

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

ISRAEL CORPORATION LTD.

Registry Number 520028010
Securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

**Form 460
Public**

Abbreviated name: ISRAEL CORPORATION
Street: P.O.B. 20456, Tel Aviv, 61204
Tel: 03 – 6844517, 03 – 6844500, Fax: 03 – 6844587
E-mail: MAYAAK@ISRAELCORP.COM

Transmission date:
March 26, 2014
Ref: 2014-01-025239

The Securities Authority
www.isa.gov.il

The Tel Aviv Stock Exchange Ltd.
www.tase.co.il

**IMMEDIATE REPORT ON THE CONVENING/ ADJOURNMENT/
CANCELLATION OF A MEETING**

Regulation 36 B (a) and (d), and Regulation 36 C of the Securities Regulations (Periodic and Immediate Reports), 5730 – 1970

The corporation hereby announces: the convening of a meeting
 the adjournment of a meeting
 the cancellation of a meeting
 the adjournment of a meeting to an unknown date

The reference number of the notice regarding the convening of the meeting is _____, which was called for the date: _____.

The reason for the adjournment or the cancellation: _____.

Explanation: It is necessary to refer to the reference number of the last notice regarding the convening or adjournment of the meeting.

1. On the date of: *March 26, 2014*
it was decided to convene a *special meeting* _____
that will be held on *Thursday, May 1, 2014*, at *11:00 a.m.*
at the address: *23 Aranha St., Millennium Tower, Tel Aviv.*
2. The number of the security on the Stock Exchange which entitles the holder thereof to participate in the meeting is: *576017*

The record date for determining the entitlement to participate in and vote at the meeting is: *April 3, 2014.*

3. On the agenda:
The subjects/ resolutions which shall be brought up at the meeting:

<p>1. The subject/ the resolution and the details thereof:</p> <p><i>Approval of the Compensation Policy for the officers of the Company as set forth in this report in such draft as attached herewith as Appendix A to this Report, and the terms and conditions thereof.</i></p> <p>_____</p> <p>The reference number of the last report in the matter of the approval of a private placement (<i>Form Taf 138</i>): _____</p> <p><input type="checkbox"/> A transaction between the Company and a controlling shareholder thereof as stated in sections 275 and 320 (f) of the Companies Law. The reference number of the last report in the matter: (<i>Form Taf 133</i>): _____</p>

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

- Amendment of disclosure Amendment of terms of the transaction Removed from the agenda
- A matter to be reported which is not to be voted on.
- Convened in accordance with section 66 (b) of the Companies Law

A report is attached herewith for the convening of the meeting:
Convening Of Meeting Compensation Policy isa.pdf

4. Attached herewith is/are:

- The draft of the voting form
 A position statement
Compensation Policy Voting Form isa.pdf

- A declaration of the candidate to serve as a director of the corporation
 A declaration of an independent director
 A declaration of an outside director

Explanation: *Should a voting form and/or position statement be attached, it must be ascertained that they have been prepared in accordance with the Companies Regulations (Voting in Writing and Position Statements), 5766 – 2005.*

The address of the Internet site where it is possible to vote: _____

Explanation: *It is necessary to fill in this field in the event that the Company allows voting over the Internet pursuant to Regulation 5 (C) of the Companies Regulations (Voting in Writing and Position Statements), 5766 – 2005.*

The email address where the member of the Stock Exchange is permitted to submit the material which he is required to submit to the Company pursuant to Regulation 4 (c) (1) of the Companies Regulations (Voting in Writing and Position Statements), 5766 – 2005: _____

5. The quorum for the holding of the meeting:

See the report attached.

6. In the absence of a quorum, the adjourned meeting shall be held on *May 8, 2014* at *11:00 a.m.* at the address: *23 Aranha St., Millennium Tower, Tel Aviv.*

7. The place and the times where it shall be possible to inspect any proposed resolution whose text has not been presented in full in the details of the agenda, above, is:
At the Company's offices, 23 Aranha St., Millennium Tower, Tel Aviv
on Sundays through Thursdays, between 9:00 a.m. - 16:00 p.m.

The name of the authorized signatory to the report and the name of the authorized electronic signatory:
Maya Alcheh-Kaplan
Position: Vice President, General Counsel & Company Secretary
Date of signature: March 26, 2014

The reference numbers of previous documents in the matter (the reference does not constitute incorporation by reference):

Previous names of the reporting entity: Israel Corporation Ltd.

Date of update of form structure: June 26, 2013

Name of electronic reporter: Maya Alcheh-Kaplan
His *[sic]* position: Vice President, General Counsel & Company Secretary, Name of Employer Company:
23 Aranha St., Tel Aviv, 61204, Tel: 03 – 6844517, Fax: 03 – 6844587, E-mail: mayaak@israelcorp.com

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Israel Corporation Ltd.

Millennium Tower, 23 Aranha St., P.O.B. 20456, Tel Aviv 61204
Tel: (03) 6844517, Fax: (03) 36844587

Attorney Maya Alcheh-Kaplan

Vice President, General Counsel and Company Secretary

ISRAEL CORPORATION

March 26, 2014

TO:

THE SECURITIES AUTHORITY
Through the MAGNA system

THE TEL AVIV STOCK EXCHANGE LTD.
Through the MAGNA system

Dear Sir/ Madam,

Re: **The Convening of a Special, General Meeting of the Shareholders of Israel Corporation Ltd.**

In accordance with the Securities Regulations (Immediate and Periodic Reports) 5730 – 1970 (hereinafter: the "**Reporting Regulations**"), and with the provisions of the Companies Law, 5759 – 1999 (hereinafter: the "**Companies Law**"), and the regulations enacted pursuant thereto, Israel Corporation Ltd. (hereinafter: the "**Company**") wishes to announce that a special general meeting of the shareholders of the Company shall be convened on Thursday, May 1, 2014, at 11:00 a.m., at the offices of the Company, at 23 Aranha St., Millennium Tower, Tel Aviv (hereinafter: the "**Meeting**"), whose agenda shall comprise the subjects, as set forth below in this Report.

Details of the Item on the Meeting's Agenda – Approval of the Compensation Policy for Officers of the Company

1. **Background – Proceedings for Approval of the Company's Compensation Policy**

- 1.1 In accordance with Amendment No. 20 of the Companies Law (hereinafter: "**Amendment No. 20**"), the Company has acted to formulate a compensation policy for officers of the Company. In November 2012, the Board of Directors of the Company appointed the Compensation Committee whose members were, in accordance with the provisions of Amendment No. 20, the outside directors Messrs. Ofer Termechi (who served as the chairman of the Committee) and Professor Gideon Langholz,

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

and also Mr. Michael Bricker (independent director) (hereinafter: the "**Compensation Committee**").

- 1.2 On August 29, 2013 the Company has announced, considering the Israeli Securities Authority announcement dated August 28, 2013 the postponement, the postponement of the shareholders meeting convened to approve the Compensation Policy, which was approved by the Company's Board of Directors following the Compensation Committee's recommendations, in order to exhaust discussions with shareholders and institutional investors consulting company (see Immediate Reports dated 7.28.2013 and 29.8.2013 references: 2013-01-102555 and 2013-01-132258, respectively).
- 1.3 On March 24, 2014, Mr. Oded Degany was appointed by the general assembly of shareholders of the Company to serve as an outside director of the Company (following the death of the late Mr. Ofer Tarmachi), and Mr Degany currently serves as the chairman of the Compensation Committee.
- 1.4 Further to the discussions with shareholders and institutional investors consulting company the Company updated the Compensation Policy which is hereby brought for the approval of the Company's general meeting (hereinafter: the "Updated Compensation Policy"). It shall be noted that that the Updated Compensation Policy includes updated following the aforesaid discussions, in a way that a bonus in regards to the Change in the Company's Holdings Structure (as defined below) is not being brought for approval in the framework of the compensation policy. Additionally the compensation policy includes additional updated, among others, regarding the increase in the minimum income threshold for granting an annual grant to 100 million Dollars (with circumstances in which amounts will be excluded from the net income). It shall also be noted, that the Updated Compensation Policy which is the subject of this report does not include compensation for the Chairman of the Board beyond the practice in regards to all of the directors.
- 1.5 Since the postponement of the abovementioned shareholders meeting the Compensation Committee discussed the updates to the compensation policy following the discussions with shareholders and institutional investors consulting company. For the purpose of formulating its recommendations regarding the Updated Compensation Policy, the Compensation Committee held 3 meetings, whilst consulting with external consultants and receiving background material. It shall be noted that these meeting were held in addition to 15 meeting which were held by the Compensation Committee prior to the said Board approval of July 2013. In the framework of its discussions the Compensation Committee examined various possibilities and formats for determining compensation, and it formulated the appropriate compensation components, which will create appropriate incentives for the officers taking into consideration the Company's objectives. At the time of the formulation of the Compensation Policy, many considerations were also taken into account

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

(including, but not limited to, those set forth in Amendment No. 20), which include, *inter alia*, the job of the officers, data regarding each one of the officers, the current terms and conditions of compensation at the Company, the managerial inputs required in the management of a company of the kind of the Company, the Company's work plan and its risk management policy, the areas of responsibility of the officers and the officers' contribution to the Company and to its shareholders with a long-term perspective.

1.6 The Board of Directors of the Company held several meetings regarding the Updated Compensation Policy¹, and on March 26, 2014, after considering the recommendations of the Compensation Committee, the Board of Directors approved the Compensation Policy which is the subject of this report and approved it being brought for the approval of the Company's general meeting, as convened herein².

1.7 The Updated Compensation Policy (marked up) is attached herewith as **Appendix A** to this Report, and forms an integral part hereof (hereinafter: the "Compensation Policy").

2. **Manner of Formulation of the Compensation Policy, Parameters and Reasons of the Compensation Committee and the Board of Directors**

2.1 For details regarding the considerations and the objectives in the determination of the Compensation Policy and regarding the provisions of the Compensation Policy with regard to each one of the compensation components, including matters which must be addressed in the Compensation Policy and provisions which must be included therein, in accordance with the First Schedule A of the Companies Law, see in the Compensation Policy.

2.2 The Company's Compensation Policy is intended to advance the Company's objectives, its work plan and its policy with a long-term perspective, whilst providing a response to the Company's needs and requirements, taking into consideration the size of the Company, the complexity of its business and the ever-changing challenges which it faces, and also taking into consideration the uniqueness of the Company and the nature of its operations as an investment and holding company, with investments all around the world in a diverse range of sectors, with varying degrees of maturity, and of varying levels of risk.

