



TURNING POTENTIAL INTO RESPONSIBLE REALITY

ESG REPORT
2022



Assaf Vardi Founder, Managing Partner **Ohad Rozen** Founder, Managing Partner **Dr. Michael Vardi** Founder, Chairman



A WORD FROM OUR FOUNDERS

We are pleased to present the 2022 ESG report, providing a comprehensive overview of the group's activities from the perspective of corporate responsibility.

Despite being a private entity, this marks our third consecutive year, reflecting our genuine commitment to creating business, social, and environmental value across all our operations and assets.

Taking an active role in the Israeli industry, we believe it's our duty to strategically invest our capital, fortify the economy, enhance community bonds, and contribute to creating a healthy urban environment for future generations. We aspire to set the bar for responsible investment and asset management, adhering to the highest standards of corporate governance, social engagement, and urban sustainability, aligning with developments both domestically and globally.

The year 2022 was a pivotal point in our evolution, as we transitioned into a comprehensive real estate investment fund group. The expansion of our activities with a self-capital fund, along with growth and returns in our real estate operations in Israel and Germany, presented an opportunity to elevate our human capital and establish a robust professional infrastructure. This infrastructure supports our vision and benefits all stakeholders with whom we work. Throughout this year, we scrutinized our operations, formulated plans to integrate ESG principles into our investment policy and organizational culture, and focused on improving and optimizing internal processes, employee development, and technological innovation. We continue to set ambitious goals for ourselves and collaborate to lead the industry towards a more sustainable future.

On this occasion, we want to express our gratitude to the dedicated team of employees and all our partners who have been with us along this journey: investors, representatives of local authorities, tenants, suppliers, and social organizations. Your significant contributions have played a crucial role in the success of Reality.

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ABOUT THE REPORT

This report offers a comprehensive overview of the group's activities relating to ESG (Environmental, Social, and Governance) in 2022. The report's objective is to reflect Reality's engagement in environmental, social, and corporate responsibility issues material to the group and its stakeholders, allowing for ongoing tracking and improvement over time.

As part of our commitment to promoting sustainability, social involvement, and corporate governance, we deepen our efforts and expand the level of

detail in the annual review. The report, written within the organization with the assistance of ESG experts, is based on internal information collected from within the group and the core activities of the Reality Equity Fund. Additionally, this report provides a preliminary overview of the activities of the Reality Germany and Reality Debt funds. Aligning with the goals set for the coming years we are developing a policy to implement ESG principles in these activities, which will be detailed further in future reports.



Hathiya 14, Tel Aviv

While Reality is a private entity, we aspire to align with the reporting standards of public companies. We work to enhance our reporting practices and increase transparency for investors and stakeholders by adhering to leading international standards in the industry. As a real estate and financial hybrid entity, we have chosen to report this year in accordance with the SASB (Sustainability Accounting Standards Board) standard, which is aimed at investors and focuses on financially material topics in reporting. Additionally, this year, for the first time, we have chosen to distribute the report almost exclusively through digital means, saving paper and printing materials and processes. The data presented is accurate as of December 31st 2022, unless otherwise specified. In cases of inconsistency between this report and financial reports, the financial report prevails.

All photographs throughout the report were taken by: Avishag Shar-Yishuv, Tzachi Kivnstein, Tal Givoni, Amnon Horesch, Ronen Rosenblatt, Omri Emsalem

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A WORD FROM THE ESG MANAGER

In an organization where employees, management, and founders are distinguished by their values and personal responsibility, it is natural that, as an integral part of our business, ESG considerations are taken into account. This involves understanding the direct and inseparable connection between environmental and social responsibility, responsible business conduct, and economic prosperity.

Two reports preceded this one. Beyond demanding internal reflection and providing information to stakeholders, they created awareness and partnerships among employees that I have benefited from upon assuming my role this year.

In the internal research preceding this report, over ten ESG advocates from various departments in the organization were involved. This is the moment to thank them for their dedication, conscientiousness, ideas, and collaboration. This year, we chose to deepen our responsibility and integrate

ESG considerations as an inseparable part of core activities. As you will read in the report, with the strong support of management we have set organizational goals in this field for the next two years. The Reality Group thinks long term, envisions the future, and aspires to anticipate it. ESG considerations are, from our perspective, an integral part of this vision and the organization's development.

We see the dialogue with all our stakeholders as essential for the continuation of activities that take into account considerations of responsibility as an inseparable part of our business. We would be delighted to hear your thoughts on the report or any related topics.

For any clarification, feel free to contact me.

Best regards,
Ori Nir-Winter
orin@reality-fund.com





ABOUT REALITY GROUP

Reality is the largest and leading real estate investment group in Israel. Our aspiration is to create a new reality by realizing the full potential of each property and asset we manage, generating long-term value for our stakeholders, while simultaneously benefiting society and the environment. Reality manages eight private equity funds with diverse strategies encompassing all types of properties and real estate sectors in Israel, alongside managing income-generating assets in Germany.

REALITY IN NUMBERS

10

NIS bn AUM

70

acquired assets

32

realized assets

+50

plans promoted

4.6

NIS bn capital raised

59

employees

12

assets with social impact activity

38

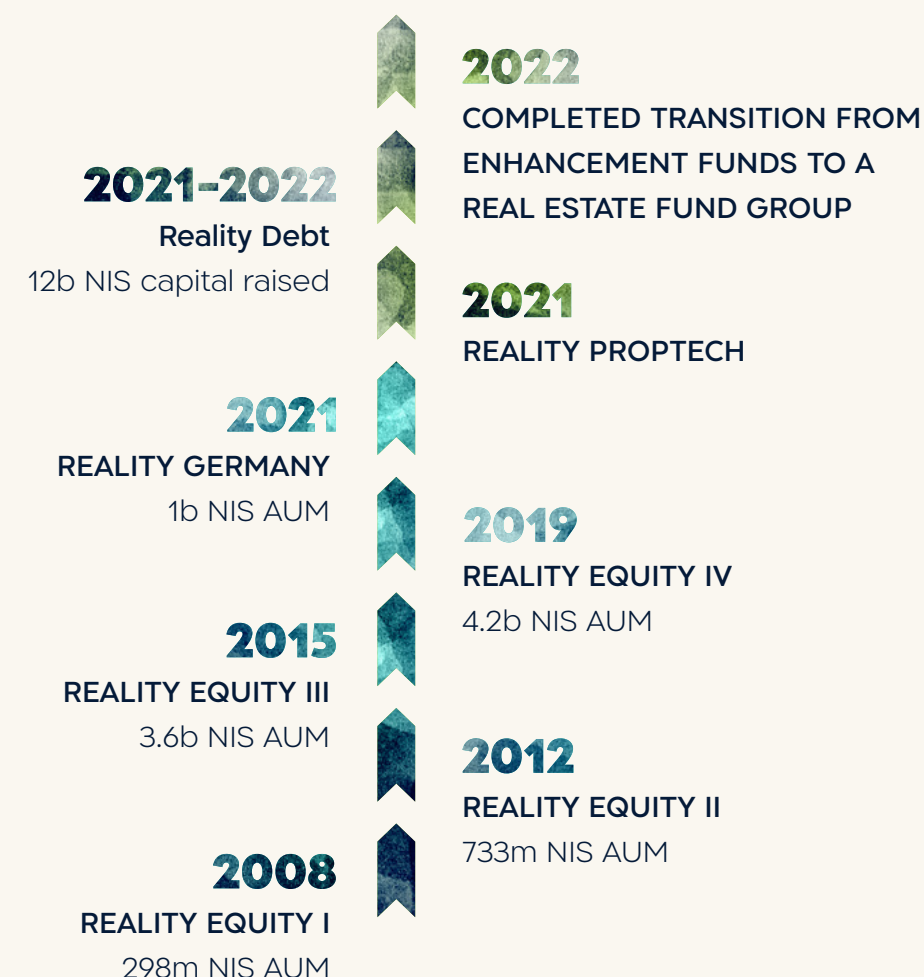
municipalities in which we currently operate

+900K

sqm of land developed

* According to data from 2022

REALITY TIMELINE



AMONG OUR INVESTORS



GROUP STRUCTURE AND ACTIVITY OVERVIEW



Acquires, develops, and manages strategic properties across all real estate sectors in Israel.



A self-funded equity fund providing financial solutions for real estate entrepreneurs and all types of transactions in Israel.



Investment funds focusing on income-generating commercial properties in central locations in Germany.

IMPACT

Creating a new and improved reality through a WIN-WIN-WIN approach with shared value for municipalities, entrepreneurs, and local communities. Developing inspiring spaces that integrate social and environmental content and vision.



Investments in technological ventures with significant potential to transform the real estate market.



A philanthropic family fund with the goal of providing accessible integrative healthcare for everyone, emphasizing its integration into the public healthcare system in Israel.



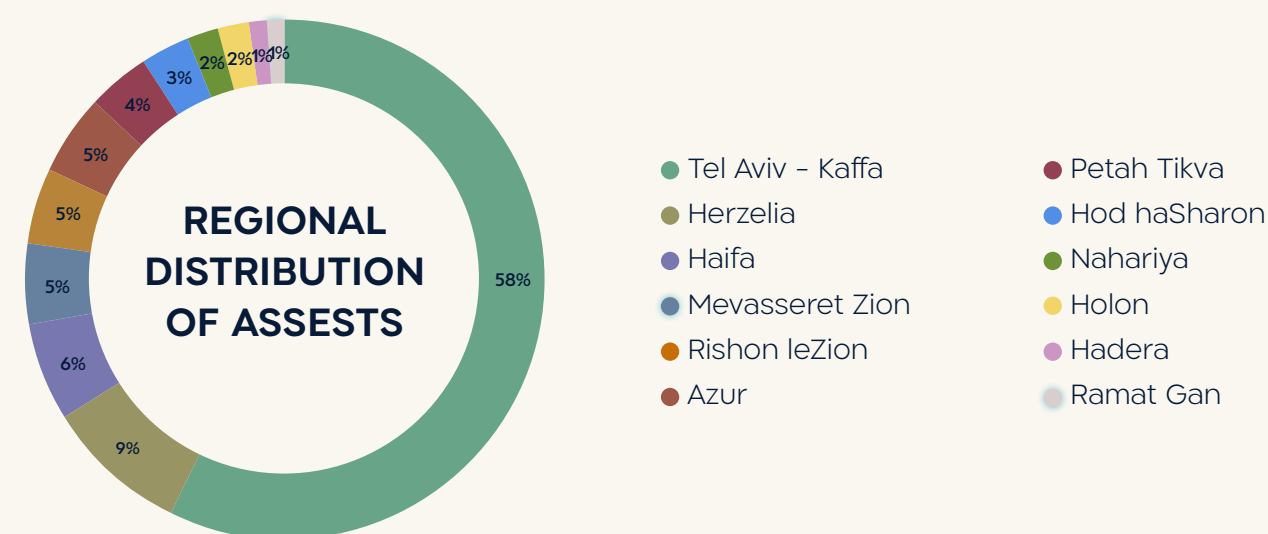
REALITY EQUITY

CORE ACTIVITY - LEADING IMPROVEMENT WITH VALUE

Reality Equity Funds acquire, develop, and manage strategic properties that enhance the Israeli real estate landscape.

