

ESG POLICY – REALITY GROUP

1. Background

REALITY GROUP (hereinafter: "**REALITY**" or the "**Group**") sees the integration of Environmental, Social, and Governance (ESG) principles as an integral part of its business operations and commitment to creating long-term value for all its stakeholders.

Ethical investment management, which considers the environment and society, naturally aligns with REALITY's corporate responsibility ethos based on the Group's values, our vision for the future of real estate, and our deep commitment to Israel's economy and community.

Responsibility, partnership, proactivity, professionalism, and creativity are the core values that underpin our corporate and business culture. Guided by these values, we have developed our ESG approach and the Group's Policy in this area.

We believe that high-quality real estate planning that addresses the needs of the city, contributes to the local economy, and strengthens surrounding communities is vital to achieving risk-adjusted returns over time. Therefore, we actively incorporate ESG principles into our value-add and risk management strategies, thus ensuring the resilience of our operations for future challenges.

Our ESG approach is reflected in every aspect of the Group's activity, as we uphold responsible conduct across business, social, and environmental domains. This commitment is further strengthened by our focus on developing human capital and building a high-quality organizational infrastructure that fosters innovation and boldness.

This Policy document examines how we integrate sustainability factors, social responsibility, and good corporate governance considerations into our investment and decision-making processes, as well as various initiatives we undertake in this field.

As the Group expands, our sphere of influence and responsibility towards stakeholders grows as well. While our commitment to corporate responsibility is ingrained throughout the organization, the specific implementation of ESG considerations may vary between our Funds according to their specific investment strategy, sector, and geography. We are continually investing resources in improving our reporting practices and expanding the ESG policy in alignment with the Group's objectives, investor expectations and public sentiment.

2. ESG Department

In our commitment to broadening and deepening the ESG approach in the Group, we have established a dedicated ESG Department that works in collaboration with management and staff. The department is headed by the ESG Manager, who is responsible for setting goals, overseeing and developing initiatives, and reporting to stakeholders. To ensure the implementation of the

ESG Policy and objectives across the organization and its departments, we've established a team of ESG trustees. This team includes at least one representative from each department.

3. Objectives

To translate REALITY's vision on ESG issues into action, we identified the most material ESG factors for our business, where we believe we can create the greatest value for stakeholders. Following an in-depth process guided by external professional advisors, we have set future organizational objectives at both the Group and departmental levels. Additionally, each department defines its own environmental, social, or governance goal according to its choice.

4. ESG Considerations in Investment Management (REALITY EQUITY)

Real estate initiation and development have significant effects on the city landscape and the quality of life of residents in the area. We therefore recognize our responsibility for value-add processes and their implications on the urban, social, and environmental fabric.

REALITY EQUITY has developed a responsible investment methodology that considers ESG principles and strives to create shared value for stakeholders, the community, and the environment throughout every stage of the holding period and post-asset realization.

REALITY champions data-based urban development and commissions independent studies by external experts to accurately assess environmental needs and the requirements of the local authority and the residents, in addition to analyzing present and future barriers in the property. The conclusions of these studies, combined with other business and investment considerations, form the basis of the value-add plan, decision-making processes, and risk management strategies throughout the investment lifecycle.

Our value-add plans are developed by multidisciplinary teams that combine planning, legal, and economic factors with environmental and social considerations, such as the impact on arts and culture, employment opportunities, resident well-being, and more while considering current and future needs. We foster close collaboration with local authorities, residents, tenants, visitors, and all stakeholders across the entire property value-add process.

4.1. Initiation and Acquisition

Our focus is on identifying properties with unrealized potential in densely populated areas. These properties may not currently meet the needs of the local community, align with existing transportation infrastructure, or contribute to urban renewal efforts in Israel. The due diligence process includes a comprehensive analysis of the land's current and potential uses, statutory considerations, and property history, together with an examination of the environmental and social impact of the property on the local community.

4.2 Planning and Value-add Development

REALITY prioritizes inclusive city planning that fosters vibrant living environments with ample opportunities for residents. We develop a comprehensive value-add strategy, considering both short-term and long-term benefits for the public.

The value-add plan is designed to generate shared value for all stakeholders within the area, including local authorities, communities, residents, business owners and entrepreneurs.

Economic Sphere

- Optimizing land use and zoning: maximizing the potential of land inventory, rezoning, and conducting physical rearrangement of the area to conform with the city, district and national outline plans and contribute to local revitalization efforts.
- Enhancing economic activity: planning high-quality complexes with excellent accessibility to transportation networks, encouraging foot traffic and fostering economic activity in the vicinity of the property.
- Value creation: increasing building rights, removing planning, proprietary, and legal barriers, and carrying out operational value-add enhancements to the appearance of the property and its surroundings. The Funds' properties are revalued once a year by an external appraiser according to the IFRS standards, reflecting the positive effect of our efforts on the property's value.

