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**ISRAEL CORPORATION LTD**

Company number: 520028010

The corporation's securities are registered for trade with the Tel-Aviv Stock Exchange

Abbreviated name: Israel Corporation

Street: P.O.Box 20456, Tel-Aviv 61204

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Form 105  
Public

Date of transmission: 29/03/2012

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To:  
The Securities Authority  
[www.isa.gov.il](http://www.isa.gov.il)

To:  
The Tel-Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

**Immediate report on an extraordinary transaction with an officer of the company**

Regulation 37a (3) to the Securities Regulations (Periodic and Immediate Reports), 1970

1. On March 28<sup>th</sup> 2012 the Company's Board of Directors has resolved to approve an extraordinary transaction of the Company with an officer of the Company, according to article 270(1) of the Companies Law, 1999.
2. The date of approval of the transaction by the Company's Audit Committee: March 26<sup>th</sup> 2012.
3. Details of the officer:  
Name: Amir Elstein  
Nir Gilad  
Avisar Paz  
Position: Chairman of the Board of Directors  
CEO  
CFO  
Nature of the personal matter:  
Bonus for 2011
4. Details of the transaction: enclosed herewith as a file  
[isa.pdf.reportombonuschairmanoftheboardceovpfinancefor2011](#)
5. The Board of Directors' reasons for approval of the transaction:  
See the enclosed file.

Name of authorized signatory of the report and name of authorized signatory of electronic signature:

Maya Alchek Kaplan

Position: General Counsel (In House) and Company's Secretary

Date of signature: March 29th 2012

Reference numbers of previous documents on the subject (the mention does not constitute inclusion by way of referral).

Previous names of the reporting entity: Israel Corporation Ltd.

Form last updated on: 4/03/2012

Name of Electronic Reporter: Maya Alchek Kaplan. Adv. Position: General Counsel (In House) and Company's Secretary. Aranha 23, Millennium Tower, P.O. Box 20456 Tel Aviv 61204. Phone – 03-6844517, Fax: 03-6844587, e-mail – [mayaak@israelcorp.com](mailto:mayaak@israelcorp.com)

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## ISRAEL CORPORATION

Israel Corporation Ltd  
Millennium Tower, 21 Aranha St., Street: P.O.Box 20456, Tel-Aviv 61204  
Phone: (03) 6844517 Fax: (03) 6844587  
Maya Alcheh Kaplan, Adv.  
General Counsel (In House) and Company's Secretary

March 19<sup>th</sup> 2012

To	To
The Securities Authority	The Tel-Aviv Stock Exchange Ltd.
<u>Via the electronic disclosure system</u>	<u>Via the electronic disclosure system</u>

Dear Sir/ Madam,

**Re: Immediate report - bonuses to officers of the Company for year 2011**

Pursuant to Regulation 37a (3)

Israel Corporation Ltd. (the "**Company**") hereby informs that on March 28<sup>th</sup> 2012, the Company's Board of Directors has approved, following the recommendation of the Compensation Committee dated January 11<sup>th</sup> 2012, February 16<sup>th</sup> 2012, March 13<sup>th</sup> 2012 and March 26<sup>th</sup> 2012, and the Audit Committee's approval dated March 26<sup>th</sup> 2012, the payment of annual bonuses to the Company's Chairman of the Board of Directors, the CEO and the CFO.

1. **Annual bonuses for 2011:**

- 1.1. The payment of a bonus for the year 2011 in the sum of 2.4 million NIS to the Company's Chairman of the Board of Directors, Mr. Amir Elstein, subject to the approval of the Company's general meeting as detailed in the Company's summoning of a general meeting report published alongside this report.
- 1.2. Payment of a bonus for the year 2011 in the sum of 3 million NIS, to the Company's CEO, Mr. Nir Gilad.
- 1.3. Payment of a bonus for the year 2011 in the sum of 1.15 million NIS to the Company's CFO, Mr. Avisar Paz, detailed in this report for carefulness only.