2.3 The Compensation Committee and the Board of Directors of the Company have determined that the Compensation Policy being presented for the meeting's approval is in the Company's best interests, and that it will create an appropriate balance between the creation of incentives for the officers, the retention of the officers, and compensation thereof in

¹ In addition to 4 meetings held by the company's Board of Directors in regards with the compensation policy prior to its approval on July 28, 2013, as mentioned on the Company's report dated July 28, 2013 (reference no.: 2013-01-102555).

² As regards the majority required for approval of the resolution on the agenda and the manner of approval thereof, please see section 9 of this Report.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

respect of their achievements, and the Company's policy with a long-term perspective, taking into consideration the Company's risk management policy and the challenges facing the Company, and that compensation of the officers pursuant thereto should be fair and reasonable, paying heed to all of the foregoing.

2.4 Further to the Company's report dated June 26, 2013, pursuant to which the Board of Directors of the Company has decided to examine a move of change in the Company's holdings structure (all as set forth in the said report) (hereinafter: the "Move of Change in the Company's holdings Structure"), and without derogating from the provisions of section 267A (e) of the Companies Law, upon performance of the said move (if performed), the Compensation Committee and the Board of Directors of the Company will examine the Company's Compensation Policy And the Company shall adopt an updated compensation policy which shall be brought to the approval of the shareholders meeting and the required approval by law. If the said change of holdings move will not be completed until the end of 2014 the compensation policy will be examined in the beginning of 2015.

2.5 The Company's Compensation Policy comprises a mix which includes a fixed compensation component, which is based on the characteristics of the position and the officer (including his talents, education, professional experience, position and contribution to the Company), and which strives to grant stability to the Company and to its officers; a variable compensation component in the form of a bonus based on performance and the Company's results, and on the officer's contribution to the achievement of the Company's objectives, and which provides an incentive to the officer, with a long-term perspective, to act in order to promote the Company's business objectives and to maximize the Company's profits in accordance with the Company's risk management policy and its work plan³; and a variable compensation component in the form of a special bonus, given under special circumstances, as set forth in the policy document with the purpose of providing an incentive to the officers to act in order to promote and perform transactions or strategic actions which are intended to serve the best interests of the Company and its shareholders with a long-term perspective; in addition, the Compensation Policy contains reference to capital variable compensation, which ties the officer's compensation to the maximization of the Company's value in the long-term, and provides an incentive to the officer to advance the best interests of the Company and its shareholders and to create value in the long-term.

³ The manner of determining the annual bonuses pursuant to the compensation policy is based, *inter alia*, on the Company's net profit (excluding profits, if any, as a result of the Change of Holdings Move or Zim's settlement as mentioned in the Compensation Policy) and on the Company's compliance with objectives in accordance with the Company's work plan (excluding limited possible bonus to the Company's vice presidents), and it also takes into consideration the Company's risk policy through parameters such as compliance with cash flow targets and maximum debt.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

It should be noted that in light of the fact that on the date of the determination of the Compensation Policy, the Company has a capital compensation plan for a period of over two years, it will not be necessary to determine framework conditions for capital compensation in the current Compensation Policy. Insofar as the Company shall wish to grant capital compensation during the period of this Compensation Policy, then the said grant shall be subject to such considerations, provisions and examinations as required pursuant to Amendment No. 20, and to such approvals as required pursuant to law.

- 2.6 In the determination of the Compensation Policy, the appropriate ratio was discussed between the fixed compensation component and the variable compensation component, and it was determined that the Company's policy is that a significant part of the total compensation to the Company's officers shall be based on variable compensation, which is primarily based on performance, out of the aspiration to tie the officers' compensation to the Company's performance and to encourage achievement-oriented conduct. In addition, the ratio was examined between the cost of employment of the officers and the cost of employment of the rest of the Company's employees, and it was determined that whilst paying heed to the small scope of the Company's employees (who are corporate headquarter employees), and whilst paying heed to the Company's nature as an investment company, the aforesaid ratios (which have been found to be reasonable, as set forth in the Compensation Policy) are not relevant to the employment relations at the Company, and in any event, they will not have any adverse effect thereon.
- 2.7 The Company's Compensation Policy includes terms of office for directors which are intended to guarantee the freedom of action and independence of the directors, and also to guarantee appropriate compensation for directors, taking into consideration the Company's aspiration to appoint talented and skilled directors.
- 2.8 It shall be emphasized that the objective of the Compensation Policy is the determination of guidelines and a framework for compensation of the officers of the Company, at times, whilst determining an upper threshold limit for the compensation thereof, when use will not necessarily be made of all of the components and the ranges as set forth in the Compensation Policy at the time of determination of the compensation of the Company's officer. After determination of the Policy, the specific compensation shall be determined for the Company's officers by the competent organs, in accordance with the objectives and provisions of the Policy, and subject to law.
- 2.9 As of the date of the approval of the Compensation Policy by the Board of Directors of the Company, as set forth in section 2 above, the terms of office and employment of the officers are consistent with the Compensation Policy, as presented herein for the meeting's approval.
- 2.10 It shall be noted that the Compensation Policy includes, *inter alia*, the manner of determination of the bonuses which will be paid to the officers

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

of the Company, and therefore, approval of the Compensation Policy also constitutes approval of the manner of determination of the bonuses and payment thereof to the officers in accordance with the Compensation Policy. Accordingly, upon the determination of the Compensation Policy, the manner of determination of the bonuses shall be deemed to have been set forth in the Compensation Policy (as shall be determined from time to time) as part of the employment agreements of the officers of the Company, including the Company's CEO⁴.

2.11 The Compensation Committee and the Board of Directors of the Company have found that the Compensation Policy is commensurate with the principles determined in Amendment No. 20 of the Companies Law, and duly and appropriately sets forth the compensation to which the officers of the Company shall be entitled. It has also been found that the Compensation Policy creates clear framework rules for the manner of determination of the compensation of officers of the Company, in such a manner that is consistent with the provisions of the law, and which confers on the Compensation Committee and the Board of Directors of the Company the necessary tools for regulating the compensation of the Company's officers, in such a manner so as to serve the Company's best interests.

2.12 After discussion of the Compensation Policy, including the various components thereof, the Compensation Committee and the Board of Directors of the Company have reached the conclusion that the Compensation Policy is appropriate and suitable for the Company's characteristics, taking into consideration the scope of the Company's business, including the broad range of sectors of its operations and its investments, and their global spread, and taking into consideration the uniqueness of the Company. It has also been found that the Compensation Policy takes into account, *inter alia*, the Company's work plan; the Company's risk management policy; and the Company's results. In addition, it has been determined that the Compensation Policy is consistent with the current compensation structure at the Company, and with the Company's aspiration to retain and recruit to the Company high-quality and highly talented officers, whilst taking into consideration the position of the officer, the areas of his responsibility and his importance to the Company.

3. **The Identity of the Directors who Participated in the Approval of the Compensation Policy, and a Personal Interest in the Approval of the Compensation Policy**

⁴ It shall be noted that in accordance with the current terms of office and employment of the Company's CEO, the CEO is entitled to an annual bonus, the amount of which shall be determined, subject to any law, pursuant to the Company's Compensation Policy as shall apply in relation to the year in which the bonus is given, including a relative bonus during the year in which his office shall come to an end. Accordingly, the determination of the Compensation Policy constitutes the adoption of the manner of determination of the annual bonus and the payment of the bonus to the Company's CEO.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

- 3.1 The meeting of the Compensation Committee during which the Committee's recommendation was unanimously formulated regarding the Compensation Policy, was attended by Oded Degany, Professor Gideon Langholz and Mr. Michael Bricker (all the members of the Committee).
- 3.2 At the meeting of the Board of Directors of the Company held on March 26, 2014, during which the Compensation Policy was unanimously approved, after the Compensation Committee's recommendation had been considered, the following directors participated: the Messrs. Ron Moskovitz, Yoav Doppelt, Zeev Nehari, Professor Gideon Langholz, Oded Degany, Zahavit Cohen, , Aviad Kaufman, Dan suzzkind and Michael Bricker.
- 3.3 As a rule, the directors of the Company are affected by the Compensation Policy, and this being the case, they may be deemed to have a personal interest in the approval thereof, because the Compensation Policy naturally concerns, *inter alia*, the compensation which the directors serving in office at the Company shall be entitled to receive. Having said this, in accordance with the provisions of Amendment No. 20 of the Companies Law, and taking into consideration the Position of the ISA's Legal Staff, No. 101 – 16: "*Amendment No. 20 to the Companies Law – Questions and Answers*", which was published by the Israel Securities Authority on January 15, 2013, none of the directors were enjoined from participating in the discussions of the Board of Directors or from voting in connection with the Compensation Policy, notwithstanding the *prima facie* personal interest in the approval of the Compensation Policy.
4. The Company is not a public second-tier subsidiary, as this term is defined in the Law.
5. As of the date of this Report, the Company has not yet adopted a Compensation Policy which has been approved in accordance with section 267A of the Law.
6. **Details Regarding the Controlling Shareholder of the Company**
 - 6.1 Millennium Investments Elad Ltd. (hereinafter: "**Millennium**") and Mr. Idan Ofer are considered as controlling shareholders together for the purpose of the Securities Law⁵. Millennium holds approximately 46.94% of the Company's share capital (and approximately 47.38% of the voting rights). Millennium is held by Mashat (Investments) Ltd. (hereinafter: "**Mashat**") and XT Investments Ltd. (under its former name of the Ofer Investments Group Ltd.) (hereinafter: "**XT Investments**") at holding rates of 80% and 20%, respectively. Mashat is a private company which is indirectly held, through foreign corporations, by a foreign discretionary trust, of which Mr. Ofer Idan is the beneficiary.
 - 6.2 XT Investments, which directly holds approximately 1.24% of the Company's share capital (and approximately 1.25% of the voting rights) is

⁵ each of Millennium and Mr. Ofer hold directly shares in the company, and Idan Ofer serves as a director in Millennium and has an indirect interest in it as a beneficiary in the trust indirectly controlling Millennium

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

a shareholder of Millenium as aforesaid. XT Investment is a private company, wholly-owned by XT Holdings Ltd. (under its former name of the Ofer Holdings Group Ltd.) (hereinafter: "**XT Holdings**"), which is a private company whose ordinary shares are held in equal parts by Orona Investments Ltd. (which is indirectly controlled by Mr. Ehud Angel) and Lynav Holdings Ltd., which is controlled by a foreign discretionary trust, of which Mr. Ofer Idan is the main beneficiary. Mr. Ehud Angel has a special share which confers on him, *inter alia*, with certain restrictions and for certain purposes, an additional vote on the Board of Directors of XT Holdings.