We specialize in the improvement and development of large, complex projects that positively impact the real estate supply, creating shared value for our investors, local authorities, and residents. Our improvement methodology focuses on identifying unique properties with significant enhancement potential, repurposing existing assets for new uses, changing land designations, and improving operational performance to increase long-term value and returns.

Our diverse portfolio covers all sectors of real estate in Israel, including residential, commercial, offices, industrial, logistics, hotels, public spaces, and mixed-use developments.



USES OF PROPERTIES WE ACQUIRE



Total: 141,395 sqm

* According to Reality Equity III, IV data



REALITY DEBT

Reality Debt provides real estate entrepreneurs with equity financing for all types of properties and transactions in Israel.

Our financing solutions include advanced financial options for acquisition, enhancement, development, and promotion of projects, including urban renewal. We offer flexible financing terms and interest rates tailored to the project's nature and the entrepreneur's needs, along with professional advice throughout the process.

Our credit fund, with an extended credit license, operates in accordance with regulatory requirements and performs

- a thorough evaluation of entrepreneurs, including through various databases
- Funding is given against various collateral such as; low-grade land encumbrance, shares, escrow of loans, and personal guarantees of the owner
- As part of our risk management strategy, we invest in a diverse range of property types and land use purposes across a wide geographical spread

Licenses and Regulations:

- Extended credit license numbered 66335 from the Israel Securities Authority, Insurance and Savings
- Business operations in accordance with relevant laws, such as the Cash Reduction Law, Anti-Money Laundering Law, and others

LOOKING AHEAD

Reality Debt understands its responsibility towards investors and borrowers while being meticulous in selecting entrepreneurs. Among other considerations, we aim to support entrepreneurs who work towards energy conservation and are attentive to protecting the environment.



Financial Solutions Suite:

- All real estate sectors in Israel
- Financing at all stages of the transaction



Entrepreneur-Focused Approach:

- Tailored to the project requirements
- Personalized to the needs of each entrepreneur



Reality Debt team



REALITY GERMANY

Reality Germany acquires, manages, and enhances stable income-generating properties in strategic locations in growing cities in Germany.

We focus on commercial real estate that provides essential services for local residents and is occupied by leading German companies. Through identifying properties with high development potential based on resilient anchor tenants, alongside active enhancement operations, we generate stable yields over time. We consider ESG as one of our key growth drivers and are in the process of formulating a dedicated strategy compliant with leading German standards. As part of this plan, we aim to convert all our property contracts to Green Leases, producing shared infrastructure for reducing the environmental impact of the property and tenants.

Integration of ESG Criteria in Property Value-add activities:

- A survey based on the DNGB standard was conducted on the Gothaer project in Göttingen in central Germany. In alignment with the survey results, a sustainable parking lot was developed, and a public space/park for residents is planned, with an investment of €7.2 million
- Measures for reducing energy consumption in properties and self-production alternatives are being explored

Example Green Lease Principles:



Energy efficiency and integration of clean energy sources



Establishment of recycling infrastructure and waste reduction



Conservation of natural resources



Monitoring and reduction of carbon emissions



Compliance with green building standards such as DNGB and LEED, and adherence to local environmental regulations



Reality Germany team

LOOKING AHEAD

In the years 2023 and 2024, six of our properties are slated for renovation and upgrading under the ESG standard, in addition to submitting three development plans under the ESG standard for local municipalities.

OUR APPROACH TO ESG

With the significant opportunity to act and influence the built environment in which we live, comes the responsibility to ensure the wellbeing of those living within it. At Reality, our commitment to society, the environment, and responsible management goes beyond corporate responsibility; it is rooted in **our values and vision for the future of real estate**. We operate with a commitment to **realizing the full potential** of every investment, while genuinely caring for the environment, and current and future residents. We believe that integrating environmental and social aspects into **urban planning** and community building, both within and around our properties, is key to creating long-term returns and securing the resilience of our operations.

To realize our vision, we must nurture a supportive organizational infrastructure. Therefore, we emphasize **values-driven management** and invest in the wellbeing and professional development of the human capital at Reality, fostering synergy across departments and the various funds.

During 2022, we deepened and consolidated this responsibility into a structured ESG policy. This policy aligns with our investment strategy principles of social and environmental responsibility, ethical business conduct, innovation, and employee development and care. Given the importance we attribute to corporate responsibility, this area is led by the head of HR and the ESG manager, along with dedicated departmental ESG trustees.

POLICY PRINCIPLES:

Social and Environmental Responsibility:

We promote up-to-date planning that enhances urban wellbeing and aspire to positively impact the environment and community in the vicinity of our properties.

Innovation:

We encourage and support internal innovation and contribute to the promotion of academic knowledge and technological developments in the real estate sector.

Ethical Business Conduct:

We highly value ethical and transparent corporate conduct. Thus, the group adheres to transparency and reporting standards aimed for public companies, despite being a private entity. We prioritize fair and ethical dealings with stakeholders, including investors, municipalities, tenants, suppliers, and other stakeholders, maintaining continuous quality communication with them. Moreover, we strive to be a learning organization, continually working to improve the efficiency of our internal mechanisms

Human Capital:

We strive to provide employees with a challenging and fertile work environment that encourages creativity and excellence, alongside a sense of belonging, personal development, wellbeing, and flexibility. Additionally, we develop a personalized professional development plan for each employee, tailored to their needs and professional aspirations.

Support and Assistance to non-profit organizations:

conditions to charities as part of our community contribution activities, alongside volunteering opportunities offered to employees.

TO READ OUR FULL POLICY DOCUMENT, [CLICK HERE >>](#)



SUSTAINABLE DEVELOPMENT GOALS

SDG SUSTAINABLE DEVELOPMENT GOALS

The UN's Sustainable Development Goals (SDGs) represent an international agenda for sustainable development that promotes a more sustainable and equitable world. In reality, similar to many businesses, we examine our activities in light of these goals and aim to contribute to their advancement. Throughout the report, these symbolic goals are presented alongside relevant activities.

OUR COMMITMENT TO SDGS



Industry, Innovation, and Infrastructure

9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including local and cross-border facilities.

As part of our improvement processes, Realty integrates the upgrade of local infrastructure and services into the future planning of properties.

9.5 Support scientific research and enhance technological capabilities in the industrial sector globally, particularly in developing countries.

Realty supports academic research, the implementation of advanced technologies that drive the market, and the planning of high-quality projects adhering to leading international standards.



Sustainable Cities and Communities

11.1 Ensure access for all to adequate, safe, and affordable housing and basic services, as well as the upgrade of impoverished neighborhoods.

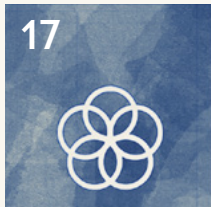
Our agenda focuses on identifying underutilized properties and vacant spaces. Throughout the value-add process and during the interim period, our funds work to expand the scope of activities and realize the potential for all stakeholders.

11.3 Improve inclusive and sustainable urbanization and the participatory, integrated, and resilient management of human settlements in all countries.

Realty leads processes in collaboration with the public, involving local communities as part of the future planning of its properties, addressing the needs of local communities.

11.7 Provide universal access to safe, inclusive, and accessible green public spaces, especially for women, children, the elderly, and people with disabilities.

In our real estate properties, we allocate extensive areas for developing green spaces for the benefit of the public.



Partnerships for the Goals

17.17 Encourage and promote effective partnerships between the public, private, and civil society sectors based on expertise and strategic partnerships.

Realty operates across sectors and maintains ongoing communication with civil society entities, local and national authorities, and the private sector. This is to implement forward-thinking development plans contributing to a thriving urban environment.



Decent Work and Economic Growth

8.2 Promote diverse, innovative, and economically efficient practices to achieve higher economic productivity.

Realty PropTech encourages innovation in the real estate sector, connecting traditional industries with advanced technologies that generate significant value for the industry, holding the potential to transform the market.



Quality Education

4.3 Ensure equal and affordable access to high-quality, technical, and vocational education.

Realty collaborates with Bar-Ilan University in the unique "Rom" program, providing scholarships to students from underprivileged backgrounds, supporting them in successfully completing their studies.



Good Health and Wellbeing

3.4 Reduce non-communicable disease mortality and promote mental health.

3.8 Achieve universal health coverage.

The "Advot" Foundation, the philanthropic foundation of Realty founders' families, works towards making Integrative Medicine accessible to every individual in Israel as part of the treatment regimen in the public healthcare system.

KEY STAKEHOLDERS AND IDENTIFYING MATERIAL TOPICS

The identification of topics material to our key stakeholders is based on continuous dialogue with investors, business partners, local authorities, and other stakeholders. To refine this list, we conducted a survey in 2022 and conducted in-depth research, considering sources such as policy documents, and reporting practices in the global real estate industry. We continue to deepen our conversations with all stakeholders, updating our measurement tools and reports accordingly. As part of this effort, we plan to conduct a comprehensive Materiality Analysis in the future.

Our Key Stakeholders

Investors	Tenants
Business Partners	Employees
Founding Partners	Suppliers
Municipalities	Local Property Communities
Real Estate Entrepreneurs	Future Generations

TOP 10 MATERIAL TOPICS:

Ethical and Responsible Business Conduct	Social Involvement and Community Contribution
Transparency and Accountability to Stakeholders	Employee Wellbeing, Development, and Training
Regulatory Compliance	Fair Employment Conditions and Positive Work Environment
Information Security	Sustainable Planning and Environmental Protection
Encouraging Innovation and Technological Development	Energy Efficiency and Reducing Environmental Impact in Properties

What we mean by "Future Generations"

Real estate has a long-term impact that can influence future generations. Although we cannot yet engage in direct conversations with them, we consider them in our planning and urban design, understanding our significant influence on the environment in which they will live.

LOOKING AHEAD

As part of our journey to deepen corporate responsibility and integrate ESG principles into the core of our operations and organizational processes, in 2022 we initiated a process to define material goals for the years 2023-2024. Additionally, we determined that during 2023, we will conduct a process to develop specific goals for each department in collaboration with our team members. Departmental goals define the action plan for incorporating material ESG considerations into investment decisions, planning, enhancement processes, and measuring our impact on the environment and society.

CORE ESG GOALS FOR 2023-2024:

Establish additional control mechanisms at all operational nodes within the organization.

Develop an Ethics Code aligned with the group's values and implement it across the organization.

Integrate ESG considerations into the activities of Reality Germany and Reality Debt.

Deepen our knowledge on workplace diversity and assess equal opportunities within the team.

Reduce carbon footprint.

Implement a pilot program to integrate ESG principles into the management of properties.