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2. **The manner in which the bonuses were determined:**

- 2.1 The annual bonuses to the officers in the Company for the year 2011 were determined in accordance with the Company's Officers Bonus Policy, approved on March 29<sup>th</sup> 2011, by the Company's Board of Directors, following the approval of the Audit Committee and a discussion held by the Compensation Committee ("**the Bonus Policy**"). For information concerning the Bonus Policy and the manner of its implementation, see Regulation 10(b)(4) of the Company's Board of Directors Report for the year 2011 published, on March 29<sup>th</sup> 2012 as well as Regulation 21 in the chapter "Additional Details" of the Company's Annual Report for the year 2010.
- 2.2 In the framework of the discussion concerning the annual bonus to officers in the Company for the year 2011, including the Chairman of the Board of Directors, the Compensation Committee, the Audit Committee and the Company's Board of Directors reviewed and decided that the preliminary conditions for granting the annual bonus are met: there is a minimal net profit of 50 million dollars, and that granting an annual bonus with respect to each of the officers receiving the bonus is reasonable. Upon fulfillment of said preliminary conditions, a calculation was executed based on gradual profit formulas that were set in respect of each of the Company's officers ("**the Profit Formula**"). Furthermore, specific discussions were held as to the evaluation of each of the officers, including the Chairman of the Board of Directors, in accordance with quantitative and qualitative parameters in accordance with objectives and values set in advance in respect of each of the officers (as to each objective a specific grade between 0.5 – 1.5 was given and weighted in accordance with the values that were set with relation to each of the objectives), as well as a personal evaluation. Upon receipt of the weighted grade following the evaluation process specified hereinabove in accordance with the officer's qualitative and quantitative parameters, the weighted grade was multiplied by the amount received as a result of the application of the Profit Formula applicable to it. The amount obtained following said process and manner of calculation thereof were brought to the consideration of the Compensation Committee, the Audit Committee and the Board of Directors.

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2.3 In a discussion held concerning the annual bonus in respect of 2011, the amount received following the manner of calculation was discussed, as well as the overall circumstances, including the overall compensation of the Company officer on all of its different components, the performance and contribution of each one of the bonus receivers to the Company's development and that of its business, and promoting processes whose goal is accomplishing the Company's objectives in the long term, the overall terms of employment of each one of the bonus receivers, the compliance of each one of the bonus receivers with the requirements set forth by his position and the agreement entered into with him, the performance and contribution of each one of the bonus receivers to the Company's activities and the companies that are among the Company's Group, and his contribution to the promotion of the development and the support given to the Company's business ventures in different areas, the managerial objectives that he accomplished in 2011, his compliance with quantitative and qualitative parameters that were set for him as customary in companies of similar size while taking into account the Company's complexity and uniqueness and its different activities, and bonuses granted in previous years.

3. **Summary of the reasons provided by the Audit Committee and the Board of Directors to grant the annual bonus:**

The Audit Committee and the Company's Board of Directors examined the sum received from the profit formula applicable in respect of the Chairman of the Board of Directors, the Company's CEO and the CFO, and also examined the manner in which each one of said officers has met the qualitative and quantitative parameters (according to values determined for each one) as evaluated by the relevant entity for each one (the Chairman of the Audit Committee's evaluation of the Chairman of the Board of Directors; the Chairman of the Board of Directors' evaluation of the Company's CEO; the Company CEO's evaluation of the CFO), an evaluation that was approved by the Compensation Committee, the Audit Committee and the Board of Directors. Furthermore, the annual bonuses granted to every one of the officers in previous years were also reviewed.

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In accordance with the Bonus Policy, based on the above parameters and on relevant information that was provided in advance, the Audit Committee and the Company's Board of Directors approved the bonuses for the year 2011, and regarding the manner in which each has met the qualitative and quantitative parameters, have noted, *inter alia*, the following reasons in respect of each one of the officers:

- 3.1. Chairman of the Board of Directors - Mr. Amir Elstein: for a detailing of the Board of Directors' reasons for awarding the bonus for the year 2011 to the Company's Chairman of the Board of Directors, Mr. Amir Elstein, see the Company's immediate report dated March 29<sup>th</sup> 2012, that includes a notice on the convening of a special general meeting on whose agenda, *inter alia*, is the approval of said bonus, dated March 29<sup>th</sup> 2012.
- 3.2. The Company CEO - Mr. Nir Gilad:

Nir Gilad's contribution to promoting strategic processes in the company in 2011 was noted, as well as his actions for the realization of the Company's strategic plan and its conferring on the subsidiary companies, including the focus in I.C.Power Ltd. and building a team to handle the strategic plan. The Company's Board of Directors was impressed by Nir Gilad's contribution to the Company's subsidiary companies, amongst other things in his role as Chairman of Israel Chemicals and as Chairman of Zim, and by the development of the potential companies held by the Company, including Nir Gilad's contribution to the development of Corus during 2011. The Company's Board of Directors noted Nir Gilad's efforts to secure profit for the Company especially during in a changing business environment and in view of the global economic instability. The Company's Board of Directors emphasized Nir Gilad's contribution to the Company's development in the long term, taking into account his actions in initiating investments, in formulating processes in the area of strategy, business development and the Company's corporate governance. It was noted that in the course of 2011, the Company invested a total sum of 147 million dollars, it has raised a debt in a total sum of 233 million dollars and that a sum of 400 million dollars for investments in

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accordance with the Company's strategic plan was held. Furthermore, the Company's Board of Directors emphasized Nir Gilad's actions in promoting and developing work processes and work methods and adopting a dynamic management view that enables the Company to cope with a changing business environment. The Company's Board of Directors expressed its appreciation to the Company CEO's work, noting in particular the Company's managerial complexity, operating in a large number of markets and areas, at times in markets that are heavily regulated, in capital heavy areas that require a high level of financial ability. In addition, great appreciation was expressed to his performance and functioning (including according to the agreement entered into with him, and his meeting the parameters determined for him) as the Company's CEO in 2011, during times of change in global economy and considering the Company's size, its geographic deployment, the scope of its activities, its many fields of activity and the complexity of the CEO's role and the special skills required from the Company's CEO to manage and lead the Company. Furthermore, the Company's aspiration to preserve the continued office and contribution of Nir Gilad for the Company's benefit and its shareholders in the long term was noted.

Said organs discussed the weighted bonus amount obtained by the product of the grade of his compliance with the qualitative and quantitative parameters in the Profit Formula, and resolved that in light of the appreciation of the Compensation Committee, the Audit Committee and the Board of Directors of the CEO's performance, his noteworthy efforts in 2011 to secure profit for the Company and the subsidiary companies, both as the Company's CEO and as Israel Chemicals' Chairman, as Zim's Chairman and as I.C.Power's Chairman, the Company's electricity division, his contribution in promoting the Company's strategic plan from a long term perspective and taking into account the complexity of his position, it would be reasonable and appropriate to add to the bonus amount that was the product of the Bonus Policy formula an additional amount in a manner that the total bonus amount for the year 2011 would be the amount specified hereinabove.

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3.3. The CFO - Mr. Avisar Paz:

The CFO's contribution to meeting the Company's cash flow objectives, and his efforts in securing profit for the Company and in creating cash flow strength for the Company and a steady debt structure, in particular in a changing business environment and in view of the instability of global economy requiring the ability to raise funds and for dynamic financial management, that has brought the Company to an adequate cash level in 2011. Furthermore, the Company's Board of Directors emphasized Avisar Paz's activity in promoting the Company's objectives and those of its subsidiaries in the course of 2011 and in the long term, as well as his performance and management of all of the Company's financial issues during 2011 and its appreciation of his activity in integrating control procedures and corporate governance in the Company. The Company's Board of Directors notes its appreciation of Avisar Paz's performance and functioning (including according to the agreement entered into with him, and his meeting the parameters determined for him) as the CFO in 2011, in light of the changes in the global economy, and expressed its appreciation to his abilities, skills and contribution to the Company, especially when considering the unique nature and complexity of the Company's business activities, both geographically and in terms of its diverse activities, the scope of its businesses and the diversity in its fields of activity, and their impact on the requirements from the CFO position in a company of the Company's type and the skills required from him. Furthermore, the Company's aspiration to preserve the continued office and contribution of Avisar Paz for the Company's benefit and its shareholders in the long term was noted.

The said organs discussed the weighted bonus amount obtained by the product of the grade of his compliance with the qualitative and quantitative parameters in the Profit Formula, and determined that the sum of the bonus is reasonable and appropriate.

4. No one from amongst the directors opposed the approval of the annual bonuses.

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5. The Audit Committee and the Board of Directors determined that awarding the bonuses is in the Company's interest.
6. For further details on the terms of employment and the tenure of officers in the Company as well as for further details on the format of discussion and to review the reasonableness and fairness of the overall bonus granted to each one of said officers in 2011, see the Company's Board of Directors' Report for the year 2011, and Regulation 21 in the chapter "Additional Details" of the Company's Periodic Report for the year 2011 published on March 29<sup>th</sup> 2012.

**Sincerely,**

**Israel Corp. Ltd**