6.3 In addition, Kirby Enterprises Inc., which is indirectly held by the foreign discretionary trust that holds Mashat, as set forth above, of which Mr. Ofer Idan is the beneficiary, holds approximately 0.74% of the Company's share capital (and approximately 0.75% of the voting rights). In addition, Mr. Ofer Idan directly holds approximately 3.85% of the Company's share capital (and approximately 3.89% of the voting rights).

7. **Text of the Proposed Resolution:**

"To approve the Compensation Policy for the officers of the Company, as said in this report, in such draft as attached herewith as **Appendix A** to this Report, and the terms."

8. **Details of the Convening of a Special Meeting**

Notice is hereby given that a general meeting of the Company's shareholders shall be held on May 1, 2014, at 11:00 a.m., at the Company's offices at 23 Aranha St., Floor 23, Tel Aviv, whose agenda comprises the passing of the resolution in the matters set forth above.

9. **The Majority Required to Pass the Resolution at the Meeting**

9.1 The majority required to pass the resolution at the Meeting is a majority of the shareholders who are entitled to participate in the vote, who are present at the Meeting in person or by proxy, provided that one of the following two conditions is satisfied: (1) the count of the votes of the majority at the general meeting shall include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or entities with a personal interest in the approval of the Compensation Policy, who are participating in the vote; the count of all the votes of the said shareholders shall not take into account the votes of the abstaining shareholders; a shareholder with a personal interest shall be subject to the provisions of section 276, *mutatis mutandis*; (2) the total of the votes against, from among the shareholders as stated in paragraph (1) above, shall not exceed a rate of two percent of the total voting rights at the Company.

9.2 Notwithstanding the foregoing in this section above, the Board of Directors of the Company may set the Compensation Policy even if the general meeting opposes the approval thereof, provided that the

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Compensation Committee, and subsequently, the Board of Directors, decided, based on detailed reasons and after discussing the Compensation Policy once again, that the approval of the Compensation Policy, despite the general meeting's opposition, would be in the Company's best interests.

10. **The Record Date**

The record date for determining the entitlement of a shareholder of the Company to vote at the Meeting as stated in section 182 (b) of the Companies Law, is at the end of the Stock Exchange trading day of Thursday, April 3, 2014, and if no trading is conducted on the record date, then on the first trading day prior thereto.

11. **Proof of Ownership of a Share**

In accordance with the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at the General Meeting), 5760 – 2000, a shareholder in whose favor a share is registered with a member of the Tel Aviv Stock Exchange Ltd. and which share is included amongst the shares of the Company which are registered in the Register of Shareholders, in the name of a nominee company, and who wishes to vote at the general meeting, shall submit to the Company confirmation from the said member of the Stock Exchange, with whom his title to the share is registered, with regard to his ownership of the share, on the Record Date, in accordance with Form 1 in the Schedule to the said Regulations.

12. **Quorum**

Pursuant to the Company's Articles, the quorum for the purpose of holding the Meeting shall be constituted when five shareholders are present, whether in person or by proxy, who have at least twenty five percent of the voting rights. If there is no quorum at the general meeting at the expiration of half an hour from the time appointed for the commencement of the Meeting, the Meeting shall stand adjourned by one week to the same day and to the same time and the same place, without it being necessary to give notice thereof to the shareholders, and if no quorum is constituted at the adjourned meeting at the expiration of half an hour from the time appointed for the Meeting, the shareholders present shall constitute a quorum.

13. **Voting By Proxy**

A shareholder, who is entitled to participate in and vote at the Meeting, may vote in person or by proxy, in accordance with that stated in the Company's Articles. A shareholder who wishes to vote by proxy, as set forth above, shall deposit the Power of Attorney at the Company's registered offices at least 48 hours prior to the time appointed for the Meeting or for the adjourned meeting.

14. **Vote By Voting Form**

In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765 – 2005 (hereinafter: the "**Voting Regulations**"), a shareholder who is entitled to participate in and vote at the Meeting, may vote on a resolution submitted for the Meeting's approval, by using a voting form. For this purpose, the vote of the shareholder who voted using a voting form shall be counted, as if he had been present at and participated in the Meeting. The vote using a voting

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

form, with regard to a shareholder who wishes to vote using a voting form instead of his participation at the Meeting in person and/or by proxy, shall be done using the Second Part of the Voting Form, which is attached herewith as **Appendix B** to this Report.

The Voting Form and the documents that need to be attached thereto as specified in the Voting Form shall be submitted to the Company's offices up to 72 hours prior to the time for the convening of the Meeting. For this purpose, the time of submission is the time when the Voting Form and the documents that need to be attached thereto arrived at the Company's offices. The last date for submission of position statements is up to 10 days after the Record Date. A member of the Stock Exchange shall send, by e-mail, without consideration, the link to the draft of the Voting Form and the voting forms on the distribution site, to any shareholder who is not registered in the Register of Shareholders, and whose shares are registered with the said Stock Exchange member, unless the shareholder notified the Stock Exchange member that he does not wish to receive such link or unless he gave notice that he wishes to receive voting forms by post, in consideration of mailing costs only.

The addresses of the sites of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd., where the draft of the Voting Form and the position statements (if submitted to the Company), as construed in section 88 of the Companies Law, are available, are as set forth below – the distribution site of the Israel Securities Authority: <http://www.magna.isa.gov.il> (hereinafter: the "**Distribution Site**"); and the site of the Tel Aviv Stock Exchange Ltd.: <http://maya.tase.il>.

One or more shareholders holding shares at a rate which constitutes five percent or more of the total voting rights at the Company, and also any shareholder holding such rate out of the total voting rights which are not held by the controlling shareholder of the Company, as defined in section 268 of the Companies Law, may inspect the voting forms as specified in Regulation 10 of the Voting Regulations.

As of the present date, the number of shares which constitute 5% of the total voting rights of the Company is: 381,307 ordinary shares having a par value of NIS 1.00 each of the Company.

As of the present date, the number of shares which constitute 5% of the total voting rights of the Company which are not held by the controlling shareholder of the Company is: 183,550 ordinary shares having a par value of NIS 1.00 each of the Company.

The last date for submission of position statements is up to 10 days after the Record Date, as aforesaid.

15. **The Company's Representatives for the Purpose of Handling the Immediate Report**

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Attorneys Lior Porat and/or Nurit Traurik of the law firm of Gornitzky & Co., whose address is 45 Rothschild Boulevard, Tel Aviv, 65784, Tel: 03 – 7109191, Fax: 03 – 5606555.

16. **Inspection of Documents:**

The Company's shareholders may inspect the text of the proposed resolution, at the Company's offices, at 23 Aranha St., Millennium Tower, Tel Aviv, from Sundays to Thursdays, from 09:00 a.m. – 16:00 p.m., by prior arrangement on Tel: 03 – 6844500.

Sincerely yours,

Israel Corporation Ltd.

*The name of the authorized signatory to the report and the name of the authorized electronic signatory:
Maya Alcheh-Kaplan
Position: Vice President, General Counsel & Company Secretary
Date of signature: March 26, 2014*

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Israel Corporation Ltd.

Millennium Tower, 23 Aranha St., P.O.B. 20456, Tel Aviv 61204

Tel: (03) 6844517, Fax: (03) 36844587

ISRAEL CORPORATION

Appendix A

ISRAEL CORPORATION LTD.

COMPENSATION POLICY

In accordance with the provisions of the Companies Law, 5759 – 1999

Below is the Compensation Policy of Israel Corporation Ltd. (hereinafter: "**Israel Corporation**" or the "**Company**"), which was determined by the Board of Directors of the Company, after considering the recommendations submitted thereto by the Company's Compensation Committee.

1. The Objectives of the Compensation Policy – General

1.1 The Company's Compensation Policy is intended to advance the Company's objectives, its work plan and its policy with a long-term perspective, whilst providing a response to the Company's needs and requirements, taking into consideration the size of the Company, the complexity of its business and the ever-changing challenges which it faces, and also taking into consideration the uniqueness of the Company and the nature of its operations as an investment and holding company, with investments all around the world in a diverse range of sectors, with varying degrees of maturity, and of varying levels of risk.

1.2 In the determination of the Compensation Policy for the officers, various considerations were taken into account, *inter alia*, the job of the officers, the current terms and conditions of office at the Company, the managerial inputs required in the management of a company of the kind of the Company, the areas of responsibility of the officers and the officers' contribution to the achievement of the Company's objectives and to

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

maximizing the Company's profits and for the benefit of its shareholders, with a long-term perspective.

1.3 The objectives of this Compensation Policy are, *inter alia*, as set forth below:

1.3.1 To retain the officers serving at the Company, who possess the skills and qualifications as required, and who also possess experience and knowledge of the Company, its characteristics and its various investments and the needs and requirements thereof;

1.3.2 To advance the Company's ability to recruit to its ranks, in accordance with its needs, new officers, with the appropriate experience and qualifications;

1.3.3 To create the appropriate incentives for the officers of the Company to act to maximize the Company's value and to advance its objectives in the long-term, taking into consideration, *inter alia*, the Company's risk management policy;

1.3.4 To provide a basis for compensating the officers, by incorporating fixed components and variable components, in such a manner so as to tie a significant part of the officers' compensation to the creation of value for the shareholders of the Company;

1.3.5 The grant of terms of office to the directors which will guarantee the freedom of action and independence of the directors, *inter alia*, in accordance with the law and with the standard terms in office at the Company for directors, and also to guarantee appropriate compensation for directors, *inter alia*, taking into consideration the Company's objective to appoint directors with the appropriate qualifications, for the Company's benefit.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

1.4 Further to the resolution of the Company's Board of Directors to examine a move to change the Company's holdings (all as set forth in the Company's Immediate Report dated June 26, 2013) (the "Change of Holdings Move"), and without derogating from the provisions of section 267A (e) of the Companies Law, upon performance of the said move (if performed), the Compensation Committee and the Board of Directors of the Company shall examine ~~the need to update, accordingly, the Company's Compensation Policy commencing from the date of completion of the move, and the Company shall adopt an updated compensation policy which shall be brought to the approval of the shareholders meeting and the required approval by law. If the said change of holdings move will not be completed until the end of 2014 the compensation policy will be examined in the beginning of 2015.~~

1.5 **Definitions:**

In this Compensation Policy, the following terms shall have the meaning set forth beside them (all as the context so admits and as the case may be):

"Annual Financial Statements" – the audited consolidated financial statements of the Company;

The **"Law"** or the **"Companies Law"** – the Companies Law, 5759 – 1999;

The **"Computerized Bonus"** – as defined in section 7.4.6 below;

The **"Related Terms"** – as defined in section 5.2 of this Policy;

The **"Corporate Headquarter Companies"** – the Company and also the following companies, which are wholly controlled and owned by the Company: H. L. Management and Consulting (1986) Ltd., H. L. (Holdings – ICL) Ltd., H. L. Purchasing ICL (1998) Ltd., H. L. (Kislev, 1998) Ltd., Trusteeship and Registrations of Israel Corporation Ltd., Orhot Kohavim Ltd., Udi International (1994) Ltd.;

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

"**Officer/s**" – as this term is defined in the Companies Law¹;

"**Net Profit**" – in reference to a particular calendar year, the profit attributed to the owners of the Company, in the said year, as expressed in the Company's Annual Financial Statements;

"**Salary**" – the regular monthly salary (gross) paid to the Officers, as stated in section 4 of this Compensation Policy;

"**Bonus Year**" – the calendar year in respect of which an Officer is entitled to an annual bonus pursuant to this Compensation Policy;

"**Compensation Regulations**" - Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 5760 – 2000

2. **Structure of the Compensation Package**

The compensation for the Officers of the Company shall include the following components:

- 2.1 Salary;
- 2.2 Related terms and conditions;
- 2.3 Retirement arrangements;
- 2.4 Periodic and/or one-time bonuses;
- 2.5 Capital compensation.