Our investment approach is divided into four material principles, based on which the chapters in this report are organized:

**Realizing Full
Potential**

**360°
Planning**

**Human
Capital**

**Value-Based
Management**



CHAPTER 1: REALIZING FULL POTENTIAL



**TURNING
POTENTIAL
INTO
REALITY**

REALIZING FULL POTENTIAL

Our worldview emphasizes the power of real estate to revitalize its surrounding areas and positively shape the lives of residents, housing, employment, transportation, and the environment. Grounded in this perspective and committed to our values, we strive to fulfill our real estate vision that is closely linked to the public interest. For us, responsible management of assets requires unlocking the full potential of every

investment and property, creating value for all stakeholders and the environment. The Reality team comprises leading experts in various fields, actively identifying unique investment opportunities, executing complex transactions, and collaborating with communities and government entities to realize the hidden potential in each property, fostering mutual value in the short and long term.

TURNING VALUES INTO ACTION

ENVIRONMENTAL

Optimizing land resources and planning with awareness to the climate crisis.

SOCIAL

Quality urban planning that increases real estate supply in high-demand areas, engages with the public, and supports communities around the properties.

GOVERNANCE

Responsible investment policy management operating professionally and dynamically to seize market opportunities alongside risk-adjusted returns.



REALITY EQUITY METHODOLOGY (WIN-WIN-WIN)

Reality has developed an innovative methodology for improving real estate that generates mutual value for our stakeholders, local authorities, and residents. We actively invest in real estate with significant enhancement potential and high complexity, serving as a catalyst for increasing supply in Israel. Emphasizing the extraction of building opportunities in central cities, integrating broad interests into the future land use planning of properties, and fostering creative community involvement, starting during the interim period.

Before property realization, a thorough examination of the buyer's ethics and integrity is conducted to verify, among other things, their ability to preserve the principles that guided the planning and improvements process.



INTEGRATING ESG PRINCIPLES INTO THE PROPERTY IMPROVEMENT PROCESS

Initiation and Acquisition

Analyzing the property's history and incorporating social and environmental aspects into purchase considerations. Addressing the urban fabric and collaborating with local authorities and residents in the property's vicinity, considering all users of the space.

Future Planning

Assessing the long-term public benefits and planning that considers societal needs. Promoting the development of inclusive and livable urban environments that provide maximum opportunities for residents. Planning is guided by principles of sustainability and energy efficiency, with broad consideration for open spaces and the creation of connectivity between projects for environmental harmony.

Interim Use

Examining short-term public benefits and developing initiatives and collaborations that consider the property's environment and the needs of the local authority, within the Impact Department. Tailoring a specific development plan for each property that works towards unlocking its inherent potential in the planning and improvement phases, transforming vacant and dilapidated structures into thriving spaces that support the local community through unique initiatives and broad collaborations.

Realization and Delivery

Evaluating the ethics and reputation of buyers to preserve the planning guidelines during the transformation.

INITIATION AND ACQUISITION

Throughout our investment assessment process, we actively identify properties in strategic locations with significant unrealized potential.

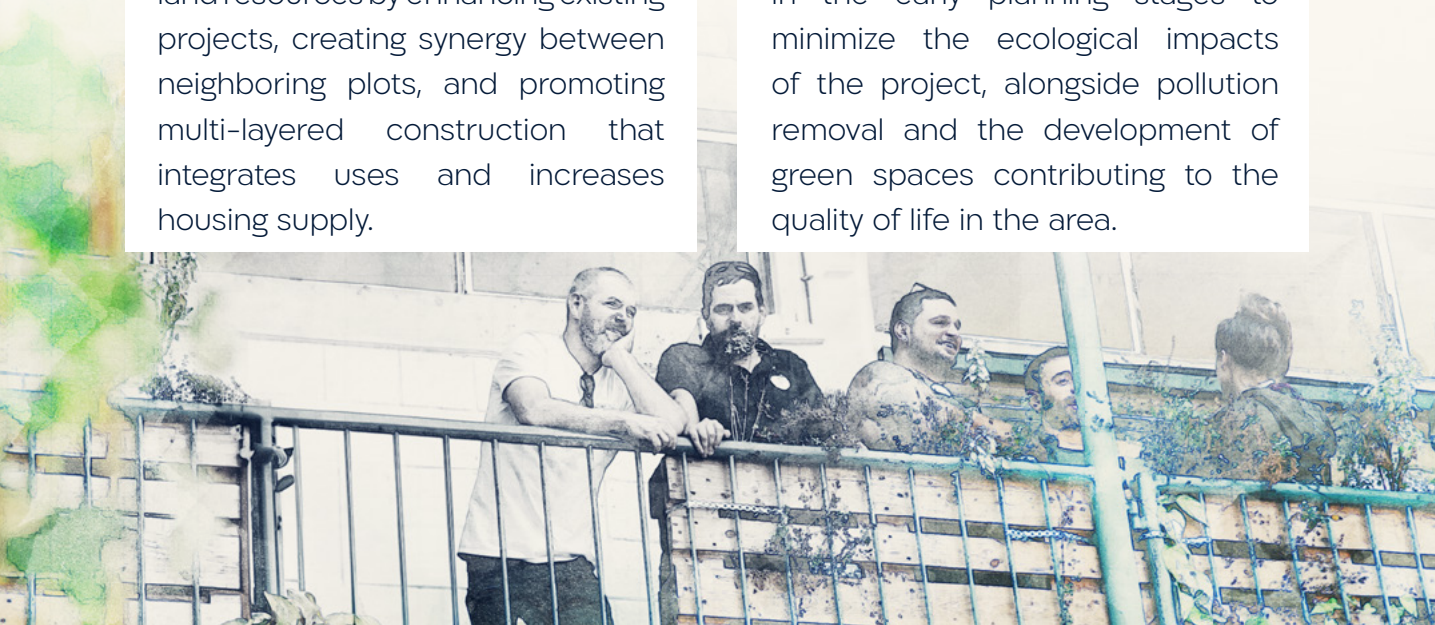
The Reality team specializes in identifying properties in densely populated areas and promoting complex projects that advance urban revitalization processes and regional development. Property analysis includes a comprehensive examination of the current and potential status of land use and statutory aspects, considering economic, social, and environmental considerations. We maintain continuous dialogue with local authorities and residents to identify shared strategic goals and develop optimal planning that serves public interests.

Optimizing Land Resources

The rapid population growth rate and the shortage of land, especially in high-demand areas, pose the most significant planning challenge in Israel. We work to change the designation of properties and maximize building rights in a way that serves a larger population. Joint planning with local authorities enables us to initiate physical regulation of space in a way that supports regional needs and integrating with the urban, regional, and national development plans. In addition to changing the designation, we optimize the use of land resources by enhancing existing projects, creating synergy between neighboring plots, and promoting multi-layered construction that integrates uses and increases housing supply.

Identifying Environmental and Social Needs

We believe that successful regional planning is closely linked to the needs of the community and the environment. Our improvement funds actively identify properties in densely populated demographic areas with high accessibility to transportation, which do not align with local needs and urban renewal processes in the area. Taking a long-term integrative approach, we initiate plans that assist in socio-economic development processes and create urban spaces that support all users in the area. We include environmental aspects in the early planning stages to minimize the ecological impacts of the project, alongside pollution removal and the development of green spaces contributing to the quality of life in the area.



PROPERTY MANAGEMENT – INTERIM USES

Improvement processes may take many years. We take full responsibility for the property from the moment of purchase to the realization and delivery, and strive to maximize value in each phase of the transaction

Property Management

We professionally manage properties and operate flexibly and dynamically to enhance value and improve operational performance through active appreciation actions, including renovation and rebranding, housing quality improvement, infrastructure enhancement, investment in public spaces, and more. In many cases, Reality's involvement in a property during the intermediate period increases occupancy and economic activity in its surroundings, creating job opportunities and benefits for the local community.

We invest in strengthening tenant communities and nurturing our relationships with them to realize common interests throughout the improvement process. During the interim period, we encourage connections and collaborative initiatives among different tenants.

“The Tel Aviv branch of the “Enosh” Association rents the fourth floor of a property on Zrach Street for over a decade. Since the entry of the Reality group, we have experienced significant improvements in both the building's appearance and the operational services we receive. An example of this is the redesign and maintenance of the building's elevator, which serves participants in the mental health program. For years, it was malfunctioning, causing people to get stuck. Reality took it upon themselves to design the building for the benefit of the residents and to ensure their safety.

Tali Peretz, Tel Aviv Branch Manager, “Enosh” Association



VALUE APPRECIATION DURING THE INTERIM PERIOD

In 2021, we acquired **3** “White Elephant” properties that have become almost fully occupied with residential, commercial, and office spaces.

96% is the average population in Reality properties



AN ADVANCED MODEL FOR RESPONSIBLE PROPERTY MANAGEMENT – ARENA MALL

In 2017, Reality Group, together with partners, acquired ownership of “Arena Mall” and began promoting a plan to change its purpose from a commercial mall to a mixed-use facility that incorporates conferences, culture, wellbeing, leisure, restaurants, and shared workspaces.

Through a dedicated on-site team, Reality works on enhancing the property for the benefit of the facility's tenants and visitors, alongside environmental development and improving accessibility to the beach and the nearby nature reserve. The Arena team collaborates closely with the local authority and the Herzliya municipality. Since 2019, the facility has been home to the urban innovation center, ‘HICITY,’ where we have initiated several collaborations in the fields of social and environmental innovation.

In 2022, we launched the Arena Challenge – an event to encourage sustainability initiatives scheduled for September 2023. The unique challenge invites technology companies and startups from the climate tech world to propose smart and innovative solutions to environmental challenges and compete for a cash prize to implement a pilot in the facility.

LOOKING AHEAD

We aim to improve our management of yielding properties in environmental, social, and corporate governance aspects. To achieve this, we decided to transform Arena into a Beta site in the next two years, examining various responsible property management models from an environmental-social perspective and improving relationships with tenants. To implement this agenda, we trained a dedicated ESG manager operating on-site.



ENVIRONMENTAL ASPECTS AT THE ARENA COMPLEX

In the Arena complex, we take a holistic approach to environment and social action that sees the facility as an integral part of its surroundings.

In 2022, we worked to reduce greenhouse gas emissions on the premises, and this year, we plan to accelerate our efforts in waste recycling and energy optimization.

Reducing Greenhouse Gas Emissions in Arena

In **2022**
the facility transitioned to purchasing electricity produced solely from gas.

A total of **250K** NIS
was invested in replacing plastic vegetation with natural greenery.

ALL
building and parking lot lighting is controlled through a smart system to minimize electricity consumption and adjust to demand and time of day.

30 Solar panels were installed along the marina to create a shaded area and reduce hotspots.



ENVIRONMENTAL ASPECTS AT THE ARENA COMPLEX

As part of our approach to building a healthy urban environment, we integrate art and culture into the daily life of various properties.

We utilize the extensive space at the Arena property to host diverse cultural events that attract a wide audience. These events offer activities and entertainment for all ages, contributing to strengthening the locations' position as a hub for urban activities.