Social Sphere

- Mixed-use: planning top-quality complexes that combine residences with employment and leisure, as well as great access to transportation, services, and urban infrastructure.
- Common areas: allocation of shared spaces and public infrastructure according to the needs of the residents in the vicinity of the property.
- Well-being: enhancing quality of life by creating vibrant, inviting complexes that encourage healthy urban living.
- Community enhancement: strengthening the communities around the property, including tenants, visitors and the residents in the area.

Environmental Sphere

- Planning for climate challenges: addressing climate change, implementing green building practices and incorporating principles of sustainability and energy efficiency.
- Soil remediation: treating soil contamination, removing environmental hazards, and preserving natural resources.

- Sustainable practices: minimizing the environmental effects of the value-add process and implementing sustainable solutions throughout.
- Green space: allocating green areas and developing environmental infrastructure that promotes walking, cycling, and public transportation while creating organic connectivity between the property and the topography of its environment.

4.3 Asset Management

REALITY operates professionally and responsibly throughout the holding period, viewing the investment as an opportunity to positively influence the public space and the urban landscape. We examine the public's short-term benefits and identify avenues to create a positive impact on the environment and the community through our managed space.

We make sure to conduct ourselves benevolently with our tenants, being attentive to their concerns and managing the properties under orderly procedures and leases. We also assume responsibility for all safety and regulatory requirements in the property and carry out audits as required by law.

Interim-use and Impact Activity

Planning processes are lengthy. Therefore, we develop a dedicated plan for each property, which strives to realize the property's inherent potential as early as in the Interim-use phase. REALITY places an emphasis on developing the regional economy and strengthening the businesses that operate within and around the property. Within this policy, we convert "white elephants" into vibrant urban spaces, increasing the occupancy rate and creating jobs and opportunities for the local community.

Our dedicated Impact Department combines real estate, society, and community and advances the development of inclusive cities in accordance with the UN Sustainable Development Goal 11. The Impact team works in collaboration with the local authorities, various associations, and the communities around the property to create inviting spaces, promote cultural and artistic initiatives and events, and encourage social involvement. In addition to improving the aesthetic of the properties and creating common spaces for its visitors, we cultivate tenant communities and provide benefits to entities and nonprofits that contribute to educational, social, and environmental goals.

4.4 Asset Realization

Ahead of property disposition, we examine the ethics and reputation of the potential buyers, with the aim of preserving the guidelines of the rezoning planning and compliance with the Fund's obligations during the property holding period.

5. Environmental Responsibility

5.1. Our Approach to Sustainability and a Resilient Future

REALITY understands the vital role of the real estate industry in creating healthy living environments and contributing to global carbon reduction efforts. Climate-resilient planning is crucial for safeguarding public health, environmental sustainability, and the long-term value of our properties. We closely monitor environmental and regulatory changes and adapt our strategy and risk management frameworks accordingly. Together with leading external experts, we promote sustainable practices and green building methods, minimizing the environmental impact of our activities and operations. Our commitment to the environment is demonstrated by full compliance with regulatory requirements in the authorities in which we operate and by adopting additional voluntary sustainability standards.

5.2 Environmental planning

REALITY champions holistic planning that integrates with the existing landscape and prioritizes the city's and residents' needs while adapting to environmental changes. By optimizing land use and planning mixed-use developments, we initiate projects that increase housing supply while safeguarding valuable land reserves and open spaces.

Sustainability is woven into our planning process, reflected in features such as allocating green areas, preventing heat island, encouraging walkability and public transportation use, reducing air and noise pollution and other features to create healthier living environments.

5.3 Green Building

REALITY is a member of the Israeli Green Building Council (ILGBC) and collaborates with external entities and experts specializing in sustainable construction and renewable energy solutions. We involve leading architects and consultants in our planning processes to develop and implement innovative building methods and energy-efficient technologies that address climate challenges. For instance, one of our properties was designed using the Ministry of Housing and Construction's Neighborhood 360° tool, which promotes the design and development of high-quality, healthy, and thriving neighborhoods for years to come.

5.4 Reducing Environmental Impacts

We strive to minimize the ecological footprint of our activities, value-add developments, and ongoing property operations. We actively promote awareness of responsible resource management among our tenants and employees, focusing on electricity and water conservation, waste reduction, and sustainable solutions. Furthermore, we implement energy-efficient technologies to reduce assets' carbon footprint by installing solar panels, energy-saving lighting, electric vehicle charging stations, and more.

6. Social Responsibility

6.1 Our Approach to Society and Community

With the great opportunity to influence the built environments around us, comes the responsibility for the well-being of those who live in these surroundings.