In addition, the Company's policy is that pursuant to the terms of office, the Officers shall be entitled to the Company's indemnity and insurance arrangements.

3. **The Ratio between the Components of the Compensation Package**

¹ Notwithstanding the foregoing, with regard to the terms of compensation for directors, see section 10 of the Compensation Policy. The reference in the rest of the sections of the Compensation Policy to the term "officers" is done for reasons of convenience, and it does not intend to include ordinary directors, with the exception of the executive Chairman of the Board of Directors of the company in a scope which is deemed to be a full-time position.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

In the formulation of this Compensation Policy, the Compensation Committee and the Board of Directors gave consideration to the mix of the compensation package and to the desired ratio between the fixed compensation components and the variable compensation components, and they determined that the Company's Policy is that a significant part of the total compensation for the Officers of the Company would be based on variable compensation, which is primarily based on performance, out of the aspiration to tie the Officers' compensation to the Company's performance and to encourage achievement-oriented conduct.

Given the maximum compensation components as set forth in this Policy, the proportionate part of the variable compensation out of the total compensation is within a range of approximately 60% – 80% (in accordance with the position of the Officer, and the terms of his employment)². It shall be clarified that the actual ratios may vary in accordance with the actual compensation. Thus, for example, in a year in which no bonus is given, or a bonus is given which is lower than the maximum bonus, the ratio between the variable compensation and the total compensation is expected to be lower than that stated above.

4. **The Salary of the Company's Officers**

4.1 **Objective**

The Company shall pay the Company's Officers an appropriate salary, so as to allow the Company to recruit and retain, for the long-term, managers with the optimal qualifications and abilities, in accordance with the Company's needs and requirements, characteristics, and the complexity of its business and investments, and for the purpose of advancing its objectives and its policy with a long-term perspective.

4.2 The Salary of the Company's Officers shall be determined and/or updated from time to time with reference to, *inter alia*, the objectives of the

² With regard to this estimated range: (a) the component of the severance pay is included in the fixed component; (b) the capital component has been calculated according to the economic value of the option warrants granted to the Officers pursuant to the 2012 Option Plan (see section 9 below), and it is divided, equally, over a maturity period of three years.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Compensation Policy as set forth in section 1 above and the following subjects, insofar as relevant:

- 4.2.1 The position in which the Officer serves (or is intended to serve, as the case may be)³;
- 4.2.2 The Officer's areas of responsibility;
- 4.2.3 Previous salary agreements between the Company and Officers;
- 4.2.4 The Officer's education, qualifications, expertise and professional experience⁴;
- 4.2.5 The Officer's achievements, and his contribution to the Company;
- 4.2.6 The achievement of the Company's best interests in the retention of the Officer for the long-term;
- 4.2.7 The ratio between the Officer's salary and the salary of other officers at the Company;
- 4.2.8 An analysis of the relevant market conditions, taking into consideration the size of the Company, its complexity, the geographical spread of its business, the diversity of the areas of its operations, and the scope of its investments, which may justify higher compensation as compared with other companies, however, in any event, not beyond the ceiling as set forth in section 4.4 below;

4.3 The Salary shall be paid in the format of 12 monthly salaries, and it shall be linked to the Consumer Price Index, and the index known on the date of determination of the Salary shall serve as the base index.

³ In this Policy document, reference to the officer's positions, to his areas of responsibility, and so on and so forth, relates to his actions, his duties and his responsibility, as the case may be, both at the Company and also at companies held by the Company. The point of departure in the preparation of this Compensation policy is that the Officers of the Company will not receive compensation from companies held by the Company in respect of their serving in office thereat.

⁴ In this regard, and for the purpose of the Compensation Committee's assessment regarding a new candidate, details will be presented regarding the Officer's general and/or academic education, and also his resume and/or a summary of his experience as relevant to his position at the Company.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

4.4 The maximum monthly salary (gross) of the Officers shall not exceed the following amounts (in accordance with the Officer's position), which shall be linked to the index in respect of December 2012:

~~4.4.1 Chairman of the Board of Directors: a monthly salary of up to NIS 221,000;~~

4.4.21 CEO of the Company: a monthly salary of up to NIS 246,000;

4.4.32 Senior VP: a monthly salary of up to NIS 158,000;

4.4.43 VP: a monthly salary of up to NIS 97,000;

It shall be noted that the maximum amounts, as set forth above, are deemed to be the upper salary threshold limit, and therefore, they are not intended to reflect the current salary of any of the Officers⁵.

5. Related Terms of Employment for Officers of the Company

5.1 Objective

The related terms of employment for Officers include the social terms and conditions as required pursuant to law, additional related conditions granted to the Officers as part of the welfare terms and conditions generally granted to employees of the Company, and also related terms and benefits for the Officers, which are intended to assist the Company in recruiting and retaining managers with the optimal abilities and qualifications, taking into consideration the Company's needs and requirements, the nature of its activities and the objectives as set forth in section 1 above.

5.2 The Company's policy is that the related terms and conditions shall include:

⁵ It shall be clarified that the above-mentioned amounts have been determined, *inter alia*, taking into consideration the fact that after the determination of the Compensation Policy, the "13th salary" shall no longer apply at the Company. ~~As of the date on which the policy is set~~ ~~Commencing from the salary for January 2014~~, the monthly salary of the Officers serving at the Company shall be adjusted in such a manner that the "13th salary" to which they are entitled pursuant to their terms of employment shall be spread over the 12 monthly salaries, instead of the payment of a "13th salary" (which up until ~~December 31, 2013~~ ~~the date on which the policy is set~~ is deemed to form part of the Salary for the purpose of the terms of office and employment).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

5.2.1 Social terms and conditions, including vacation days, sick days, provisions and deposits to pension funds/ senior employees' insurance plans, a continuing education fund, insurance for loss of capacity for work, and convalescence pay;

5.2.2 Additional related terms and conditions, such as use of a vehicle, the grossing-up of certain tax amounts, a subscription to a newspaper, a medical survey, membership fees of a professional association, telephone charges, Internet charges, gifts for the Jewish festivals, etc.;

(hereinafter, collectively: the "**Related Terms**").

5.3 The total of all the Related Terms to which an Officer shall be entitled in respect of a particular year shall not exceed 50% of the annual Salary of the said Officer in that year⁶.

5.4 In addition, the Officers shall be entitled to reimbursement of expenses in connection with their office and position, in accordance with the standard procedures at the Company which have been approved by the Board of Directors of the Company.

6. **Retirement Terms for Officers of the Company**

6.1 **Objective**

6.1.1 In order to retain and recruit managers with the appropriate qualifications and experience, taking into consideration the size of the Company, and the complexity of its business and its investments for the Company's benefit, the Officers of the Company shall be entitled, in addition to the terms and conditions due to them at the time of retiring from the Company pursuant to law, to retirement terms in respect of the

⁶ It is clarified that this rate does not include increased retirement pay and the adjustment period (as stated in section 6 below) and that it has been calculated assuming that the vacation days were taken.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Officers' contribution to the Company during the years of their service.

6.1.2 The Compensation Committee and the Board of Directors of the Company believe that the retirement terms should be determined for the ~~Chairman of the Board of Directors and the~~ CEO of the Company in accordance with ~~their~~-his seniority, ~~their~~-his position and ~~their~~-his importance to the Company and to the advancement of the Company's objectives⁷.

6.2 The Company's policy is that on the date that an Officer leaves the Company, he shall be entitled to the following retirement terms⁸, provided that he was employed as an Officer of the Company for at least 12 months prior to the date of provision of the retirement notice:

6.2.1 **Advance notice:** as part of the terms of office and employment of the Officers, the Officers of the Company shall be entitled to an advance notice period in any event of termination of their office, except in cases where severance pay may be denied pursuant to law. The advance notice period shall be determined in the employment agreement of the said Officer (or in the update thereof, as the case may be), and it shall be mutual, and therefore, it shall also be binding on the Officer, should the Officer leave the Company of his own initiative.

The Company may, in its discretion, request that an Officer continue in his position during the advance notice period, or terminate his position prior to the expiration of the advance notice period, provided that in such case, the Salary and the

⁷ This is after consideration has been given to the objectives of the Compensation Policy and to the considerations enumerated in Part A of the First Schedule A of the Law.

⁸ To complete the picture, it shall be noted that the Officers serving at the Company on the date of determination of this Compensation Policy shall be entitled, upon certain conditions, under the circumstances of termination of their office at the Company, to the early maturity of the capital compensation which was granted to them prior to the determination of the Compensation Policy (as stated in the Immediate Reports published by the Company in this matter), and it is clarified that this Compensation Policy shall not derogate from this existing entitlement or from the terms of the capital compensation that was granted.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Related Terms due to the Officer shall be paid to him in respect of the advance notice period.

The advance notice period shall be as set forth below:

- 1) For the ~~Chairman of the Board of Directors and for the~~ CEO of the Company: an advance notice period of six months.
- 2) For the rest of the Officers: the advance notice period shall not exceed six months, paying heed, *inter alia*, to the Officer's position. With regard to such Officers, who are serving in office at the Company on the date of approval of the Compensation Policy, the advance notice period shall not be less than the advance notice period set forth in the existing employment agreements with them, provided that this period does not exceed six months.

During the advance notice period, the Salary shall be paid to the Officer, and the Officer shall also be entitled to the Related Terms.

The Officer shall be entitled to the proportionate part of the annual bonus in relation to the Bonus Year during which his office came to an end, including in respect of the advance notice period during which the Officer continued to actually serve in his position, if he so continued, provided that the conditions have been satisfied for receipt of an annual bonus in respect of the said year.

