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May 27, 2015

To:

THE SECURITIES AUTHORITY

THE TEL AVIV STOCK EXCHANGE LTD.

Through the MAGNA system

Through the MAGNA system

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

In accordance with the Securities Regulations (Transaction Between a Company and its Controlling Shareholder) 5761-2001 and with the Securities Regulations (Immediate and Periodic Reports) 5730-1970 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**”) hereby announces that a special general meeting of the shareholders of the Company shall be convened on Tuesday, July, 14, 2015, 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 items as set forth below in this Report.

Brief description of the resolutions on the Meeting’s agenda

1. **Approval of an Updated Compensation Policy** - approval of an updated compensation policy for the Company’s officers as stated in this Report, as per the text attached herewith as **Appendix A** to this Report, and the terms and conditions thereof. The current compensation policy, which was approved on May 1, 2014, stated that upon the completion of the Distribution Act that was the subject of the Company’s report dated December 23, 2014 (Reference.: 2014-01-229086), the Compensation Committee and the Board of Directors of the Company would examine the Company’s compensation policy, and the Company would adopt an updated compensation policy for all of the Company’s officers, that would be brought to the general meeting of the shareholders of the Company, and for the approvals required pursuant to law.
2. **Update of the Bonus Clause in the Company’s CEO Employment Agreement** - It is proposed to approve the updating of the bonus clause in the employment agreement of the Company’s CEO so that it will be determined that the Company’s CEO shall be entitled to an annual bonus in accordance with the Company’s Compensation Policy, as shall be in effect from time to time.

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3. **Approval of the Company's Engagements in Officers' Liability Insurance** - To approve the engagement of the Company in purchasing insurance policy for the Company's officers' liability, who currently serve in the Company and as will serve from time to time (including the Company CEO and/or officers which the controlling shareholder of the Company might be considered as having personal interest in their inclusion in the insurance policy, as will be from time to time). Similarly to the shareholders' meeting approval dated August 9, 2012, the resolution mention in this section shall constitute a "Framework Transaction" (as construed in regulation 1(3) of the Companies Regulations (Easements in Transactions with an Interested Party), 5760 – 2000), according to which the Company will engage in Officers' liability insurance policy for a period of three years commencing on the end of the current insurance year, which shall include a first joint layer with Israel Chemicals Ltd., a Company's subsidiary, and a second separate layer for of the Company's Group, by way of purchasing new policies or extensions or renewals of the current policy or policies which will be purchased, from any insurance company in Israel and/or abroad, which will be selected by the board of directors of the Company, provided that the compensation committee and the board of directors of the Company will approve that the conditions of purchasing of the policies comply with the terms of the Framework Transaction, while the compensation committee and the board of directors of the Company shall be authorized to amend, from time to time, the level of coverage, the premium sums and the portion division of the premium between the Company and ICL regarding the joint layer, and all subject to the terms of the Framework Transaction detailed in this Report. Insofar that the Company's insurance policy shall not be renewed, the Company shall be authorized to purchase the continuance of the application of the policy for a total premium amount which will not exceed USD 1 million ("Run-Off").

4. **Assignment of Compensation of Employed Directors**

On May 8, 2012 the shareholders of the Company meeting has approved the assignment of the compensation of directors at the Company, who are employed as officers in companies which are affiliated, directly or indirectly, to the controlling shareholders of the Company, which are not the Company or companies controlled by the Company (the "Employed Directors") to their employer, including corporations which are interested

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parties in the Company (the "Employing Corporations")¹. According to the officers of the Company compensation policy the serving directors are entitled, *inter alia*, to annual remuneration and to remuneration for participation, in the maximum amount as set forth in the Companies Regulations (Rules Regarding Remuneration and Expenses for an Outside Director), 5760-2000 (hereinafter: the "Remuneration Regulations"), taking into consideration the rank of the Company and the classification of a director as an "expert director", who is entitled to an "expertise supplement" as set forth in Regulation 5A of the Remuneration Regulations (the "Directors' Compensation"). The Company was requested by the Employed Directors to extend the assignment of the Directors' Compensation, to which they are entitled, to their employer or Employing Corporations, as part of the employment arrangements between the said Employed Directors and their Employers, arrangements to which the Company is not a party. For carefulness reasons, and in light of the concern that said assignment of Employed Directors' Compensation might be considered as a transaction requiring approval in accordance with the provisions set forth in Sections 270(4) and 275 of the Companies Law, the assignment of compensation is brought to the approval of the general meeting of the Company's shareholders. The number of Employed Directors, which the Directors' Compensation to which they are entitled, as stated, shall not exceed five directors at all times. It is noted that the said assignment of the Employed Directors' Compensation is done at the request of these directors (without derogating from any of the other service terms to which they are entitled as directors of the Company, which are not being assigned), as part of the employment arrangements between the Employed Directors and their employer, and any of the Employed Directors may request to discontinue the said assignment of compensation at his sole discretion.

5. **Directors who has personal interest in the approval of the items on the Meeting's agenda**

5.1. **Personal Interest in the Approval of the Compensation Policy**

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

¹ See the Company reports dated March 29, 2012 and May 8, 2012 (reference No: 2012-01-084841 and 2012-01-339914, respectively).

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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 precluded 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.

5.2. Personal Interest in the Approval of the Company's Engagement in the Officers' Liability Insurance

All of the incumbent directors may be deemed to have a personal interest by virtue of their being beneficiaries of insurance policies that will be purchased by the Company. Accordingly, and taking into account the provisions of section 278(b) of the Companies Law, none of the directors was precluded from participating in the discussions of the Board of Directors in this matter.