KEY EVENTS IN 2022:

- **"Water World"** – an experiential exhibition on the underwater world.
- **"Fresh Color"** – an exhibition promoting local contemporary art.
- **"The Chosen Ones"** – the Israeli Wax Museum
- **Yama** – Wellness Festival.
- **Dialogues of Fashion** – an international puppet exhibition hosting new immigrants.
- **Mystery Theater** – experiential performances in urban spaces.

100K NIS

Invested in creating a shared workspace available to the public at no cost.

200K NIS

Invested in establishing a free open gym for children and their parents.

APPROXIMATELY
20%

Of commercial areas allocated to art and cultural activities.

860K NIS

Worth of benefits and rent discounts provided to building tenants.

190 SQUARE METERS

Were rented to local authorities for public needs.

225 SQUARE METERS

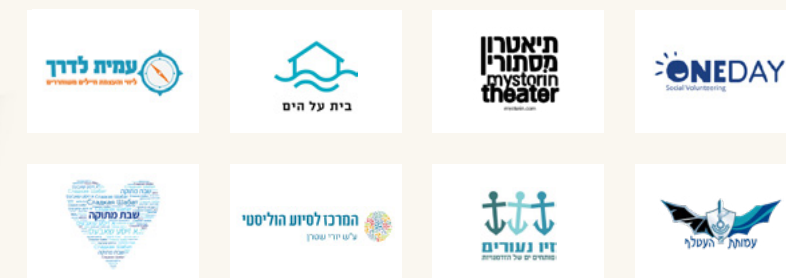
Are dedicated to associations and social organizations located on the property.

220K NIS

Is the value of the discounts on rent given to these organizations.



As part of our social awareness, the Arena complex serves as a home for non-profit associations, assisting them in their important activities. These associations receive working spaces from us, which support their overall operations, either at a reduced cost or completely free of charge.



IMPACT – IMPROVEMENT INTEGRATING A SOCIAL ENVIRONMENTAL VISION

The Impact Department integrates real estate, society, and community, promoting social and environmental aspects as part of the Improvement process. Our interim use methodology is developed in accordance with UNSDG 11 focusing on sustainable cities and communities. The department is active from the pre-acquisition stage, examining the property environment, identifying needs and opportunities, and integrating into the work plan immediately upon completion of the transaction. The Impact Team creates collaborations with all local stakeholders, promoting relevant solutions for their needs as part of future planning and interim use.

We adopt a WIN-WIN-WIN approach, believing that the success of a project lies in creating value for all stakeholders in the area: local authorities, residents, communities around the property, business owners, and entrepreneurs. Alongside responsive and relevant planning, Impact activities encourage community involvement and contribute to the local economy, fostering a change in the reputation of properties and neighborhoods while strengthening regional resilience.

320

cultural events for the general public

60%

of the properties had interim use and a tenant communitygeneral public

6

projects promoting arts at the properties

1,657,800 NIS

invested in property activities

46

collaborations with organizations within and around the property

250K

participants in events

26%

of the properties hosted Social-environmental projects



INTERIM USE OF PROPERTIES

ART



Art and culture have the power to drive urban transformation. Throughout human history, real estate and art have been intertwined in culture and heritage, capable of revitalizing neighborhoods and cities. Understanding this connection, our projects serve as a platform to support artists and Israeli cultural events nationwide.

COMMUNITY



Placemaking is a practical approach to urban design and planning for improving public spaces, involving the active participation and engagement of the local community. We take part in this international trend, transforming our properties and their surroundings into vibrant and quality spaces, promoting collaboration with our tenants, local residents, and various public initiatives.

SUSTAINABILITY



Environmentally planning conscious of future challenges is crucial for preserving the Earth and ensuring the long-term resilience of our properties. We promote holistic planning and incorporate sustainability principles, alongside active measures to minimize our environmental impact.



SOCIAL ENVIRONMENTAL CONSIDERATIONS IN INTERIM PROPERTY USE



Migdal Armon, Haifa

The renovation and redevelopment of the Migdal Armon building in Haifa, transforming it into a vibrant space hosting cultural, artistic, and community activities, attract new audiences and create a connection between the building and its urban environment.

The opening of the night museum, ELSEWHERE - an experiential art festival held for 100 nights, utilized four floors in the office tower for immersive spaces featuring a museum, performances, urban circus, music, and food stalls.

museum, performances, urban circus, music, and food stalls.

The INTU cultural space hosted a national conference on urban social renewal, in addition to weekly activities such as performances by local artists and rotating art exhibitions.



haGa'aton, Nahariya

The transformation of the legendary "Zoglovek" industrial facility in Nahariya into a cultural space serves as an anchor for cultural activities at the city's entrance.

As part of the factory's decommissioning, a thorough cleaning and removal of industrial pollutants were carried out.

The creation of the "Zumo" nomadic museum brings accessible art to residents living away from central areas. Collaboration with the Nahariya municipality and residents led to the allocation of approximately 1,500 square meters for impressive exhibition spaces hosting art, live performances, workshops, and activities for the general public. The museum welcomed over 40,000 visitors, including students from Nahariya's educational institutions and surrounding communities.

זומו
מוזיאון
נחריה



SOCIAL ENVIRONMENTAL CONSIDERATIONS IN INTERIM PROPERTY USE



haTehiya, Tel Aviv

Developing a future plan that preserves the character of tenants and traditional crafts characteristic of the building, alongside strengthening the community of the building's residents.

The residents actively participated in renovating shared spaces. 'Estabile Carpentry' and the carpenter Shlomo Pleiva built the furniture for the public space and new signage was produced and created on 'Glor Digital'.

Artists were invited to a 14-hour creation marathon, turning waste materials generated in the building into unique works of art showcased throughout the complex. The event combined culinary experiences and lectures on sustainability.



haZfira, Tel Aviv

The conversion of an abandoned property in the southern part of the city into a "Community House" serves as a center for associations and organizations promoting underserved and marginalized communities. Extensive renovations of public spaces and the shared roof allowed events, meetings, and collaborations among the operating associations.

this space not only saves lives for vulnerable populations but provides an opportunity for organizations to multiply their strength and work better together."

- Sharon Tal, CEO of the Elifelet Association -





Hazerem 10, Pardes Snir Compound, Tel Aviv

- Design and renovation of shared spaces in collaboration with the residents.
- New signage for orientation in the building were created using laser cutting by participants from the recovery workshop of the "Enosh" Association located on the premises.



Arena, Herzliya

- The transformation of the property from a mall to a mixed-use center combining conferences, alternative medicine, culture, leisure, restaurants, and shared workspaces.
- Integration of environmental principles in the building management, including actions to reduce carbon emissions and energy optimization of the facility.
- Hosting a diverse range of art exhibitions, events, music and dance performances, and family activities.



Electra Compound, Rishon LeZion

- Development and guidance of a course in public space planning offering students practical experience in planning, presenting an original plan for the future "Young Compound" on the property. Collaboration with the Department of Design and Innovation at the "College for Management" while engaging the municipality in the process.

INNOVATION

We believe that to make the impossible possible, one must look towards the future and act with creativity and dynamism to redefine boundaries. We enthusiastically promote technological innovation and breakthrough thinking for the constant improvement of our operations and adaptation to future challenges. To advance this vision, a new innovation manager was hired to advance this topic.

Innovation grants organizations relative advantages that translate into business success by identifying new opportunities, optimizing work processes, and managing risks tailored to the changing reality. As part of our commitment to ensuring the resilience of our operations, we follow global trends and promote the integration of innovative technologies into organizational systems.

We encourage internal creativity and initiatives capable of providing value and contribute to achieving group goals and our daily work. Over the past year, we established a platform for internal innovation that promotes the development and implementation of ideas proposed by employees.

AMONG THE TEAM'S INNOVATION PROPOSALS IMPLEMENTED:

As part of our desire to be a learning organization, we created and implemented the **Zoom In** process - an online portal that allows every team member to fill in and share insights and learning from the activity they led"

- M. Haim, Y. Grans -

One of the things that employees noted was lacking is familiarity with the research we conducted and the areas of interest of various departments. We wanted to share the immense knowledge within the organization and to share some of the work and daily life, successes, and failures. For this purpose, we initiated '**Reality at the Bar**' - a meeting for employees, where each time a different department presents its current activity"

- A. Nagbi, A. Hafar -



TECHNOLOGICAL INNOVATION IN REAL ESTATE

We see ourselves as part of the change that the real estate market is undergoing in recent years, with the introduction of innovative technologies that influence and shape this field.

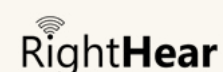
As part of Reality PropTech activity, we partner with initiatives that connect between the real estate and technology worlds, supporting the promotion of the industry and the integration of innovative platforms. We aim to connect startups with leading entities in the industry, promote the establishment of beta sites, and bridge the gap between innovative solutions and technological needs. We invest in early-stage initiatives (PRE-SEED to Series A) with significant potential to make an impact and instigate change in the real estate market. We lead investments in the 'Investors' Table,' which includes venture capital managers, angels, private equity firms, and more.

Three years ago, the SNAPLAND project won the 2020 PROPCON hackathon we initiated. The winning team, which prevailed over 30 different initiatives, received a monetary prize for implementing a pilot with Reality alongside mentoring from leading Reality team members. Since then, we continue to support the company and have even count ourselves among its customer base.



Additional Investments in Israeli startups:

1. RIGHTHEAR - Assisting people with blindness and visual impairments in navigating and orienting themselves in public spaces through a dedicated app and audio descriptions of the environment. Over 1700 institutions in Israel and around the world have made their spaces accessible, including bus stations in Israel, hospitals, theaters, malls, supermarkets, and more.



2. HOMAZE -A platform for managing communication between the contractor and the customer for home remodeling purposes. The company's unique algorithm allows precise and real-time planning and comparison of project costs, in addition to optimizing price quoting processes and communication management for service providers.



TECHNOLOGICAL INNOVATION IN REAL ESTATE

We promote entrepreneurship in the ecosystem and increase the exposure of the local market to breakthrough technologies on a global scale.

In 2022:

WE DELIVERED A LECTURE

to a delegation from Belgium on the subject of innovation and PropTech.

WE HOSTED A 'BREAKFAST FOR INVESTORS' IN NEW YORK

with the participation of Israeli startups in the field.

PARTICIPATED IN THE ESG PANEL

at a conference hosted by PwC and the law firm Meitar.

PRESENTED REALITY

PropTech's activity and future real estate challenges at various PropTech conferences, including 'Real Estate Center' and 'Calcalist'.

PARTICIPATED IN VARIOUS

PropTech conferences in London and New York.

ORGANIZED 'INVESTORS' TABLE'

meetings where 40 startup companies were exposed to leading investors in the industry.