6.2.2 **Adjustment period:** as part of the terms of office and employment of the Officers of the Company, the Officers shall be entitled to an adjustment period (which does not overlap the advance notice period) in any event of the termination of office, except in cases where severance pay

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

may be denied according to law, subject to the conditions set forth below.

The Officer's entitlement to the adjustment period shall apply as against the signing by the Officer of a Non-Competition Undertaking and a Deed of Release and Waiver to the Company and any entity on the Company's behalf in connection with his office, his employment and the termination of his employment at the Company, in such draft as per standard practice at the Company.

The adjustment period shall be as set forth below:

- 1) For the ~~Chairman of the Board of Directors and for the~~ CEO of the Company: an adjustment period of six months.
- 2) For the rest of the Officers: such adjustment period as shall be determined (after hearing the CEO) ~~taking into consideration the Officer's period of employment, the Officer's terms of office and employment during this period, the Company's performance during the said period, the Officer's contribution to the achievement of the Company's objectives and the maximization of the Company's profits, and the circumstances of his retirement,~~ taking into consideration the rest of his terms of office and employment, provided that the adjustment period shall not exceed six months.

With regard to such Officers, who are serving in office at the Company on the date of approval of the Compensation Policy, the adjustment period shall not be less in any case than the adjustment period set forth in the existing employment agreements with them, provided that this period does not exceed six months.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

The adjustment period shall commence at the expiration of the advance notice period, and during the adjustment period, the Officer shall be entitled to the Salary and also to the Related Terms. It is clarified that the Officer shall not be entitled to the proportionate part of the annual bonus in respect of the adjustment period⁹.

6.2.3 **Retirement pay:** as part of the retirement terms for Officers of the Company, the Company's policy is to grant severance pay/ retirement pay in any case of termination of employment, except in cases where severance pay may be denied pursuant to law, as set forth below:

- 1) The ~~Chairman of the Board of Directors and the~~ CEO of the Company shall be entitled to severance pay/ retirement pay at a total rate of two gross monthly salaries (in accordance with the amount of the ~~Officer's~~CEO's most recent monthly salary prior to the retirement date – hereinafter: the "**Last Salary**"), in respect of each year of work. The Board of Directors of the Company, after the approval of the Compensation Committee (and also the approval of the general meeting, insofar as required pursuant to law), may increase the amount of the said pay by an additional rate of up to a further 10%, taking into consideration the period in office served by the ~~Officer~~CEO, the ~~Officer's~~CEO's terms of office and employment during this period, the Company's performance during the said period, the ~~Officer's~~CEO's contribution to the achievement of the Company's objectives and the maximization of the Company's profits and the circumstances of his retirement.

⁹ See footnote 8, *supra*.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

- 2) The rest of the officers of the Company shall be entitled to severance pay/ retirement pay at a total rate of one gross monthly salary, in the amount of the Last Salary, in respect of each year of work. The Board of Directors of the Company, after the approval of the Compensation Committee (which shall hear, for this purpose, the CEO's recommendation), may approve the ~~payment of right for~~ additional retirement pay for the Officer at a rate of up to one additional Last Salary for each year of work, taking into consideration the ~~Officer's period of office or employment, the Officer's terms of office and employment during this period, the Company's performance during the said period, the Officer's contribution to the achievement of the Company's objectives and the maximization of the Company's profits and the circumstances of his retirement office and the rest of his office and employment terms.~~

The severance pay/ retirement pay as stated above include the amounts due to the Officer in respect of the compensation in the pension funds/ provident funds (as calculated by the insurance companies/ provident fund companies, including accrued profits), and the Company shall supplement, for the Officer, those amounts as required to make up the amounts due to him as stated above¹⁰.

~~Should the~~In case an Officer ~~be~~is entitled to severance pay/ retirement pay (at a rate exceeding the rate set forth in the Law), his entitlement shall be established as against the signing by the Officer of a Non-Competition Undertaking and a Deed of Release and Waiver to the Company and any entity

¹⁰ Retirement pay for the Officers serving at the Company on the date of approval of the Compensation Policy shall be calculated according to a basis of 13/12, provided that on the Last Salary ~~precedes the salary of January 2014 (given that up until the said time, the~~ "13th salary" ~~continues to apply~~applies – see footnote 5, *supra*).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

on the Company's behalf in connection with his office, his employment and the termination of his employment at the Company, in such draft as per standard practice at the Company.

7. **Annual Bonus for the Officers of the Company**

7.1 **Objective**

7.1.1 The Company deems it fit to determine, for the Company's benefit, that a significant component of the compensation for the Officers serving at the Company shall be determined in accordance with the Company's results, paying heed to the Company's objectives as set forth in section 1 of this Compensation Policy and to the Officers' contribution to the achievement of the Company's targets, as set forth, *inter alia*, in the Company's work plan, all with a long-term perspective, and taking into consideration the position of each one of the Officers and the Company's risk management policy.

7.1.2 The Company's aspiration is to encourage the Officers to obtain excellent achievements for the Company's benefit, whilst tying the bonus to the Company's results, paying heed to the complexity of the Company's operations in a diverse range of areas of activity all around the world, and the Company's nature as an investment company, with investments with varying degrees of maturity. The tying of the annual bonus to the compensation for the Officers is done whilst taking into consideration the fact that in view of the Company's nature as a company with investments of varying degrees of risk, the Officers' contribution to the Company will not necessarily be expressed in the Company's results in the short-term, and at times, this contribution will only be expressed after the expiration of a protracted period of time, upon the maturity of the investments. In addition, the Officers' contribution, as aforesaid, is at times also reflected in the

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

protection of the Company's investments and in providing assistance to the companies held by the Company, which face challenging conditions and crisis situations.

7.2 **Manner of Determining the Annual Bonus**

The amount of the bonus for each Officer shall be determined as set forth below:

- 7.2.1 Firstly, in respect of the relevant year, a maximum bonus amount shall be determined (subject to that stated in section 7.2.4 below), which shall be derived from the amount of the annual Net Profit of the Company and from the said Officer's position and seniority, in accordance with Table A as set forth below.
- 7.2.2 Secondly, in respect of each Officer, a weighted grade shall be calculated (between 0 to 1), which is the result of the Officer's compliance with the Company's targets, as determined in the Company's work plan for that year in respect of which the bonus is calculated, in accordance with measurable parameters and the relative weights as determined in respect of each Officer, and in accordance with his position and his areas of responsibility, as set forth in Table B below.
- 7.2.3 In respect of each of Officer, the amount received pursuant to Table A shall be multiplied by the weighted grade of the said Officer, as received in accordance with Table B.
- 7.2.4 In addition, the Compensation Committee and the Board of Directors of the Company may, in their discretion, increase the amount of the bonus received from the multiplication as stated in section 7.2.3 above by an additional amount, at an insignificant rate, to be determined in such manner as set forth below.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

7.2.5 It shall be emphasized that a threshold condition for the grant of the annual bonus in respect of a particular calendar year is the existence of Net Profit which is not less than US\$ ~~50-100~~ million pursuant to the Company's Annual Financial Statements for the said year (hereinafter: the "**Minimum Profit**").

7.2.6 In addition, the Officers shall not be entitled to an annual bonus (or a relative part thereof) in the event of termination of their office under circumstances in which severance pay may be denied pursuant to law.

7.3 Table A – Determining Bonus Amounts

7.3.1 Table A below defines the maximum bonus amount calculated for each Officer of the Company for the Bonus Year, according to the amount of the Company's Net Profit, as reported in the Company's Annual Financial Statements for the Bonus Year, and in accordance with the Officer's position (hereinafter, in respect of each Officer: the "**Determining Amount**").

Net Profit in H.L.'s Books (in millions of Dollars)		Bonus to CEO (in millions of NIS)		Bonus to Chairman (in millions of NIS)		Bonus to Senior VP (in millions of NIS)		Bonus to VP (in millions of NIS)	
Between	And	Between	And	Between	And	Between	And	Between	And
0	50	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
50	100	0.000	1.000	0.000	0.800	0.000	0.650	0.000	0.400
100	150	1.000	2.000	0.800	1.600	0.650	1.300	0.400	0.800
150	200	2.000	3.000	1.600	2.400	1.300	1.950	0.800	1.200
200	250	3.000	4.000	2.400	3.200	1.950	2.600	1.200	1.600
250	300	4.000	4.500	3.200	3.600	2.600	2.925	1.600	1.800
300	350	4.500	5.000	3.600	4.000	2.925	3.250	1.800	2.000
	+ 350	5.000	5.000	4.000	4.000	3.250	3.250	2.000	2.000

7.3.2 The Determining Amount within the range included in each row of Table A (between the right-hand column and the left-hand column in respect of each Officer) shall be linked to the index in respect of June 2013, and shall be calculated in a linear manner, in accordance with the amount of the Net Profit

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

in the said Bonus Year. Table A has been determined, *inter alia*, taking into consideration the challenges expected to face the Company and the Company's work plan.

7.3.3 In addition, at the time of formulating Table A, the Compensation Committee and the Board of Directors of the Company took into consideration the fact that there are a number of criteria upon which the bonus for the Officers should be based, which may be relevant to the Company and to the nature of the Company's activities as a holding and investment company, and it was determined that the Net Profit, as reflected in the Company's Financial Statements, is a measurable and effective criterion for this purpose, in addition to taking into consideration the meeting of performance targets, which are based on compliance with the Company's work plan/ its strategic plan.

7.3.4 it shall also be noted, that if profits shall be created as a result of the Change of Holdings Move or as a result of the settlement formulated by Zim Integrated Shipping Services Ltd ("Zim"), a Company's subsidiary, for the restructuring of its debts to its creditors and shareholders, as detailed in the Company's report dated January 23 2014 (reference: 2014-01-022693), such profits, if created, shall not be deemed as profits which entitles a bonus in accordance with the annual bonus formula.

7.3.5 It shall be noted that table A above reflects a significant decrease in the maximum bonus which were set in the Company's previous bonus police, which was approved by the Company's Board of Directors in March 2011. The maximum bonus for the CEO in accordance with the said previous bonus police (where the maximum bonus derived, *inter alia*, from the net profit) was – US\$ 9 million.

It shall be noted that until December 31 2013 the chairman of the Board of Directors who served was employed by the

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Company, which salary was 174,00 NIS per month (index to CPI of July 2010) and the maximum bonus for the chairman according to the previous bonus policy, which was approved by the Company's Board of Directors in March 2011 was NIS 8 million. Today, the chairman of the Board of Directors is not employed by the Company and is entitled solely to directors compensation according to the Relief Regulation and to the customary terms of office of all of the directors as set forth in Section 10 below.