REALITY promotes an up-to-date design to create healthy, diverse, and vibrant urban living that appeals to a broad range of residents. As stated in Section 4.3 above, REALITY operates an innovative and uncommon Impact Department that implements our social and environmental approach as early as during the planning and property improvement phases. In alignment with the Group's values, we support community involvement as part of our strong commitment to advancing social resilience.

We take care of our people, including employees, investors, suppliers, and the various stakeholders. Respect and fairness are cornerstones of our interactions; we cultivate long-term relationships based on trust and open, healthy communication. Looking forward, we will invest in developing human capital in the Group and support academic institutions that will shape the industry's future.

6.2 Employee Development

Our team is REALITY's core strength. We are committed to attracting, retaining, and promoting the top talents in the industry, as well as creating personalized programs that support each team member's personal and professional aspirations.

We nurture a positive, healthy, diverse, and challenging work environment and are committed to fair and proper working relationships that provide equal opportunities for all. Our work culture encourages creativity, initiative, and excellence alongside flexibility and concern for the health and well-being of our employees.

6.3 Supporting Nonprofit Associations

REALITY regularly supports the activities of nonprofit associations and social bodies housed in its properties by providing them with favorable terms. As part of this policy, we offer associations reduced rent in spaces in the properties and support the social initiatives they promote. In addition, as part of REALITY's social policy, we offer employees opportunities to volunteer and contribute to the community.

6.4 Supporting Academic Institutions

Supporting the education, training, research, and excellence of future real estate leaders is vital to the growth of our industry. With this vision, we lead collaborations with academic institutions to train students in the real estate and appraisal domains and encourage progress and creativity in urban space design.

The Rom Program, in collaboration with Bar Ilan University, offers undergraduates training in real estate and real estate appraisal, which combines academic studies and practical experience in today's business world. We demonstrate our commitment to education and community enrichment by awarding scholarships to outstanding students and scholarships based on socio-

economic background. We also support academic research in the real estate field, which contributes to creating a basis of knowledge and resilience in a changing world. The studies are conducted by the program's faculty with full academic freedom.

6.5. Philanthropy Policy

As part of the Group's donation Policy, with each purchase or realization transaction, we offer, as a gesture of goodwill, a mutual donation from the seller and the profits of the management company (GP) to a carefully selected charity or social project.

6.6 Advot Philanthropic Fund

REALITY's philanthropic Fund Advot (meaning "Ripples" in Hebrew) was established by the families of the Group's founders, Vardi and Rozen, and is their way of giving out from their capital and the profits of the property management company to build a fairer and more equitable society. Advot is focused on making integrative medicine accessible as part of the national health insurance package for all patients in Israel. The Fund also supports broader well-being initiatives in health and education. In addition, the Fund mobilizes support for the community during crises and expands its philanthropic circle in response to immediate social needs, such as initiatives and donations in Israel's ongoing conflict.

7. Responsible Corporate Governance

7.1 Our Approach to Proper Business Conduct

We implement a responsible investment management policy at the highest standards of proper corporate governance and ethical business practices with full compliance with the law and regulations in all regions of activity. As trusted stewards of capital and assets, we act with integrity, fairness, and transparency for the benefit of all our stakeholders.

REALITY employs structured processes and robust controls to ensure effective investment management, identify risks and opportunities, and improve reporting practices to meet investor and industry expectations. As part of our efforts to prepare our organizational infrastructure for tomorrow's challenges, we encourage innovation and embed advanced technologies to improve investors' access to documents and information and enhance operational efficiency.

7.2 Suppliers

REALITY carefully selects Israel's leading professionals and consultants and sees them as partners to our success. Contracts with suppliers and service providers are carried out based on professional considerations only, with meticulous compliance with legal provisions and ethical business practices in line with the Group's values. We foster optimal communication with suppliers based on reliability, integrity, and respect and are committed to a fair payment policy.

7.3 Data Sharing and Information Security

We invest resources to protect the information security within the organization, safeguarding the data of our investors and employees. With meticulous guidance and consulting from experts in the field, we conducted a process to upgrade the infrastructure of our computer systems, enhancing work productivity and enabling the sharing of knowledge and information among investors and across various departments, under the ISO 27001 standard for information security.

7.4 Innovation

Innovation allows the organization relative advantages that translate into business success in identifying new opportunities, improving work processes, and performing risk management that is adapted to our ever-evolving world. To lead and be at the forefront of real estate investments, we welcome technological innovation and ground-breaking ideas to constantly improve our activities and ensure business continuity for many years to come. As part of our approach to encouraging creativity and collaboration, we established a platform for offering intra-organizational initiatives to advance the Group's objectives and enhance operational efficiency.

REALITY supports the industry's advancement in the digital revolution. We are partners in ventures that combine real estate and technology, which include investments in promising early-stage startups and increasing the exposure of the local market to the global innovation arena.