SPREADING THE WORD AND SHARING KNOWLEDGE

Reality collaborates with the PROPTECHZONE accelerator since its inception in 2020. The accelerator's goal is to connect leading professionals and experts in the global real estate industry with cutting-edge companies at the beginning of their journey. To develop the real estate of the future, create positive impact, share professional knowledge, and expose new models from Israel and around the world, we jointly initiated a new innovation forum in real estate and held a series of inspirational meetings with the participation of around 30 leading companies in the industry.

We participated in the 'Nadlanit' podcast as part of the connection to the 'Women Talking Real Estate' community, a community of about 20,000 women engaged in the real estate world. We presented the impact and innovation approach of the Reality Group, combining unique content, technology, and social and environmental vision alongside economic vision.

We were chosen to represent Israel at the United Nations' conference for urban sustainability. The international conference – The Eleventh Session of the World Urban Forum, which took place this year in Katowice, Poland.

We were chosen to represent Israel and delivered a lecture on the 'TeHiya 14' property as a model for urban renewal that combines the preservation of traditional crafts and small industry. Leading figures in the field of architecture and planning, along with representatives from the Tel Aviv-Yafo Municipality, the Regional Planning Office, and various professionals from Israel, attended the conference.



Our representatives are attending the UN conference in Poland

SUPPORTING ACADEMIA – BUILDING THE NEXT GENERATION

Supporting education, training, and excellence in the professionals who will lead the industry in the future is crucial for our industry. As part of this commitment, we collaborate with academic institutions to train students in real estate and land development, encouraging progress and creativity in urban design. Additionally, we support academic research contributing to knowledge and resilience in the ever-changing world.

ROM PROGRAM IN COLLABORATION WITH REALITY GROUP – COLLABORATION WITH BAR-ILAN UNIVERSITY

A program for undergraduate students offering training in real estate and land development. Through this unique program, combining academic studies with practical experience, we facilitate entry into the job market by providing guidance, tools, and skills that support the initial steps in the careers of the future generation. Various industry professionals from Reality Group participated as guest lecturers in the course, and site visits were conducted at several of our properties. The 'Rom Program,' led by Prof. Rachel Alterman, is part of a multidisciplinary bachelor's degree in social sciences. By the end of 2022, 126 students successfully completed the program. As part of our commitment to advancing education and contributing to the community, we grant scholarships to outstanding students and provide support grants. To promote academic research in the field, we have initiated proposals for research projects expected to commence in the coming year.



PUBLIC SPACES PLANNING COURSE – COLLABORATION BETWEEN REALITY GROUP AND THE COLLEGE OF MANAGEMENT

In partnership with 'Electra Consumer Products,' we acquired over 14.5 Acres in the 'Rishon Ayalon' industrial area in western Rishon LeZion, where the local authority is planning to transform the industrial area into a vibrant quarter that combines housing, hotels, commerce, and employment. We are advancing the relocation of the polluting factory and its conversion into a vibrant urban area supporting the overall development of the region.

In a joint initiative with the College of Management's School of Design and Innovation, we offered students a course in public spaces design, integrating hands-on experience in designing proposals for the development of this area. This was based on an understanding of the current and future needs of the local community.

Twenty students who participated in the course had the opportunity to characterize the 'Electra Compound' property and present new and creative solutions for planning a complex that caters to mixed uses, addressing the public's needs. Reality team members mentored the students, shared their knowledge and experience through various lectures, and exposed them to the application of our improvement methodology in a real project that will be built on-site.



CHAPTER 2: 360° PLANNING



Hathiya 14 compound, Tel aviv

HOLISTIC PLANNING

The comprehensive enhancement of real estate is an impactful and influential action on both the society in which it occurs and the surrounding environment. Recognizing the long-term nature of our involvement in this process, which has the potential to benefit or harm future generations, we bear a significant responsibility. We approach this responsibility with utmost seriousness, incorporating it into every aspect of our activities. Therefore, we adopt an holistic engagement approach that integrates environmental and social considerations into the planning of properties while addressing existing and future challenges.

This planning is part of our risk management policy, which takes into account all relevant considerations and the needs of various stakeholders, ensuring risk-adjusted returns over time.

We believe that diverse teams consisting of professionals from various fields bring unique perspectives and creative insights that turn our challenges into opportunities. Consequently, within our organization, we employ a multidisciplinary team that includes engineers, lawyers, architects, urban planners, economists, public administrators, and business managers. Together, the team analyzes various aspects, including urban planning, legal complexities, employment, ESG, and more.

Removing Barriers

The improvement plan encompasses a variety of solutions to transition the property from its current state to an optimal future state, addressing complex issues that act as barriers to its progress. We actively work to find creative solutions to real estate and legal challenges, removing intricate barriers such as shortages in infrastructure for utilities, building height restrictions, transportation infrastructure, constraints stemming from environmental impact or landscape and open space considerations, soil pollution, trespassing issues, legal disputes, and more. We make every effort to obtain quick and flexible agreements through responsive dialogue, considering the needs of all parties involved, with sensitivity, transparency, and full cooperation.

25%

of the properties undergo evaluation by an external research company before acquisition. The investment evaluation includes a comprehensive characterization and analysis of ecological and social aspects to identify barriers and unique opportunities for the property



THE "OFFICE" PROJECT IN AZUR

The "Office Textile" project is a revitalization plan for an historic factory located in the heart of the residential neighborhood in Azur. The property was purchased in 2017 and a change-of-use plan for the land from industrial to a mixed-use urban complex was submitted in 2022.

The promoted plan, designed according to the "Neighborhood 360" measurement tool of the Ministry of Housing and Construction and the Israeli Green Building Council, aims to advance high-quality, sustainable, and thriving neighborhood planning that allows for a healthy lifestyle and strengthens the local economy. The measurement scored 65 out of 82 in the "Silver" level, with potential for gold, subject to certain changes, based on the initial plan and upcoming modifications.



Azur compound before and after planning

THE IMPROVEMENT PROCESS - AN EXAMPLE

In 2021, we acquired the "Pardes Snir" complex in collaboration with the "Cardan Real Estate" company to promote a new quarter in urban mixed-use development. The 13.6-acre property, located in the emerging "Migdalei Yaffo" area, holds strategic importance for transportation accessibility in the region. The complex had long been an urban sore spot suffering from neglect and deteriorating infrastructures, incompatible with urban renewal processes and its value in the urban fabric. The property featured multiple stakeholders, including historical owners, private owners, Tel Aviv Municipality, the State of Israel, representatives of various families with property rights, and more. Over the years, the property accumulated various real estate, legal, and planning barriers due to encroachments, legal disputes between different stakeholders, and obligations amounting to tens of millions of shekels to the local authority, property enhancement levies, and more, hindering the development in the area.

Throughout the enhancement process, Reality managed continuous and ongoing dialogue with a variety of private owners and the Tel Aviv Municipality to promote optimal planning. By addressing the diverse needs and interests of all stakeholders and building communication and trust among them, significant barriers were removed, including the removal of squatters, resolution of expenses, and the arrangement of all property-related obligations transferred to the local authority.

The plan, initiated in 2022 and expected to be approved in 2023, serves as a significant anchor for the development of the "Migdalei Yaffo" area, transforming the neglected area into a quality, thriving urban space. The development includes residential complexes, commercial areas, green spaces, and a focus on employment, blending historical structures with new construction. Additionally, the project emphasizes the development of areas for the benefit of local residents, including the construction of a new urban square, public space for a school, and environmental infrastructure improvements enhancing the quality of life in the area. As part of a planning process that considers urban transportation systems and walkability metrics, the areas were planned based on an urban network of streets, bike paths, and public spaces that blend seamlessly into the urban environment. The public spaces were designed by the landscape architecture firm TOPOTEK1, one of the leading firms in Germany, emphasizing international standard qualities of shared spaces.

KNOWLEDGE-BASED URBAN DEVELOPMENT

With the acquisition of properties and the beginning of the planning process, we conduct in-depth urban research that precedes comprehensive and responsible planning and decision-making based on quality knowledge. The research explores historical, demographic, and economic aspects, along with trends in housing, commerce, transportation, and urban development. This enables us to promote forward-thinking planning that addresses the needs of the area and its residents throughout the project's life. Given the planning and construction constraints in Israel and the growing gap between population growth rates and housing supply in in-demand areas, responsible planning and knowledge-based decision-making are crucial to meet the future needs of the city.

This year, we conducted

8

urban research studies, serving as a basis for the internal use planning of properties and the development of future enhancement plans.

Among the researchers we worked with:

Via Plan – Hadassah Greenberg-Yaakov | PEOPLE – Eitan Sarver and Shai Am-Shalem | Jerusalem Institute for Policy Research – Dr. Hava Ehrlich | STREETLIGHT – Architect Mirav Abramovitch | Geocartography Institute – Tamir Arbib and Avi Dagni | Naomi Katz



AMONG THE STUDIES CONDUCTED THIS YEAR:

URBAN REGENERATION AROUND STADIUMS AND UNIQUE HOUSING TRENDS IN JAFFA

Survey of properties in the "Jaffa Entrances" area and around the "Bloomfield" stadium, analyzing planning practices for optimal planning in the vicinity of stadiums within an urban fabric. The research examined successful examples from around the world alongside housing and living trends in Jaffa, addressing the diverse needs of the city and its residents. The research findings guide us in planning the impact activity layout, during the period of interim use of the property "Revival 14," and in developing a future residential environment in the area tailored to its unique characteristics.

FROM TRADITIONAL INDUSTRY TO MIXED-USE URBAN SPACES – THE REGENERATION OF INDUSTRIAL AREAS INTO MIXED-USE ZONES

Analyzing the transition from traditional industry to mixed-use areas as part of the practice of urban space regeneration and adaptation to the needs of the city and the times. The research surveys global and local case studies, presenting urban, economic, environmental, and social considerations leading decision-making in this change. The research emphasizes the need to identify and define benefits for all stakeholders to create a development policy that suits the main interests. Additionally, the research highlights the importance of urban leadership and defining guidelines for area development, allowing entrepreneurs to succeed in promoting regeneration processes and high-risk investments. The research is used in planning projects to transform industrial areas into mixed-use spaces, such as the "Zoglovk" complex in Nahariya and the "Office" complex in Azur.

ANALYSIS OF CONSTRUCTION DENSITIES, IMPLICATIONS, AND TRANSPORTATION EFFECTS IN LIGHT OF THE METRO LINE DEVELOPMENT

Analysis of the spatial potential in development around high-capacity passenger transport systems. The research recommended defining a comprehensive transportation and urban vision for the metro station area to cope with the implications of station presence. Recommendations include a paradigm shift from "road" to "street," which involves reducing road travel and developing trade along streets, creating active and vibrant spaces. These changes aim to increase land value and capture value for funding the transport project. Urban and spatial development in this direction may create non-central urban areas, providing more options for the city and its residents.

ENVIRONMENTAL CONSIDERATIONS IN PROPERTY INVESTMENT AND DEVELOPMENT

We consider environmental considerations as fundamental elements of the enhancement process from the moment of acquisition to the final plan documents.