7.4 **Table B – Compliance with the Officers' Targets**

- 7.4.1 Table B below defines the manner of measuring the personal grade of each Officer, which shall be calculated in accordance with compliance with the (measurable) parameters according to the targets of the said parameters, as determined in the Company's work plan for the Bonus Year¹¹, which is approved by the Board of Directors of the Company, and in accordance with the relative weights of each one of these parameters, whilst paying heed to the position of each one of the Officers. It shall be noted that the parameters shall be set after the Board of Directors examined and found those parameters as challenging parameters.
- 7.4.2 A grade of 0 or 1 shall be given to each parameter in accordance with compliance with the determined minimum threshold, if determined, for the said parameter (i.e., compliance with the threshold determined for a certain parameter will entitle the Officer to a grade of 1, and failure to comply with the said parameter will entitle the Officer to a grade of 0).

¹¹ Naturally, the Company's work plan includes confidential, private and sensitive information, the disclosure of which would be detrimental to the Company's best interests.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

7.4.3 The result obtained from the weighting of the grades of the parameters, in accordance with their relative weights (which will be between 0 to 1), shall be multiplied by the Determining Amount pursuant to Table A.

7.4.4 Below is Table B:

Officer/ Parameter	Net profit	Strategic/ personal targets	Level of net debt	Cash balance
Chairman	30%	40%	15%	15%
CEO	40%	30%	15%	15%
VPs*	30% – 50%	30% – 50%	0% – 20%	0% – 20%

* The relative weight within the ranges specified for the VPs shall be determined by the Compensation Committee and the Board of Directors in respect of each calendar year, taking into consideration the position of each one of the VPs.

7.4.5 **Definition of Threshold Conditions In Respect of Table B:**

- a. **Net Profit** – the Net Profit for the Bonus Year, divided by the net profit target as determined in relation to the said Bonus Year in the Company's annual work plan.

The minimum threshold entitling an Officer to a grade of 1 in respect of this parameter is a result of 0.9 (i.e., the achievement of at least 90%, of the net profit target for the relevant year).

- b. **Strategic/ Personal Targets** – measurable targets, as shall be determined each year by the Board of Directors, in accordance with the Company's strategic plan/ its work plan, and taking into consideration the Company's risk management policy, the Officer's position and his areas of responsibility (such as the completion of milestones in projects).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

- c. **Level of Net Debt** – the total net debt as at the end of the Bonus Year, divided by the maximum total net debt, as determined in relation to the end of the said Bonus Year, in the Company's annual work plan.

The minimum threshold entitling an Officer to a grade of 1 in respect of this parameter is the obtaining of a result which does not exceed 1.1 (i.e., total net debt which does not exceed, by more than 10%, the total net debt target determined in the Company's work plan for the end of the said year).

"**Total Net Debt**" for the purpose of this parameter – the total amount of credit from bank corporations and from other credit providers, and also debentures and guarantees (all whether as part of current liabilities, or non-current liabilities) as of December 31st of the relevant Bonus Year, less the balance of cash and cash equivalents as of the said date, as appears in the Corporate Headquarter Companies' Annual Financial Statements.

- d. **Cash Balance** – the balance of cash and cash equivalents as of December 31st of the relevant Bonus Year, as appears in the Corporate Headquarter Companies' Annual Financial Statements, divided by the minimum total cash and cash equivalents balance as determined in relation to the end of the said year in the Company's annual work plan.

The minimum threshold entitling an Officer to a grade of 1 in respect of this parameter is the obtaining of a result which is not less than 0.9 (i.e., the achievement of at least 90% of the target cash balance for the end of the relevant year).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

7.4.6 The result obtained from the multiplication of the Determining Amount (in accordance with Table A) by the weighted grade obtained from the implementation of Table B shall constitute the **Computerized Bonus**, to which the Officer shall be entitled, subject to that stated below.

7.5 **The Discretion of the Compensation Committee and the Board of Directors of the Company**

7.5.1 The Compensation Committee and the Board of Directors of the Company may ~~(with regard to the Chairman of the Board of Directors—subject to the approval of the general meeting of the Company, insofar as required by law)~~ increase the bonus to which an Officer shall be entitled (beyond the Computerized Bonus) at a rate which shall not exceed 10% of the total Computerized Bonus, taking into consideration the Officer's contribution to the Company and his contribution to the Company's compliance with its risk management policy. The Company considers the increase of the bonus at such rate to be the grant of immaterial compensation to the said Officer.

7.5.2 Insofar that on a certain bonus year Officers which are vice presidents shall not be entitled to an annual bonus due to not achieving minimal profit (as mentioned in Section 7.2.5 above), the Compensation Committee and the Board of Directors could (after the CEO is heard) to grant each vice president an annual bonus in an amount of up to 4 monthly salaries for the said bonus year, considering the Officer's contribution to the Company. It shall be clarified that the bonus according to this Section could be only paid to vice presidents and shall not be subject to Section 7.7 below.

7.6 **Power to Reduce the Bonus**

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

Notwithstanding the foregoing, the Board of Directors may, in its discretion, reduce the amount of the bonus to which an Officer shall actually be entitled (as compared with the Computerized Bonus), including, and without derogating from the generality of the foregoing, in the event of a significant deviation from the Company's risk management policy.

7.7 Spread of Payment of the Annual Bonus and a Proportionate Bonus

The annual bonus to which an Officer shall be entitled in respect of a particular Bonus Year, as determined pursuant to sections 7.1 – 7.6 above, shall be paid in the following manner:

7.7.1 70% of the amount of the bonus shall be paid immediately after the publication of the Annual Financial Statements pertaining to the Bonus Year, and the passing of a resolution by the Compensation Committee and the Board of Directors of the Company in relation to the amount of the bonus to which the Officer shall be entitled in respect of the said Bonus Year.

7.7.2 30% of the amount of the bonus shall be deferred and shall be paid in two equal tranches, upon such conditions as set forth below:

a. 15% of the amount of the bonus shall be paid immediately after publication of the Annual Financial Statements pertaining to the year following the Bonus Year (hereinafter: the "**Following Year**"), provided that the Company's Net Profit in the Following Year was positive;

b. The remaining 15% of the amount of the bonus shall be paid immediately after publication of the Financial Statements pertaining to the calendar year after the Following Year (that is to say, the year which commences at the expiration of two years from the commencement of the Bonus Year), provided that in

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

the said year, the Net Profit as reported in the Company's Annual Financial Statements was positive.

- c. It shall be clarified that should the entitlement to receive the remaining bonus not be accrued in either of the following years, as enumerated in paragraphs (a) or (b) above, in accordance with the conditions as stated above, the relevant part out of the remaining bonus in respect of which the said entitlement did not accrue – shall be forfeited.

7.7.3 In the event of the termination of employment during a Bonus Year, the Officer shall be entitled to a proportionate bonus in respect of the period in the said Bonus Year during which the Officer actually continued in his position (including during the advance notice period), subject to the terms of entitlement to an annual bonus in respect of the said Bonus Year (as stated in sections 7.1 – 7.6 above). In such an event, notwithstanding that stated in section 7.7.2 above, the entire deferred balance (at a rate of 30%) of the proportionate bonus in respect of the said Bonus Year, during which he terminated his office as aforesaid, shall be paid to the Officer immediately after publication of the Annual Financial Statements for the Following Year, provided that the Net Profit in the Annual Financial Statements for the said Following Year was positive (in addition to the deferred balance of the previous Bonus Year, if any).

7.8 **Reimbursement of Amounts Based on the Financial Statements**

Should it transpire that payments were made to an Officer based on data which subsequently transpired to be erroneous and which were restated in the Company's Financial Statements, the Officer shall be required to reimburse the Company for the difference between the amount which he received and the amount which should have been received in accordance with the updated calculation. Without derogating from the said commitment, the Company may offset the amount of the reimbursement

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

due to the Company, as aforesaid, from any amount which it shall be required to pay to the said Officer.

8. **Special Bonus**

8.1 The Compensation Committee and the Board of Directors of the Company attach importance to providing incentives to the Officers, to act in order to perform transactions or extraordinary actions, from a strategic point of view, which are intended to promote the Company's business and the best interests of its shareholders, from a long-term perspective.

8.2 In special cases of performance of a transaction (including a restructuring, a spin-off, split, sale of holdings/ activities, merger as well as the Change of Holding Move) of exceptional significance for the Company, the Compensation Committee and the Board of Directors of the Company may grant, in addition to the compensation components pursuant to this Compensation Policy, and subject to receipt of the approvals required pursuant to law (including the shareholders meeting of the company with special majority), a special bonus to any of the Officers, taking into consideration the said Officer's contribution to the advancement of the transaction and completion thereof, the transaction's contribution to the creation of value for the Company's investors from a long-term perspective, and the total compensation to which the Officer is entitled after completion of the transaction.

~~8.3 It shall be emphasized that should a transaction be made as stated in section 8.2 above, the Compensation Committee and the Board of Directors of the Company shall examine the need to adjust the Compensation Policy to the circumstances as they shall be at the said time, taking into consideration performance of the said transaction.~~

~~8.4 Paying heed, *inter alia*, to the aforesaid considerations and the promotion of the Company's and the shareholders' best interests from a long term perspective, and the Company's aspiration to provide incentives for the Officers to act with the aim of maximizing value for the Company's shareholders, the Officers shall be entitled to a special bonus in~~

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

~~connection with performance of a change in the Company's holdings which are the subject of the Company's Immediate Report dated June 26, 2013 (hereinafter: the "Move to Change the Holdings"), subject to the closing of the Move to Change the Holdings by December 31, 2014, in such amounts as set forth below (which shall be paid to the Officers immediately after performance of the said closing):~~

~~————— To the Chairman of the Board of Directors: the amount of NIS 3,200,000;~~

~~————— To the CEO of the Company: the amount of NIS 4,000,000;~~

~~————— To a Senior VP: the amount of NIS 2,600,000;~~

~~————— To a VP: the amount of NIS 1,600,000.~~

9. **Capital Compensation**

The Company's policy is to include, as part of the total compensation for the Officers of the Company, and for the Company's benefit, a variable capital compensation component, with the aim of providing incentives for the Officers to maximize the value of the Company for the Company's shareholders. The Company recognizes the capital compensation as a means of bringing the interests of the Officers in line, insofar as possible, with the interests of all the Company's shareholders, and the Company deems the capital component to be an important and significant part of the compensation of the Company's Officers, which is based on a long-term, measurable parameter, which ties the Officer's compensation to maximizing the Company's value in the long-term, taking into consideration the size of the Company, its nature, the scope of its activities and the rest of its characteristics.

As part of its Policy, the Company strives to adopt a general plan for capital compensation once every three years, in as consistent a manner as possible. In November 2012, the Company adopted a long-term, general plan for capital compensation of the Officers, and the last period of maturity by virtue of the said plan is expected to come to an end in June 2016. Taking into consideration the fact that the Company's Compensation Policy is for three years from the date of determination thereof (subject, naturally, to the periodic examination of the need therefor, accordingly), then pursuant to this Compensation Policy, it

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

will not be necessary to determine general framework terms for the grant of capital compensation.

