D7%99%D7%9D/Corporations/Staf\\_Positions/SLB\\_Decision/Control\\_Oner/Documents/05102016\\_1.pdf](http://www.isa.gov.il/%D7%92%D7%95%D7%A4%D7%99%D7%9D%20%D7%9E%D7%A4%D7%95%D7%A7%D7%97%D7%99%D7%9D/Corporations/Staf_Positions/SLB_Decision/Control_Oner/Documents/05102016_1.pdf)

purpose of use of the aforesaid 1B1 relaxation, it is enough that the specification provided in the compensation policy will include reference to the scope of the insurance coverage, so long as the cost of the premium and the amount of the excess will be according to the market conditions on the date of the taking out of the policy, and the cost is immaterial to the Partnership.

- 3.6.3. The directors who participated in the compensation committee meeting of June 30, 2020 are: Mr. Jacob Zack; Mr. Ronnie Bar-On; Mr. Amos Yaron; and Mr. Efraim Sadka.

The directors who participated in the board meeting of June 30, 2020 are: Mr. Gabriel Last; Ms. Leora Pratt Levin; Mr. Barak Mashraki; Mr. Jacob Zack; Mr. Ronnie Bar-On; Mr. Amos Yaron; and Mr. Efraim Sadka. At the board meeting, none of the board members opposed the approval of the proposed amendment to the Current Compensation Policy, as specified in Section 3 above.

#### **4. Details with respect to the convening of the Meeting**

##### **4.1. Required legal quorum and adjourned meeting**

No discussion will be opened at the general meeting, unless a quorum is present when the meeting turns to do so, and no resolution will be adopted, unless a quorum is present when the resolution is voted upon.

A quorum will be formed when two unit holders, who together hold Units that represent no less than 50% of the Units issued by the Trustee until the business day preceding the meeting, are present in person or by proxy.

If a quorum is not present 30 minutes after the time scheduled for the meeting, the meeting will be adjourned to the same day the following week at the same time and place (via **Zoom**, the details of which are as specified above), i.e., Tuesday, August 25, 2020, at 16:00, without there being an obligation to inform the unit holders thereof, or to any other day, time or place as the Trustee, with the supervisor's consent, shall determine in a notice to the unit holders.

If no quorum is present at such adjourned meeting 30 minutes after the scheduled time, two unit holders present in person or by proxy shall then constitute a quorum, and the meeting will be at liberty to address the issues for which it was called. If no such quorum is present at an adjourned meeting – the meeting will be cancelled.

For quorum purposes, two proxies of one registered unit holder which is a nominee company (i.e., a company the sole business of which is holding securities on behalf of others), who participate in the meeting by virtue of powers of attorney granted to them, in respect of different

Units, by the same registered unit holder, shall also be deemed “two unit holders”.

4.2. **The required majority**

4.2.1. The majority required for adopting the resolutions proposed in Issues No. 1 and 2, is a simple majority of the Units whose holders participated and voted in the Meeting as aforesaid, provided that count of all votes of the participation unit holders at the general meeting included neither the vote of the General Partner or the control holder thereof or holders of a personal interest in the approval of the appointment, other than a personal interest which does not result from a connection to the General Partner or the control holder thereof, nor the abstaining votes.

**To clarify, the resolution that will be adopted is the one that will receive the largest number of votes of the attendees at the meeting who shall have voted “for” or “against” in one of resolutions 1 and 2 that are on the agenda, subject to the majority required for the adoption of the resolutions as aforesaid.**

4.2.2. The majority required for adopting the resolution proposed in Issue No. 3 is a majority of the votes, provided that one of the following conditions are fulfilled:

- (a) The count of the majority votes at the general meeting shall include a majority of all of the votes of the participation unit holders participating in the vote that are not the company of the General Partner or the control holder thereof or holders of a personal interest in the approval of the policy update; in the count of all of the votes of such participation unit holders the abstaining votes shall not be taken into account;
- (b) The total of dissenting votes in the vote from among the participation unit holders mentioned in Subsection (a) above, shall not exceed the rate of two percent of all voting rights of the participation unit holders.

4.3. **Record date and proof of ownership**

4.3.1. The record date for establishing the right to vote in accordance with Section 182 of the Companies Law and Section 3 of the Companies Regulations (Voting in Writing and Position Statements), 5766-2005, is Tuesday, July 21, 2020, at the end of the trading day on the Tel Aviv Stock Exchange Ltd. (the “**Record Date**”).



4.3.2. In accordance with the Companies Regulations (Proof of Shareholding for the purpose of Voting at a General Meeting), 5760-2000, a unit holder, to whose credit a participation unit is registered with a TASE member, and such Unit is included in the Units listed in the name of the nominee company in the participation units register (“**Unregistered Unit Holder**”), shall furnish the Partnership with confirmation by the TASE member with which the Unit is registered to his credit of his ownership of the Unit on the Record Date, in accordance with the provisions of the aforesaid Regulations and the form in the Schedule of the aforesaid Regulations.