Examples of Environmental Considerations:

- Preventing urban heat islands
- Preventing noise pollution and air quality
- Managing groundwater on the property
- Preventing flooding
- Shading analysis that benefits the environment
- Preserving existing trees, encouraging new tree planting, and creating shaded spaces contributing to ecological balance
- Preserving historical buildings
- Integrating solar elements
- Creating thermally comfortable zones in projects and surroundings
- Establishing a street network to promote pedestrianism, cycling, and public transportation

33%

of the projects considered shade in public spaces

14.8%

of the projects included planning for renewable energy

22%

of the projects integrated green building

33%

of the plans promoted by Realty, included a commitment to land purification

41%

of projects included guidance from external consultants in the fields of green construction and environmental quality



LOOKING AHEAD

As part of our commitment to emphasize the importance of environmental considerations in planning and enhancing property processes, we plan to undergo specialized training in 2023 in collaboration with the "Green Building Council.

SOCIAL CONSIDERATIONS IN IN PROPERTY INVESTMENT AND DEVELOPMENT

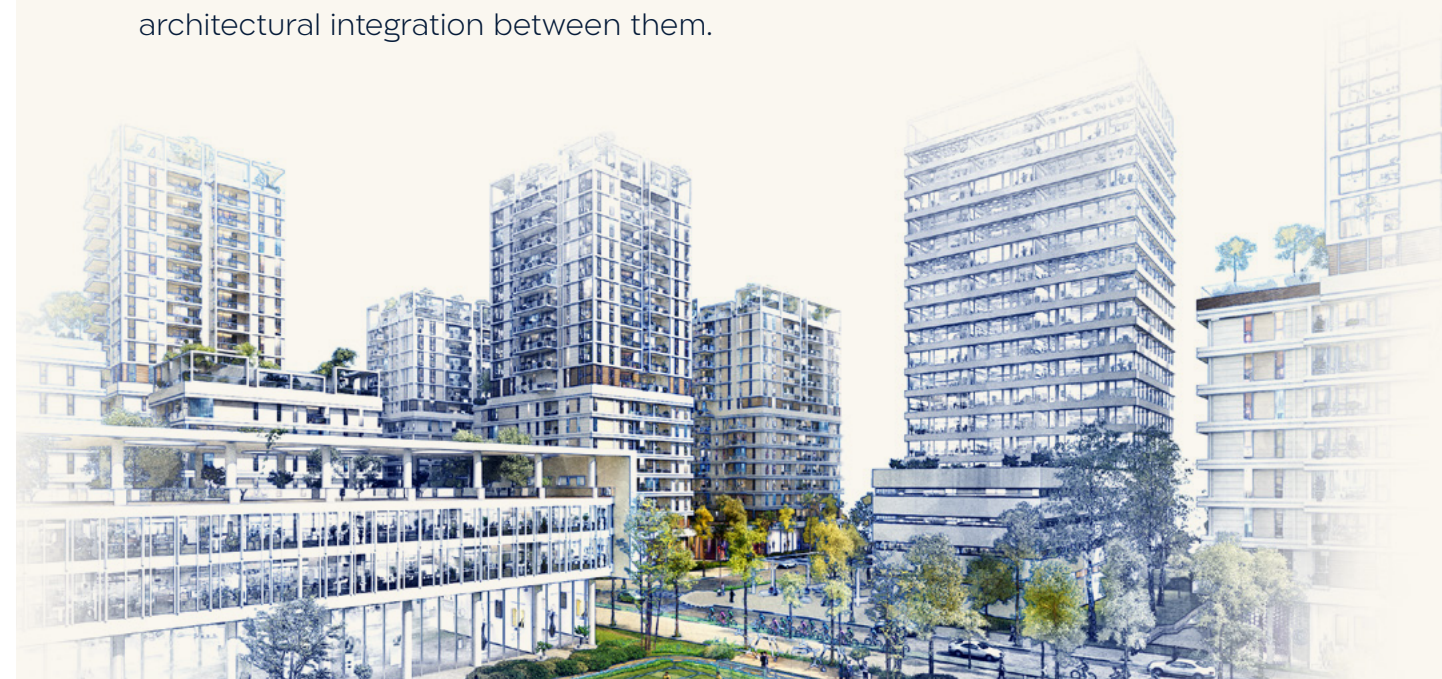
As part of the acquisition, planning, and improvement processes, we take into account social considerations and address them in the development of the strategy, from finding properties, determining property management tactics, and creating an impact plan during the holding period, to future planning. All this is done with careful and calculated risk management.

Mixed-use development projects, combining residential with business and cultural activities, contribute to the wellbeing of local residents, tenants, and visitors. We plan projects that create synergy between different uses, including inviting public spaces, high-quality environmental infrastructure, and accessibility to movement and services. Through the development of vibrant spaces for living, working, and leisure, we drive growth of the entire area.

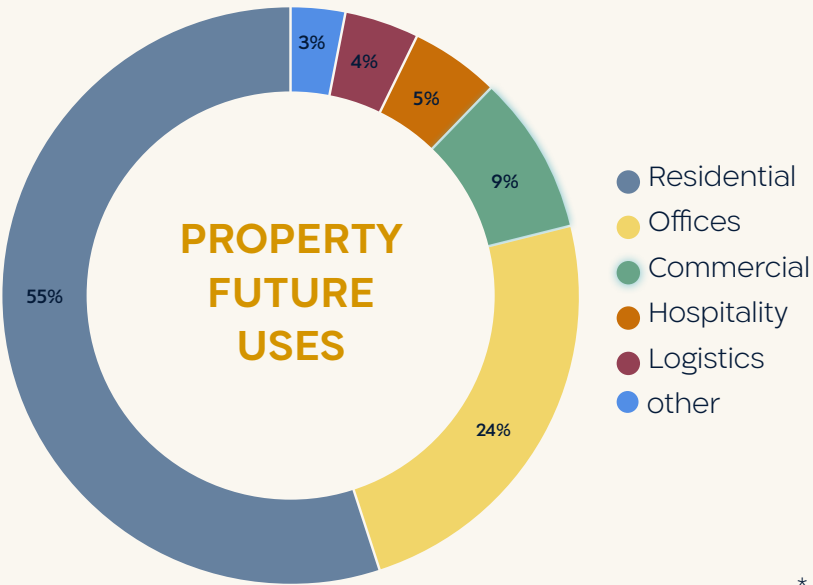
In relevant projects, we integrate low-cost housing that has low economic value compared to free-market housing ("normal").

Reality emphasizes planning and integration of open spaces, gardens, and quality public spaces as an integral part of our projects. Our approach supports mixed-use and value-based selling of complexes that create pleasant spaces, creating better cities.

In most of the properties, we have implemented processes in collaboration with the public and local authorities, incorporating inclusive dialogues and ample opportunities for questions, answers, and strengthening trust between all parties. In the "Lamina" project in Jaffa, for example, public participation created alignment of the local population's needs with the proposed planning. Engaging in dialogue with neighborhood residents and the community contributed to a renewed appreciation for the project's connectivity to its environment and an organic architectural integration between them.



SOCIAL CONSIDERATIONS IN IN PROPERTY INVESTMENT AND DEVELOPMENT



* According to equity funds iii & iv data

In most properties where a significant Improvement process takes place, **LAND ALLOCATION HAS BEEN MADE AVAILABLE** to local authorities for common spaces and public infrastructures according to the needs of the property's surroundings.

48%

to local authorities for common spaces and public infrastructures according to the needs of the property's surroundings.

7.5X

more mixed-use urban spaces incorporating public buildings, commercial areas, employment, and residences.

33%

33% of the projects collaborated with planning organizations that incorporate social aspects.

100%

of the projects comply with accessibility requirements for people with disabilities.

44%

allocated more land to the public.

18X

more residential areas.

In every project where a significant improvement process is made

CHAPTER 3: HUMAN CAPITAL



All people photographed throughout the report are Reality Fund employees

HUMAN CAPITAL

Our employees are the secret to our success; they drive our performances and achievements and are full partners in the organization's development.

In all our funds, we employ and promote the best talents from diverse backgrounds, identities, and different fields of expertise, spanning various ages and occupations. We empower our employees and strive to create a positive and healthy work environment that encourages ambition and personal development alongside maintaining physical and emotional wellbeing. In 2022, we defined personal and professional goal plan with each team member in Reality. We see these plans as valuable assets to the organization, providing appropriate rewards to the employees.



OUR EMPLOYEES

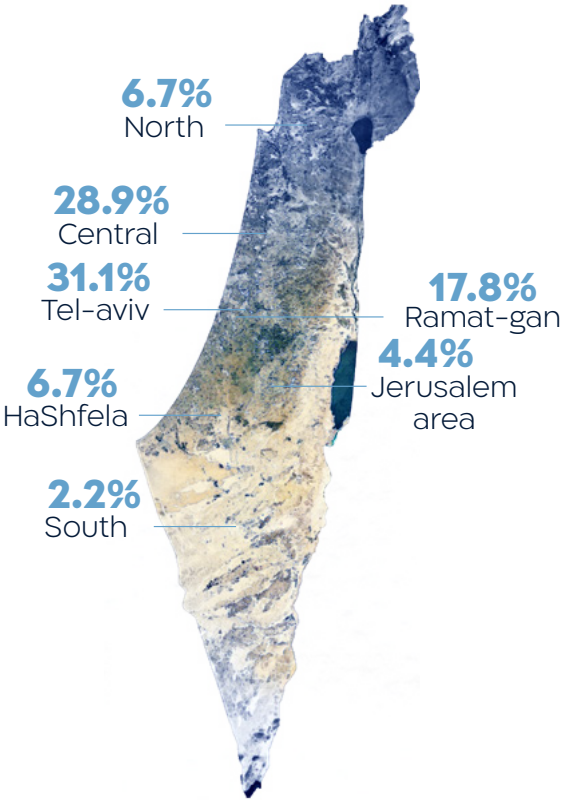
Our team has grown by- **17%** compared to the previous year.

Gender diversity in Reality

46% women across all employees

- 15%** In senior management
- 50%** In middle management
- 48%** In professional roles
- 83%** In other positions

We Come from All Over the Country



LOOKING AHEAD

Recognizing the value added by diversity in voices, approaches, identities, and backgrounds, we have set a goal to learn about the subject and lay the foundation for a policy promoting diversity and inclusion in the team.

Our team includes talented women and men with diverse approaches and opinions that enrich the professional and human discourse within the group. We emphasize flexible employment and strive to consider employees' needs in line with their family circumstances, maintaining a work-life balance.



Shlomi Shitrit,
Business Development Manager,
Initiation Department

Shlomi, 37, married to Hadar, and a father of Alona, 8, Bari, 5, and Dagan, 2, holds a degree in Economics and Real Estate. At Reality, Shlomi is responsible for finding properties and new projects with promising business potential. Like other Reality fathers, Shlomi enjoys the "Dad Day" policy, allowing him to leave work early one day a week to spend time with his children and family. "In my first year at Reality, I devoted myself to work because it was important for me to make an effort and prove myself in my role. Over time, I realized that my family also needs me, and I need balance. Thanks to Reality, which provided me with the flexibility to spend more time at home, I understood that it is possible to be a good father and also a good worker."