It shall be noted that should the Company wish to grant capital compensation during the period of this Compensation Policy, then the said grant shall be subject to such considerations, provisions and examinations as required pursuant to Amendment No. 20, and to such approvals as required pursuant to law.

10. **Remuneration of Directors**

10.1 **Objective**

The Company deems it appropriate to guarantee, for the Company's benefit, appropriate terms of office for directors serving in office at the Company, which are intended to grant the directors security and freedom to act for the Company's benefit in an independent manner. The terms of office shall be in accordance with the law, the Company's Articles and the resolutions of the Company's general meetings, taking into consideration the risks entailed in the Company's activities and the personal responsibility imposed pursuant to law on the actions of the directors. The terms of office of the directors are also intended to give the directors reasonable, appropriate and suitable compensation in respect of the requirements of their position and the time entailed in the performance of their duties, taking into account the complexity of the issues dealt with by the Board of Directors of the Company, which require time, business and financial understanding, qualifications, skill and expertise, taking into consideration the nature of the Company, the scope of its activities and the complexity of its business.

10.2 **Compensation for the Directors**

10.2.1 The directors of the Company shall be entitled to annual remuneration and to remuneration for participation, in the maximum amount to which directors of a company with the Company's status are entitled, in accordance with ~~the~~ |

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

~~the Compensation Regulations Companies Regulations (Rules Regarding Remuneration and Expenses for Outside Directors), 5760—2000 (or provisions of the law which shall replace and/or amend same)~~, including taking into consideration the director's classification as an expert director who is entitled to an expertise supplement, and also to any other supplement which shall be due to directors in accordance with the said Regulations or any other law which shall replace and/or amend same from time to time¹².

10.2.2 In addition, all of the directors (as well as the other officers) shall be entitled to such terms of office as permitted pursuant to law and the Company's Articles, and also to such terms of office as per standard practice at the Company by virtue of the resolutions of the Company's competent organs¹³, including the arrangements of letters of indemnity for the Officers of the Company and insurance coverage, as have been and shall be approved at the Company's general meetings.

10.2.3 The directors shall also be entitled to the reimbursement of expenses in connection with the performance of their duties in accordance with the procedure approved by the Board of Directors and in accordance with the Company's Articles.

10.2.4 It shall be clarified that the terms of office of the outside directors shall not exceed that set forth in the law.

11. **Other Issues and Aspects**

¹² The foregoing shall not derogate from a director's right to assign the compensation to which he is entitled, in whole or in part, to a third party (subject to the approvals as required pursuant to law, if any), provided that the Company shall not be required to make any duplicate payments.

¹³ Including the resolutions of the general meeting dated March 21, 2001, November 8, 2011 and August 9, 2012, regarding indemnity, release and insurance arrangements (Immediate Reports dated October 3, 2011, November 2, 2011, ~~and~~ July 4, 2012 and August 29, 2013).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

11.1 The Company's policy is that the Company's Officers (including Officers who are not directors) shall be entitled to such indemnity and insurance arrangements as permitted pursuant to law, the Company's Articles and the resolutions of the competent organs, including the arrangements of letters of indemnity for the Officers of the Company and insurance coverage, as have been and shall be approved at the Company's general meetings¹⁴, in order to guarantee the freedom of action and independence of the Officers, taking into consideration the scope of activities of the Company and the responsibility of the Officers pursuant to law. The said arrangements shall apply in connection with the Officer's office at the Company and/or at the companies held by the Company.

11.2 In the course of formulation of this Compensation Policy, the Compensation Committee and the Board of Directors of the Company examined the ratio between the terms of office and employment of each one of the Officers serving in office at the Company, and the salary of the Company's other employees¹⁵, including the ratio to the average salary and to the median salary of such employees¹⁶, and they also examined the said ratio based on the cost of the salary of the Officers as compared with the Company's other employees. Paying heed to the small number of employees at the Company, most of whom are corporate headquarter employees, and paying heed to the nature of the Company as a holding and investment company, the Compensation Committee and the Board of Directors of the Company believe that the said ratios, which they found to be reasonable *per se*¹⁷,

¹⁴ As stated in footnote ~~4~~13, *supra*.

¹⁵ As of the present time, no contractor's employees are employed at the Company.

¹⁶ Without derogating from the foregoing, it shall be noted that the Compensation Committee and the Board of Directors gave consideration to the fact that a comparison to all the terms of office and employment of the Company's other employees is expected to narrow the ratio, and *a fortiori*, it will not have any adverse effect on the employment relations at the Company.

¹⁷ As of ~~the present time~~ December 31, 2013, the ratio between the cost of ~~salary-employment~~ for the ~~CEO~~Chairman and the average and median cost of ~~salary-employment~~ for the Company's other employees equates to approximately ~~4.989.85~~ and approximately ~~9.1332.16~~ (respectively); ~~of the CEO, approximately 5.71 and approximately 10.24 (respectively); and the rest of the officers, within a range of approximately 1.882.19 – 3.255/01 and approximately 3.809.02 – 6.2918.84 (respectively); the ratio between the cost of employment of the Chairman and the average and median cost of employment of the Company's other employees (without options which have been granted and based on assumptions regarding the annual bonus) amounts to approximately 3.68 and~~

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

are not relevant to the employment relations at the company, and most certainly, they do not have any adverse effect on the employment relations at the Company.

12. **General**

- 12.1 The Company's engagement in employment agreements with the Officers and/or any grant of compensation to the Officers may be made through the Company directly or through a wholly-owned subsidiary of the Company.
- 12.2 The engagement with an Officer in connection with his terms of employment and office may be done with a company wholly controlled by the Officer (*mutatis mutandis*, with the objective of maintaining the equivalent amount of compensation), provided that the engagement will include terms and conditions, to the satisfaction of the Compensation Committee and the Board of Directors of the Company, pursuant to which the undertakings and the services to be provided to the Company shall be performed personally by the Officer.
- 12.3 The Company's engagement with the Officers may be done for a specified period of time or for an unspecified period of time.
- 12.4 The Compensation Committee and the Board of Directors of the Company shall examine from time to time the need to update the Compensation Policy in accordance with the circumstances of the matter and subject to the law.
- 12.5 Subject to the provisions of any law, the Compensation Policy shall not derogate from existing agreements, and it shall not derogate from the terms of office and employment or compensation which had been approved prior to the determination of the Compensation Policy.

~~approximately 15.34 (respectively); of the CEO, approximately 9.7 and approximately 33.98 (respectively); and of the rest of the officers within a range of approximately 2.47 — 4.99 and approximately 10.72 — 19.98 (respectively).~~

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

- 12.6 The Compensation Policy contains general principles for the compensation of Officers of the Company as of the date of approval of the Policy, whilst the actual compensation and the terms entailed in the application of the said principles shall be determined by the Compensation Committee and/or the Board of Directors of the Company, in accordance with the purpose thereof and the Company's best interests. The actual compensation, in accordance with the foregoing, shall be submitted for obtaining the requisite approvals.
- 12.7 Wherever the Compensation Policy determines that the Compensation Committee or the Board of Directors has the authority to approve a particular action, the authority shall be conferred on the Compensation Committee or the Board of Directors (as the case may be) to do so in their discretion, without requiring additional approval (subject to the provisions of mandatory law).
- 12.8 The amounts paid to the Officers shall be gross, and subject to deduction as required by law.
- 12.9 Upon adoption of the Company's Compensation Policy, the annual bonus policy approved by the Board of Directors of the Company in March 2011 – shall be cancelled.
- 12.10 Without derogating from the provisions of section 12.5 above, it is hereby clarified that wherever this Policy includes ranges and/or ceilings for compensation and/or various compensation terms, this does not obligate the Company to provide the compensation in the maximum scope or in such scope which includes the full compensation components specified in this Policy, and the Officer shall have no vested right in connection with the said compensation. It is also clarified that should any Officer be granted compensation which is lower than the compensation described in this Policy (including the determination of restrictions and obligations in connection with the terms of office and employment), this shall not constitute a deviation from the provisions of this Policy.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

12.11 This Compensation Policy has been drafted in the male gender solely for reasons of convenience, and it refers to males and females alike.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

APPENDIX B – VOTING FORM

ISRAEL CORPORATION LTD.

VOTING FORM

In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765 – 2005 (hereinafter: the "Voting Regulations")

FIRST PART

1. **Name of the Company**

Israel Corporation Ltd. (hereinafter: the "**Company**").

2. **Type of Meeting, Date and Venue**

A special general meeting, which shall be held at the Company's offices, at 23 Aranha St. (Millennium Tower), Tel Aviv, on Thursday, May 1, 2014, at 11:00 a.m. (hereinafter: the "**Meeting**"), and any adjourned meeting.

3. **Details of the Item on the Agenda in Respect of Which a Shareholder May Vote Through a Voting Form**

3.1 In accordance with Amendment No. 20 of the Companies Law (hereinafter: "**Amendment No. 20**"), the Company has acted to formulate a compensation policy for officers of the Company. In November 2012, the Board of Directors of the Company appointed the Compensation Committee whose members were, in accordance with the provisions of Amendment No. 20, the outside directors Messrs. Ofer Termechi (who served as the chairman of the Committee) and Professor Gideon Langholz, and also Mr. Michael Bricker (independent director) (hereinafter: the "**Compensation Committee**").