4.3.3. In addition, an Unregistered Unit Holder may instruct that his ownership confirmation be transferred to the Partnership by means of the electronic voting system operating under Title B of Chapter G2 of the Securities Law (the “**Electronic Voting System**”).

#### 4.4. **Voting**

##### 4.4.1. General

With respect to the resolutions on the agenda of the Meeting, a unit holder may vote via voting card or via an electronic voting card that shall be transferred to the Partnership by means of the Electronic Voting System. If a unit holder votes by more than one means, his later vote shall be counted.

##### 4.4.2. Voting through a voting card and position statements

A unit holder may vote at the Meeting by means of the voting card annexed hereto.

Voting via the voting card will be effected by Part Two of the voting card, as posted on the distribution website.

The deadline for the delivery of voting cards for unit holders who are registered in the unit holders’ register is up to six (6) hours prior to the time of convening of the Meeting, i.e., Tuesday, August 18, 2020, by 10:00, and for Unregistered Unit Holders – up to four (4) hours prior to the convening of the Meeting, i.e., Tuesday, August 18, 2020, by 12:00.

The deadline for the delivery of position statements by unit holders is up to 10 days prior to the date of convening of the Meeting, i.e. until Saturday, August 8, 2020 The Partnership will publish such position statement by no later than one business day after receipt thereof. A position statement that includes the response of the General Partner’s board of directors may be submitted up to seven days prior to the date of

convening of the Meeting, i.e. – by no later than Tuesday, August 11, 2020.

A TASE member shall send by email, free of charge, a link to the language of the voting card and the position statements on the distribution website, to any unit holder not registered in the unit holders register and whose Units are registered with such TASE member, unless the unit holder shall have notified that he does not wish to receive the same, provided that the notice was given for a specific securities account and on a date that precedes the Record Date.

A unit holder whose Units are registered with a TASE member is entitled to receive the confirmation of ownership from the TASE member by which he holds his Units, at a branch of the TASE member or by postal delivery to his address for a charge of postage only, if he so requests, and a request on this matter shall be given in advance for a specific securities account.

The Partnership shall send the unit holders registered in the unit holders register, free of charge, a voting card on the date of release of this notice.

#### 4.4.3. Voting through the electronic system

After the Record Date, upon the receipt of an identifying number and an access code from the TASE member and after an identification process, an unregistered unit holder will be able to vote via the electronic system. The deadline for voting via the electronic system is up to six (6) hours before the time of convening of the meeting, i.e., Tuesday, August 18, 2020, by 10:00.

#### 4.5. Changes in the agenda

After the release of this notice report, there may be changes in the agenda, including the addition of an issue to the agenda, and the up-to-date agenda will be available for inspection in the Partnership's reports posted on the TASE website at: [www.maya.tase.co.il](http://www.maya.tase.co.il) and on the ISA distribution website at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

According to the provisions of Section 65DD(b) of the Partnerships Ordinance and Section 14.1(e) of the Trust Agreement signed between the limited partner (the Trustee) and the Supervisor, one or more unit holders, holding at least one half of a percent (0.5%) of all of the participation units of the Partnership, may request the board of directors to include an issue in the agenda of the general meeting by submitting a request that shall be delivered to the Partnership up to seven (7) days after the meeting is called, provided that the issue is suitable for discussion by the general meeting.

If the board of directors of the General Partner deems an issue that has been requested to be included in the agenda to be suitable for discussion by the general meeting, an updated agenda shall be prepared and posted on the distribution website (as specified below) no later than seven (7) days after the deadline for the delivery of a request by a participation unit holder for the inclusion of an issue in the agenda, as aforesaid. It is clarified that the release of an updated agenda does not change the Record Date as determined in the notice of the Meeting.

4.6. **Notice of the existence of a personal interest and additional information required**

4.6.1. A participation unit holder who participates in the vote shall notify the Partnership before voting at the Meeting, or – if the vote is via voting card – on the voting card, or if the vote is by electronic voting card, in the space designated therefor in Part Two of the electronic voting card, whether or not he has a personal interest in the approval of the engagement.

4.6.2. A participation unit holder who fails to notify the Partnership of the existence or absence of personal interest in the approval of the resolution shall not vote and his vote shall not be counted.

4.7. **Inspection of documents**

The language of the immediate report, position statements and voting card are available for inspection on the TASE website at: [www.maya.tase.co.il](http://www.maya.tase.co.il) and on the ISA distribution website at: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

Sincerely,

**Delek Drilling Management (1993) Ltd.,  
the General Partner**

By: Yossi Abu, CEO  
and Yossi Gvura, Deputy CEO

**Annex A**

**Fee quotation of Adv. Dr. Eyal Geva and Matry, Meiri & Co., Law Offices, in accordance with the resolution on Issue No. 1 on the agenda**

**Annex B**

**Fee quotation of Adv. Dr. Zeev Holender, in accordance with the resolution on  
Issue No. 2 on the agenda**

**Annex C**

**Section 13 of the updated compensation policy, redlined – in accordance with the resolution on Issue No. 3 on the agenda**