Emilia Kaufman,
Project Manager,
Project Management Department

Emilia, 35, married to Uri and a mother to Adam, 5, and Bari, 2.5, holds a Bachelor's degree in Geography and International Relations and a Master's degree in Urban Planning from the Hebrew University. At Reality, Emilia works as a project manager in the Projects department, responsible for promoting the Improvement process of properties after their purchase. "The combination of motherhood and a role in which I have a lot of responsibility is challenging, but alongside the intensity of work, the role is very fulfilling and rewarding. A unique group of people, full support, and creative thinking enable a combination of personal and professional fulfillment alongside parenting and partnership".



PROFESSIONAL DEVELOPMENT

As part of our responsibility towards employees, we view every position in the organization as an opportunity for professional development. We encourage participation in conferences and various professional training sessions, aiming to shape a long-term advancement horizon for employees in the organization.

We believe that honest feedback and dialogue create certainty and focus efforts that foster excellence. Therefore, we have instituted an organized performance evaluation process that includes setting annual goals, filling out a standardized feedback form, and a personal discussion between each employee and their direct manager, allowing them to express opinions, positions, and aspirations. The process is accompanied by financial incentives awarded for meeting departmental goals. Additionally, all team members are rewarded based on their adherence to organizational goals.



One of Us

Ido Belchar joined Reality **in 2016** at the age of 29, initially in the role of accountant. It quickly became evident that he was a rising star, and efforts were made to retain him over time. **In 2019**, he advanced to the position of Investor Relations Manager. **In 2022**, after 6 years at Reality, Ido became the CFO.



WELL-BEING

We believe that a happy employee is a better employee, and thus, we see nurturing the wellbeing of our employees as a top priority. We emphasize a pleasant and safe work environment, including modern design, ergonomic and comfortable furniture, and a well-equipped kitchen open throughout working hours. Over the past year, the team's offices have been expanded to include an open roof and a well-maintained terrace, where comfortable seating areas have been added for the employees' benefit.

Direct, informal, and open communication between employees and managers in the organization is part of our organizational DNA. Open dialogue ensures a pleasant atmosphere and allows employees to communicate their needs at work and in their personal lives. We strive for a clean, accepting, and safe work environment, free from discrimination and harassment.

Holidays are a good time to see the employee and their family. Therefore, we do not work on the eve of public holidays, and we do not count these days as days off. In addition, half of the vacation days during the two long holidays of the year are given at the employer's expense and are not deducted from each employee's annual vacation days.

Leisure activities and investment in employee wellbeing as part of the organizational culture.

Providing loans under improved conditions to employees.

Reality Shares – an employee stock option plan for employees with a tenure of two years or more at the Group, turning team members into true partners in the Group's success.



LOOKING AHEAD

We are working on a personally tailored health insurance plan for organization employees, which will take effect in 2023. It will be unique in providing complementary medical treatment therapies.

WORK IS IMPORTANT BUT SO IS TAKING A BREATHER



On Thursdays, we have our Happy Hour, wrapping up the week in a positive atmosphere



We also prioritize team bonding by occasionally embarking on four-day group vacations. One memorable trip took us to Dubai, where we enjoyed quality time together, indulged, and strengthened our personal connections



During holidays, we take a midday break to participate in festive events. For instance, during Purim, we engaged in a vibrant workshop crafting colorful cocktails



Women's Reality" – our women's group – actively participates in weekly themed meetings, focusing on the "Daily Method" practice. We break routine with a fun day at the mid-sea beach



We had a fun day breaking the routine at the beach



On International Women's Day, we organized an event featuring a guided women's circle and a sustainable clothing swap. After the event, leftover clothes were donated to charity



On Holocaust Remembrance Day, we had the privilege of meeting a guide from "Yad VaShem" who shared stories about the Righteous of the Nations – individuals who put themselves on the line to save Jews during the Holocaust



We also engage in public sports activities like city running competitions



We conducted guided tours of our properties for all team members, providing exposure to various on-site activities

COMMUNITY CONTRIBUTION

We provide our employees with opportunities to volunteer together

Around 20 team members participated in organized volunteer days. In collaboration with the "Our Children" association, we organized a meeting with hospitalized children at the Schneider Medical Center. We distributed gifts, purchased in advance, to brighten their days. Additionally, in partnership with the "Happy Holiday" association, we distributed holiday food parcels.

CHAPTER 4: VALUES-BASED MANAGEMENT



Hagaton 8, Nahariya

VALUES-BASED MANAGEMENT

Reality acknowledges its responsibility towards all stakeholders in the way it operates.

Our organizational culture is based on our core values, guiding us in decision-making processes in daily activities and throughout investment processes. As faithful custodians of capital and assets, we manage investments responsibly to the highest standards of corporate governance and act with integrity, fairness, and respect towards all stakeholders. We uphold high ethical standards and adhere strictly to laws and regulations in all areas of operation. Despite being a private entity, we aspire to maintain the highest levels of transparency and reporting to investors in accordance with standards expected of public companies.

Recognizing the importance of our investors, local authorities, and communities surrounding our properties as influential factors in our success, we make every effort to be good partners and collaborate for the common good. Learning processes, control, and innovation are pillars of our work culture according to which we strive for excellence and professionalism at all times. Through visionary insight and creative thinking, we leverage the team's knowledge and capabilities to effect real change in our field of business.

OUR CORE VALUES

Creativity

Partnership

Proactivity

Responsibility

Professionalism

Our values stem from a mindset of the heart but have also been defined through a systematic process with an external professional body. They guide all employees in the organization at every step and action, interacting with stakeholders and partners.

TURNING VALUES INTO ACTION

This year, we developed the "ZOOM-IN" system, a unique platform for conducting internal investigations and ongoing learning processes. The system is embedded as part of the organization's work plan, which includes a minimum of six annual investigations conducted by each department. These investigations are integrated with the goals of team members, management, and partners.

This year, we conducted **60** investigations for self-auditing purposes.

LOOKING AHEAD

One of the management's goals for the coming year is to draft an ethical code and implement it throughout the organization.

WORKING RELATIONSHIPS WITH OUR STAKEHOLDERS

We view everyone we encounter during our work processes — investors, colleagues, government officials, tenants, and suppliers — as true partners on the journey, working together to create shared success for all.

As part of our worldview, we collaborate with a wide range of stakeholders and cultivate long-term relationships based on trust, mutual respect, appreciation, and transparency. Reality's team members make efforts to maintain direct and accessible dialogue with all our stakeholders through various communication channels. With breakthrough vision and creative thinking, we leverage the team's knowledge and capabilities to bring about tangible change in our field, striving to go beyond the ordinary.

Recognizing the importance of our relationship with our tenants, we emphasize building a personal and trustworthy connection and conduct fair interactions that safeguard their rights. As part of our worldview, we work to strengthen the tenant community, find flexible solutions to problems, and create pleasant spaces that support their activities.

All our properties include well-structured lease agreements and undergo thorough electrical and safety checks before purchase and on an ongoing basis as required by law.

IMPROVING SERVICE FOR SHAREHOLDERS

- This year, we acquired a platform for managing payment requests to suppliers, enhancing our efficiency in payment management and upgrading the quality of service provided by the finance department.
- The Finance Department holds weekly meetings to manage payments smoothly and solve problems quickly for everyone involved, as part of our focus on doing business responsibly

The 1591 suppliers we worked with in 2022 - benefited from a comfortable **NET30** payment policy. We grant rent discounts to social organizations and Non-Profit Organizations



INVESTING IN THE INVESTORS

Reality is committed to business integrity, compliance with laws and regulations, and internal control mechanisms at the highest standards of corporate governance. We adhere to a partnership agreement with investors, reporting quarterly updates that include financial reports according to IFRS standards.

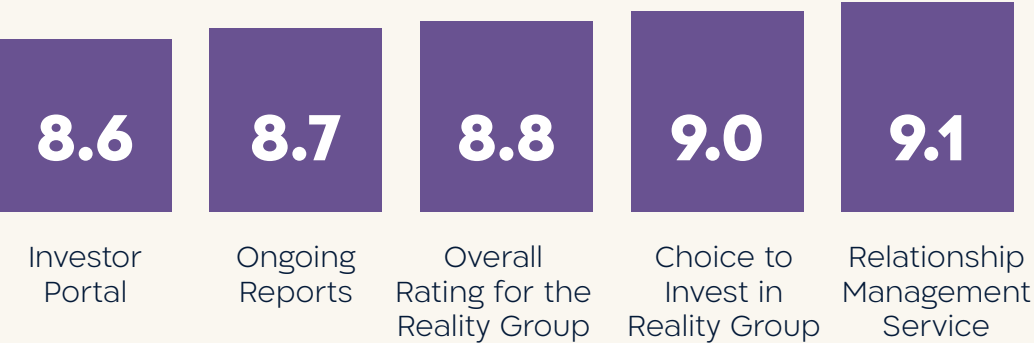
Additionally, we keep investors informed about acquisitions, realizations, and significant activities. Regular communication and direct dialogue with the investment community are given significant priority. We hold periodic meetings with institutional bodies, analysts, investment funds, and other investors, making every effort to provide an immediate response to any request or inquiry in a manner responsive to the needs presented.

As part of the conclusions reached following an investor survey held for the first time this year, we conducted tours of properties for institutional investors. During these meetings, we presented the Reality's activity on the ground to turn reports into a living and tangible reality. These tours also contributed to deepening familiarity and strengthening the personal relationship between the parties.

In March, we held a large investor event, where all employees actively participated. The event allowed investors to share in our achievements in realizing our goal to change the organizational structure of Reality into a group of funds. In 2022, we developed a dedicated investor portal that enables easy and accessible tracking of their investments. The portal will be launched in 2023.



Survey Ratings Received from Investors Level of Investor Satisfaction



* Average grade from 1 to 10
*The research was conducted by Telesker -the Israeli representative of the international survey company KANTAR

ASSESSING INVESTMENTS

We operate at the highest standards of corporate governance and responsible investment management, adhering rigorously to legal authorities.

Our structured process for the examination and acquisition of assets includes risk and opportunity identification, and the professional and responsible execution of internal controls. From the initial property identification stage, we are committed to collecting accurate transaction data and maintaining meticulous documentation in our organizational systems.

Investment Examination Procedures

- **Conducting inter-departmental investment committees** before each purchase to provide diverse perspectives and ensure greater transaction certainty.
- **Generating a property acquisition protocol – due diligence**, covering land descriptions, auditors’ reports, legal status, contractual system details, zoning status, local planning tests, and sometimes licensing status.
- **Low leverage ratios**, with rates up to 60% above portfolio assets.