3.2 On August 29, 2013 the Company has announced, considering the Israeli Securities Authority announcement dated August 28, 2013 the postponement, the postponement of the shareholders meeting convened to approve the Compensation Policy, which was approved by the Company's Board of Directors following the Compensation Committee's recommendations, in order to exhaust discussions with shareholders and institutional investors consulting company (see Immediate Reports dated 7.28.2013 and 29.8.2013 references: 2013-01-102555 and 2013-01-132258, respectively).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

- 3.3 On March 24, 2014, Mr. Oded Degany was appointed by the general assembly of shareholders of the Company to serve as an outside director of the Company (following the death of the late Mr. Ofer Tarmachi), and Mr Degany currently serves as the chairman of the Compensation Committee.
- 3.4 Since the postponement of the abovementioned shareholders meeting the Compensation Committee discussed the updates to the compensation policy following the discussions with shareholders and institutional investors consulting company. For the purpose of formulating its recommendations regarding the Updated Compensation Policy, the Compensation Committee held 3 meetings, whilst consulting with external consultants and receiving background material. It shall be noted that these meeting were held in addition to 15 meeting which were held by the Compensation Committee prior to the said Board approval of July 2013. In the framework of its discussions the Compensation Committee examined various possibilities and formats for determining compensation, and it formulated the appropriate compensation components, which will create appropriate incentives for the officers taking into consideration the Company's objectives. At the time of the formulation of the Compensation Policy, many considerations were also taken into account (including, but not limited to, those set forth in Amendment No. 20), which include, inter alia, the job of the officers, data regarding each one of the officers, the current terms and conditions of compensation at the Company, the managerial inputs required in the management of a company of the kind of the Company, the Company's work plan and its risk management policy, the areas of responsibility of the officers and the officers' contribution to the Company and to its shareholders with a long-term perspective.
- 3.5 The Board of Directors of the Company held several meetings regarding the Updated Compensation Policy¹⁸, and on March 26, 2014, after considering the recommendations of the Compensation Committee, the Board of Directors approved the Compensation Policy which is the subject of this report and approved it being brought for the approval of the Company's general meeting, as convened herein.
- 3.6 The Updated Compensation Policy (marked up) is attached herewith as Appendix A to this Report, and forms an integral part hereof (hereinafter: the "Compensation Policy").
- 3.5 For further details regarding the manner of formulation of the Compensation Policy, see section 2 of this Report.

Text of the Proposed Resolution: "To approve the Compensation Policy for the officers of the Company as set forth in the report in such draft as attached herewith as Appendix A to this Report, and the terms and conditions thereof."

¹⁸ In addition to 4 meetings held by the company's Board of Directors in regards with the compensation policy prior to its approval on July 28, 2013, as mentioned on the Company's report dated July 28, 2013 (reference no.: 2013-01-102555).

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

4. **Inspection of the Text of the Proposed Resolution**

The Company's shareholders may inspect the transaction report and the text of the proposed resolutions at the Company's offices, from Sundays to Thursdays, from 09:00 – 16:00, by prior arrangement on Tel: 03-6844500, and also on the Internet sites of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd., whose addresses are specified in section 12 below.

5. **The Majority Required to Pass the Resolution at the Meeting**

5.1 The majority required to pass the resolution at the Meeting is a majority of the shareholders who are entitled to participate in the vote, who are present at the Meeting in person or by proxy, provided that one of the following two conditions is satisfied: (1) the count of the votes of the majority at the general meeting shall include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or entities with a personal interest in the approval of the Compensation Policy, who are participating in the vote; the count of all the votes of the said shareholders shall not take into account the votes of the abstaining shareholders; a shareholder with a personal interest shall be subject to the provisions of section 276, *mutatis mutandis*; (2) the total of the votes against, from among the shareholders as stated in paragraph (1) above, shall not exceed a rate of two percent of the total voting rights at the Company.

5.2 Notwithstanding the foregoing in this section above, the Board of Directors of the Company may determine the Compensation Policy even if the general meeting opposes the approval thereof, provided that the Compensation Committee, and subsequently, the Board of Directors, decided, based on detailed reasons and after discussing the Compensation Policy once again, that the approval of the Compensation Policy, despite the general meeting's opposition, would be in the Company's best interests.

6. **Mention of a Shareholder's Connection**

In the Second Part of the Voting Form, space is allocated for marking whether the shareholder has or does not have a connection, as required pursuant to the

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

provisions of the Companies Law, and for giving a description of the nature of the relevant connection. **Should a shareholder not mark such space, or should he not describe the nature of the connection, his vote shall not be included in the count of the votes.**

7. **Validity of the Voting Form**

7.1 The Voting Form shall be valid solely if the following is attached thereto: "Confirmation of Ownership" (a power of attorney from the nominee company proving the ownership of the share; hereinafter: "Confirmation of Ownership") of the non-registered shareholder (that is to say, a shareholder in whose favor shares are registered with a Stock Exchange member and which shares are included amongst the shares registered in the Register of Shareholders, in the name of the nominee company), or a photocopy of an ID card, passport or document of incorporation, as the case may be, if the shareholder is registered in the Company's books.

7.2 The last date for delivery of the voting forms is up to 72 hours prior to the time of the general meeting. For this purpose, the time of delivery is the time at which the Voting Form and the documents which need to be attached thereto arrived at the Company's offices, whose address is specified in section 10 below.

8. **The Record Date for Determining a Shareholder's Entitlement to Participate in and Vote at the Meeting**

The record date for determining a shareholder's entitlement to vote at the general meeting, as stated in section 182 (b) of the Companies Law, 5759 – 1999, is Thursday, April 3, 2014 (hereinafter: the "**Record Date for Voting at the Meeting**").

9. **The Company does not allow voting through the Internet.**

10. **The Company's Address for Delivery of the Voting Forms and the Position Statements**

At the Company's offices, at 23 Aranha St. (Millennium Tower), Tel Aviv.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

11. **The Last Date for Delivering Position Statements**

A position statement of a shareholder may be submitted up to ten days after the Record Date for determining the entitlement of a shareholder of the Company to vote at the general meeting, as stated in section 182(b) of the Companies Law, which is specified in section 8 above. The last date for submission of the Board of Directors' response to position statements – if submitted by the shareholders, and if the Board of Directors chooses to submit its response to the said position statements – is not later than five days after the last date for the delivery of position statements, as stated above.

12. **Addresses of the Distribution Site and the Internet Site of the Stock Exchange, Where the Voting Forms and Position Statements are Available**

12.1 The address of the distribution site of the Israel Securities Authority:
<http://www.magna.isa.gov.il>.

12.2 The address of the Internet site of the Tel Aviv Stock Exchange Ltd.:
<http://maya.tase.il>.

13. **Additional Comments, as Required Pursuant to the Voting Regulations**

13.1 A shareholder is entitled to receive the Confirmation of Ownership, as defined in section 71 of the Companies Law, and as stated in section 7.1 above, at the branch of the Stock Exchange member or by dispatch by mail, if he so requested. A request in this matter shall be given in advance, for a particular securities account.

13.2 A shareholder may contact the Company directly to receive from it, without charge, the draft of the voting form or, with his consent, a link to the draft of the Voting Form on the distribution site and the position statements as have arrived at the Company.

13.3 A shareholder who is not registered may receive by email, without charge, a link to the draft of the Voting Form and the position statements (if any) on the distribution site, from the Stock Exchange member through which he holds his shares, unless he informed the Stock Exchange member that he does not wish to receive such a link or that he

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

wishes to receive voting forms by mail, in consideration of payment. The non-registered shareholder's notice with regard to the voting forms shall also apply with regard to the receipt of position statements (if any).

13.4 A shareholder shall note the manner of his voting with regard to the item on the agenda in the Second Part of this Voting Form.

13.5 One or more shareholders who hold shares at a rate constituting five percent or more out of the total voting rights at the Company and also a shareholder who holds such a rate out of all the voting rights which are not held by the controlling shareholder of the Company, as defined in section 268 of the Companies Law, is entitled to inspect the voting forms, as set forth in Regulation 10 of the Voting Regulations.

13.5.1 As of the date of sending this Voting Form, the number of shares which constitutes 5% of the total voting rights at the Company is: 381,307 ordinary shares of the Company having a par value of NIS 1 each.

13.5.2 As of the date of sending this Voting Form, the number of shares which constitutes 5% of the total voting rights at the Company which are not held by the controlling shareholder of the Company is: 183,550 ordinary shares of the Company having a par value of NIS 1 each.

14. **Cancellation of the Voting Form**

A shareholder may, up to 24 hours prior to the time of convening of the general meeting, contact the address for submission of voting forms, as stated in section 10 above, and after proving his identity to the satisfaction of the Company Secretary or another employee appointed for this purpose, he may withdraw the voting form and his Confirmation of Ownership, or cancel his vote; should he do so, the said shareholder may vote only during the general meeting.

* * *

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

APPENDIX B – VOTING FORM

ISRAEL CORPORATION LTD.

VOTING FORM

In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765 – 2005 (hereinafter: the "Voting Regulations")

SECOND PART

Part A:

1. **Name of the Company:** Israel Corporation Ltd. (hereinafter: the “**Company**”); Public Co. No. 52-002801-0.
2. **Company’s Address (for delivering and sending voting forms):** 23 Aranha St. (Millennium Tower), Tel Aviv.
3. **Date of the Meeting:** Thursday, May 1, 2014, at 11:00 a.m., and any adjourned meeting.
4. **Type of the Meeting:** A special general meeting.
5. **Record Date:** Thursday, April 3, 2014.
6. **Voting By Internet:** The Company does not allow voting through the Internet.

Part B (to be completed by the shareholders):

1. **Details of the Shareholder**

- 1.1 Name of the Shareholder: _____.
- 1.2 ID No.: _____.
- 1.3 Passport No. (if the shareholder does not possess an Israeli ID card): _____.
- 1.4 The country in which the passport was issued (if the shareholder does not possess an Israeli ID card): _____.
- 1.5 The passport is valid until (if the shareholder does not possess an Israeli ID card): _____.
- 1.6 Corporation No. (if the shareholder is a corporation): _____.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

1.7 Country of incorporation (if the shareholder is a corporation):
_____.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original

APPENDIX B – VOTING FORM

2. **Manner of Voting**

Item on the Agenda	Manner of Voting ¹			Do you have a personal interest in the resolution ²		Are you an interested party in the Company ³		Are you a senior officer of the Company ⁴		Are you an institutional investor ⁵	
	For	Against	Abstain	No	Yes	No	Yes	No	Yes	No	Yes
<i>To approve the Compensation Policy for the officers of the Company as set forth in the report in such draft as attached herewith as Appendix A to this Report, and the terms and conditions thereof."</i>											

* Please specify the nature of the relevant connection, as the case may be:

3. **Comments in Accordance with the Voting Regulations:**

- a. Shareholders holding shares through a Stock Exchange member (pursuant to section 177(1) of the Companies Law, 5759 – 1999) – this Voting Form is valid solely upon the attachment of Confirmation of Ownership.
- b. Shareholders registered in the Company’s Register of Shareholders – the Voting Form is valid upon the attachment of a photocopy of the ID card/ passport/ certificate of incorporation.

Date: _____

Shareholder’s Signature

¹ Failure to mark a response in this part is tantamount to abstaining in the vote on the said matter.
² The vote of a shareholder who fails to complete this column, or who marks “Yes”, but fails to give details, shall not be included in the count of votes. "Personal interest" includes "negative personal interest".
³ As defined in the Securities Law, 5728 – 1968.
⁴ As defined in the Securities Law, 5728 – 1968.
⁵ As defined in Regulation 1 of the Supervision of Financial Services (Provident Funds) (Management Company's Participation in General Meeting) Regulations, 5769-2009; and also a joint investment mutual fund manager as construed in the Joint Investment Trust Law, 5754 – 1994.