### 13. Insurance Exemption and Indemnification of Directors and Officers

#### 13.1. Officers Liability Insurance

13.1.1 The directors and Officers may be entitled to be included in the directors and officers liability insurance policy to be taken out by the Partnership (“**Independent Policy**”) and/or the controlling shareholder of the General Partner (“**Group Policy**”), in accordance with the approvals required under law. The insurance liability cap in an Independent Policy and/or in a Group Policy shall not exceed US \$300 million per occurrence and in the aggregate. The Partnership may take out an Independent Policy if it elects not to be included in the Group Policy or if it elects to take out a policy to cover the difference between the actual insurance liability cap in the Group Policy and the insurance liability cap as aforesaid. The annual premium cap, both for an Independent Policy and for a Group Policy (the Partnership's share) and the Partnership's excess cap shall be determined by the compensation committee in accordance with the market conditions as being on the date of purchase of the Insurance Policies, after consulting with an expert advisor in the field of D&O liability insurance.

13.1.2 The Partnership shall be entitled to purchase liability insurance policies deriving from public offerings by the Partnership and/or a subsidiary of securities pursuant to prospectuses, in the event of such offerings (hereinafter in this section: the “**Offerings**” and “**POSI Policy**” respectively) where each POSI Policy in connection with each offering shall include the following conditions: Liability cap of up to \$300 million per event for a period of up to approx. 7 years from the offering date, plus reasonable trial costs beyond the liability cap, to insure the following insureds: Employees and/or officers in the Partnership, the General Partner and a subsidiary; The Partnership and/or the General Partner for their liability regarding the prospectus and their liability to indemnify certain third parties in connection with the prospectus. The premium for the POSI Policy and the excess of the Partnership shall be determined by the compensation committee in accordance with the market conditions as being on the date of purchase of the POSI Policy, after consulting with an expert advisor in the field of D&O liability insurance.

13.1.3 In addition, in the event that the Officers' liability insurance policy has not been renewed, for any reason, and in any other case in which it is required to do so, the Partnership shall be entitled to approve the activation of the sections for the extension of a discovery period of up to 7 years and to purchase

run-off insurance. The maximum liability limits of a run-off policy purchased by the Partnership shall not exceed US \$300 million per event and for the policy period. Such insurance shall be made in consideration for payment by the Partnership of a premium and the excess of the Partnership that shall be determined by the compensation committee in accordance with the market conditions as being on the date of purchase of the Insurance Policies, after consulting with an expert advisor in the field of D&O liability insurance.

13.1.4 The Partnership and the General Partner shall be entitled, subject to any law and the approval of the authorized organs, at any time during the Compensation Policy period to purchase D&O liability insurance policies (including control holders serving as directors and officers and/or directors/officers with whom the control holders have a personal interest, as serving from time to time), which also include the Officers and directors serving in a subsidiary of the Partnership, including coverage to the General Partner for its liability, and to extend and/or renew the existing insurance policy and/or enter into a new policy on the renewal date or during the insurance period, with that same insurer or other insurer in Israel or overseas (the “**Insurance Policies**”), provided that such engagements are at market prices and will not have a material effect on the Partnership’s profitability, its assets or liabilities and will be based on the fundamental terms and conditions specified above. Insofar as the above Policies are extended to cover civil claims against the Partnership itself (as distinguished from claims against its Officers) concerning Entity Coverage for Securities Claims, payment arrangements shall be determined for such extension with respect to insurance benefits, if any, whereby the right of the Officers to receive indemnification from the insurers precedes the Partnership’s right.

### 13.2. Indemnification

The directors and Officers may be entitled to indemnification subject to the approvals required under law, in a total amount of up to 25% of the Partnership's equity on the date of exercise of the indemnification.

### 13.3. Exemption from liability

Subject to the provisions of any law, an Officer (including for the avoidance of doubt, a director and external director) including an Officer who is a control holder or relative thereof shall be entitled to receive a letter of exemption from liability in such language as shall



approved by the authorized organs. Such exemption shall not apply to a resolution or transaction in which the control holder or any Officer (also another Officer for whom the exemption is granted) has a personal interest.<sup>4</sup>

- 13.4. All of the officers who currently hold office in the Partnership and the General Partner, and officers who will hold office in the Partnership and the General Partner from time to time (including directors and outside directors), are entitled to receive from the Partnership letters of exemption and indemnification in the language which is customary with the Partnership, as updated from time to time. The current language of the letters of exemption and indemnification for officers is attached as **Annex C** to the notice of meeting report of the general meeting that was convened for the approval of this Compensation Policy. It is clarified that the approval of this Compensation Policy by the compensation committee, board of directors and general meeting of the unit holders shall also constitute an approval for the granting of letters of exemption and indemnification to officers, as aforesaid.

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<sup>4</sup> It is noted that as of this date, some of the Officers serving in the General Partner and in the Partnership were granted, in accordance with the approvals of the organs in the General Partner and in the Partnership, letters of exemption, in a form that does not include the said exclusion. It is clarified, for the avoidance of doubt, that in accordance with the provisions of Section 3 above, this Compensation Policy does not derogate from the validity of letters of exemption and indemnification previously issued to Officers in the Partnership or the General Partner.