IN 2022,

THREE PURCHASES were made with business partners, expanding market opportunities and our collaborative strategy, fostering synergies and maximizing each partner’s relative advantages. Two of these transactions were continued acquisitions of facilities acquired in the previous years.



Team members of initiation & professionals departments – 56 –

INFORMATION MANAGEMENT AND SECURITY

This year, we initiated a comprehensive process of defining and implementing advanced technological systems to enhance workflow efficiency and improve data security.

Following an in-depth analysis of the group’s needs in information security, user privacy, and cyber threat mitigation, we began upgrading the computing systems we depend on.

Within this process, an in-house technological system was established, improving communication between different departments, providing easy and convenient data access, and enabling real-time monitoring and control of our work processes. The platform was built to strict information security standards and cybersecurity measures.

Our IT service provider complies with ISO 27001 standards.

The cloud and infrastructure environments adhere to the standards:
ISO 9001:2015
ISO 14001:2015
ISO 45001:2018

Reality did not experience any data security breaches throughout the year.

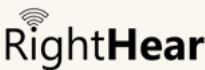


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ACCESSIBILITY

Believing in the right of all populations to live with equality, dignity, comfort, and independence, we strive to ensure that our group offices and properties, including digital services and assets, are accessible to everyone. Physical properties and company offices are designed for accessibility, including physical adjustments to entrances and infrastructure such as doors, restrooms, information counters, and service stands, as well as elevators. Aligning with our holistic development approach that considers environmental and community needs, all our projects meet accessibility requirements. Additionally, we support the RIGHTHEAR startup, enhancing public spaces' accessibility for the blind and visually impaired, contributing to positive changes in cities.

Our website complies with Israeli standard (5568) for web content accessibility at level AA and the international WCAG2.1 document. We have made our customer service and call center information available in clear language (Hebrew and English). We offer alternative digital communication channels and are ready to accommodate any required adjustments for individuals with disabilities.



ENVIRONMENTAL AWARENESS – OFFICE MANAGEMENT

We strive to operate with environmental consciousness in all our activities, considering both the human and natural environments. As a company bridging finance and real estate, we recognize the impact of our operations on environmental and climate issues and work towards minimizing them.

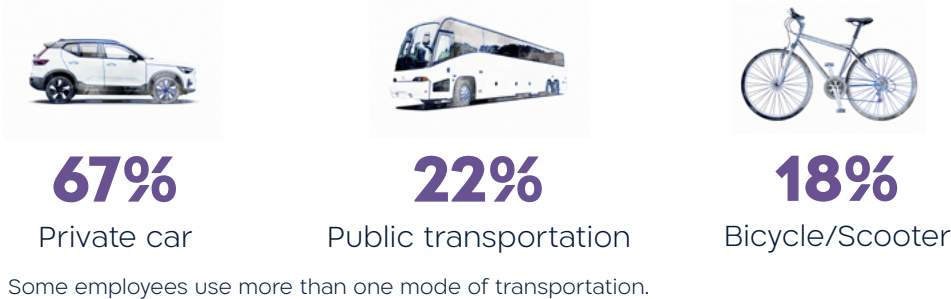
Fund Management – Group Office Data

- **Electricity Consumption:** 43,538 kWh (156.73 GJ)(156.73GJ)
- **Greenhouse Gas Emissions:** 365 tons of CO₂e
- **Emissions per Employees:** 6 tons of CO₂e



- Waste Data:**
- 215 cubic meters of waste
 - 1,040 kg of paper recycled, representing 72% of annual paper consumption
 - 3,640 beverage bottles recycled through the "Olam Chesed Yavne" association, contributing deposits to families in need through food baskets
- **Water Consumption:** 21,878 cubic meters

Commuting Methods



LOOKING AHEAD

As part of our goals, we will actively raise awareness among employees to reduce our ecological footprint resulting from the organization's activities. We promote a gradual reduction in greenhouse gas emissions alongside responsible resource management in electricity and water consumption, waste separation, transitioning from paper usage to digital platforms, and additional green initiatives.

ENVIRONMENTAL AWARENESS – MANAGED PROPERTIES

As an entity that plans, funds, and manages properties, we understand that energy consumption and greenhouse gas emissions from these properties contribute to the indirect emissions of the funds. As a first step, we conducted an assessment this year of the emissions attributed to property activities. As part of our efforts to reduce our carbon footprint, we are beginning to map and optimize our indirect ecological impacts, including from the income-generating properties in our possession.

- Total Emissions from Realty Properties:**
CO2e 10.3 TONS
- Emissions Intensity per Square Meter of Properties:**
61.1 kg CO2e per square meter
- Emissions Intensity from Realty Group Activities, including managed properties:** 0.073 tons CO2e per square meter

* As tenants have individual electricity meters, the data is estimated based on average emissions from real estate properties and attributed to Realty in relation to property ownership percentages, following PCAF guidelines and methodology.

LOOKING AHEAD

Being hosts to many organizations, we will work towards increasing tenants' awareness in the future regarding energy efficiency, waste recycling, and reducing greenhouse gas emissions resulting from operations.



Office compound, Azur

ADAVOT FOUNDATION – PHILANTHROPIC FUND

The Adavot Foundation is a philanthropic fund established by the founding families of the Realty Group – Rosen, Vardi, and Wertheim. The foundation began its activities in 2021-2022 with an initial scope of one million ILS per year. The foundation leverages the strengths, connections, and working methods that the group brings from its experience in the business world, making social investments in diverse projects deserving commendation. The philanthropic fund serves as a means for the founders to positively impact the construction of a fairer and more equal society.

The foundation's primary focus is on promoting the accessibility of integrative (alternative) medicine as part of the treatment spectrum received by every patient in the public healthcare system in Israel. Recognizing the need for treatment and support extends not only to the patients but also to their support networks and treating teams.

In addition, the foundation supports projects that promote wellbeing in the fields of health and education, especially targeting vulnerable populations.

Similar to the real estate funds, in the philanthropic fund, we adopt a partnership approach, collaborating with entities that see themselves as partners on the journey, as part of a perception of leveraging collective power for the expansion of influence circles. With each property acquisition or realization, we provide an additional donation and invite transaction parties to join us in a goodwill gesture for a shared contribution.

In the first operational year of the Adavot Foundation, we engaged with

Approximately **150** doctors and staff members

10 medical centers

8 associations in the field of complementary medicine

Around **700** patients and their families





This year, we chose to support 17 projects, including:



Opening a community clinic for oncology patients and those in recovery and their families in Herzliya



Complementary treatments for oncology patients at the Soroka Medical Center in collaboration with the Southern Wind Association



Training course in collaboration with the Israeli Medical Organization, providing tools from taken from fields of alternative medicine to doctors and medical staff



A pioneering study examining the effect of homeopathic treatments on the condition of oncology patients, in collaboration with Rambam Medical Center



Treatment program integrating traditional Chinese medicine for patients recovering from accidents and serious illnesses, in collaboration with Hadassah Mount Scopus Medical Center



Policy change through a lobbying process to introduce integrative treatment into the state-subsidized medical treatments, in collaboration with the Society for Alternative Medicine under the "Israeli Medical Association"

As the foundation straddles the seam between funding and real estate management yield, we chose to report according to two standards that together create a fuller picture of the essential topics for the foundation's activity. The result of this choice is that there are topics covered by the standard but not addressed in the report. These topics appear in the table for the sake of standard completeness but have been marked as irrelevant to the company's reporting at this stage. We aim to expand the reporting further along with a deepening of ESG management processes.

SASB INDEX – FINANCIAL ASSETS

SASB: ASSET MANAGEMENT & CUSTODY ACTIVITIES

TOPIC	CODE	METRIC	LOCATION
Transparent Information & Fair Advice for Customers	FN-AC-270a.1	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Not included for disclosure at this time
	FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	Not included for disclosure at this time
	FN-AC-270a.3	Description of approach to informing customers about products and services	Investing in Investors (Value-driven management) section
Employee Diversity & Inclusion	FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Human Capital section
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	Today the fund does not categorize its investments according to parameters of ESG. For environmental and social parameters in Investments - 360° Planning chapter, for other considerations in investments Value-driven Management
	FN-AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	Approach to ESG section
	FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	Value-driven Management
BUSINESS ETHICS	FN-AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive	Not included for disclosure at this time
	FN-AC-510a.2	behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Not included for disclosure at this time
ACTIVITY METRICS	FN-AC-000.A FN-AC-000.B	Total registered and (2) total unregistered assets under management (AUM)	About Reality

REAL ESTATE - INDEX SASB

SASB: REAL ESTATE

TOPIC	CODE	METRIC	LOCATION
Energy Management	IF-RE-130A.1	Energy consumption data coverage as a percentage of total floor area, by property Subsector	Environmental Impacts (value-driven management)
	IF-RE-130A.2	(1) Total energy consumed by portfolio area with data coverage, (2) percentage grid electricity, and (3) percentage renewable, by property subsector	Environmental Impacts (value-driven management)
	IF-RE-130A.3	Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector	This is the first year of reporting
	IF-RE-130A.4	Percentage of eligible portfolio that (1) has an energy rating and (2) is certified to ENERGY STAR, by property subsector	N/A
	IF-RE-130A.5	Description of how building energy management considerations are integrated into property investment analysis and operational strategy	360° Planning section
Water Management	IF-RE-140A.1	Water withdrawal data coverage as a percentage of (1) total floor area and (2) floor area in regions with High or Extremely High Baseline Water Stress, by property subsector	All tenants have individual water meters
	IF-RE-140A.2	(1) Total water withdrawn by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, by property subsector	N/A
	IF-RE-140A.3	Like-for-like percentage change in water withdrawn for portfolio area with data	N/A
	IF-RE-140A.4	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A

TOPIC	CODE	METRIC	LOCATION
Management of Tenant Sustainability Impacts	IF-RE-410A.1	(1) Percentage of new leases that contain a cost recovery clause for resource efficiency related capital improvements and (2) associated leased floor area, by property Subsector	No such contracts at this time
	IF-RE-410A.2	Percentage of tenants that are separately metered or submetered for (1) grid electricity consumption and (2) water withdrawals, by property subsector	All tenants have individual electricity meters
	IF-RE-410A.3	Discussion of approach to measuring, incentivizing, and improving sustainability impacts of tenants	N/A
Climate Change Adaptation	IF-RE-450A.1	Area of properties located in 100-year flood zones, by property subsector	N/A
	IF-RE-450A.2	Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks	N/A

REAL ESTATE: ACTIVITY INDEX-SASB INDEX

SASB: REAL ESTATE

TOPIC	CODE	METRIC	LOCATION
Activity Metrics	IF-RE-000.A	Number of assets, by property subsector	About Reality – Reality Equity
	F-RE-000.B	Leasable floor area, by property subsector	About Reality – Reality Equity
	IF-RE-000.C	Percentage of indirectly managed assets, by property subsector	About Reality – Reality Equity
	IF-RE-000.D	Average occupancy rate, by property subsector	Interim Uses section

NOTES