5.3. Personal Interest in the Approval of the Assignment of the Directors' Remuneration

The Employed Directors serving in office at the Company (i.e., the Messrs. Ron Moskovitz and Aviad Kaufman) may be deemed to have a personal interest in the assignment of the Employed Directors' Remuneration as stated in section 4 above. In addition, Amnon Lion, who serves as a director of Millennium Investments Elad Ltd., may be deemed to have a personal interest in the assignment of the Employed Directors' Remuneration, *inter alia*, take into consideration that stated in section 6.4 of this Report.

6. Details Regarding the Controlling Shareholders of the Company and Their Personal Interest

6.1. Millennium Investments Elad Ltd. (hereinafter: “**Millennium**”) and Mr. Idan Ofer are deemed to be the joint controlling shareholders of the Company for the purpose of the Securities Law². Millennium holds approximately 46.94% of the

² Both Millennium and Mr. Ofer hold shares in Israel Corporation directly, and Idan Ofer serves as a director of Millennium and has an indirect interest in it as a beneficiary of a trust that has indirect control of Millennium.

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Company's share capital (47.38% of the voting rights). To the best of the Company's knowledge, Millennium is held by Mashat Investments Ltd. (hereinafter: "**Mashat**") and by XT Investments Ltd. (hereinafter: "**XT Investments**"), according to holding percentages of 80% and 20%, respectively. Mashat is a private company, which is wholly held by a Dutch company by the name of Ansonia (Holdings) B.V. (hereinafter: "**Ansonia**"). Ansonia is wholly held by Jelany Corporation N.V. (which is registered in Curaçao), which is wholly held by a Liberian company by the name of Court Investments Ltd. (hereinafter: "**Court**"). Court is wholly held by a foreign discretionary trust, of which Mr. Idan Ofer is the beneficiary.

- 6.2. XT Investments is a private company which is wholly held by XT Holdings 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 by Lynav Holdings Ltd., which is controlled by a foreign discretionary trust, of which Mr. Idan Ofer is the main beneficiary. Mr. Ehud Angel has, *inter alia*, 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. In addition, XT Investments directly holds 1.24% of the Company's share capital (1.25% of the voting rights).
- 6.3. In addition, Kirby Enterprises Inc., which is indirectly held by the foreign discretionary trust that holds Mashat, as stated above, of which Mr. Idan Ofer is a beneficiary, holds approximately 0.74% of the Company's issued share capital (0.75% of the voting rights). In addition, Mr. Idan Ofer directly holds approximately 3.85% of the Company's issued share capital (3.89% of the voting rights).
- 6.4. Millennium and XT Investments may be deemed to have a personal interest in Resolution No. 4 of this Report, due to the fact that they or companies related to them, either directly or indirectly, may, pursuant to the assignment of the Employed Directors' Remuneration, receive the amounts of the Employed Directors' Remuneration in accordance with the said resolution, and also they may be deemed (for the sake of caution) to have a personal interest in their being included in the insurance policies, as stated above. The interest of Mr. Idan Ofer and Kirby Enterprises Inc., as described above, also derives from this.

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7. **Notice Concerning Convening of a General Meeting**

A notice is hereby given that a Special Meeting of the Company's shareholders shall be convened on Tuesday, July 14, 2015 at 11:00 at the Company's offices in 23 Aranha St., the Millennium Tower, Tel Aviv, which shall include in its agenda the resolution specified in this Report.

8. **The Required Majority for Approval of the Resolutions at the Meeting**

8.1 The majority required to pass the resolutions detailed in section 1, 2, 3 and 4 to this report 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 resolutions on the agenda of the Meeting, 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.

8.2 Notwithstanding the foregoing in section 8.1 above, with respect to the resolution set forth in section 1 of the Report, the Board of Directors of the Company may set the Compensation Policy even if the general meeting has opposed 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.

8.3 Notwithstanding the foregoing in section 8.1 above, with respect to the resolution set forth in section 2 of the Report, the Compensation Committee, and subsequently, the Board of Directors of the Company may, in special cases, approve a transaction as stated in section 2 of the Report even if the general meeting has opposed the approval of the transaction, provided that the Compensation Committee, and subsequently, the Board of Directors, decided to do so, based on detailed reasons,

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after discussing the transaction once again and examining, during such a discussion, *inter alia*, the general meeting's opposition.

9. 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 Sunday, June 7, 2015, and if no trading is conducted on the record date, then on the first trading day prior thereto.

- 10.** 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: 178,179 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.

11. Review of Documents

The Company's shareholders may inspect the transaction report, 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.

Respectfully,

The 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: May 27, 2015.

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Dear Sir/ Madam,

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

In accordance with the Securities Regulations (Transaction Between a Company and its Controlling Shareholder) 5761-2001 and with the Securities Regulations (Immediate and Periodic Reports) 5730-1970 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**”) hereby announces that a special general meeting of the shareholders of the Company shall be convened on Tuesday, July 14, 2015, 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 items as set forth below in this Report.

The Items on the Meeting’s Agenda

- a. Approval of an updated compensation policy for the Company’s officers.
- b. Approval of the update of the bonus section in the employment agreement of the Company’s CEO.
- c. Approval of the Company’s engagement in an officers’ liability insurance policy.
- d. The assignment of the remuneration of directors who are employed by corporations related to the controlling shareholder.

Details of the Items on the Meeting’s Agenda

1. **Approval of an Updated Compensation Policy for the Company’s Officers**

1.1 **Background**

1.1.1 On May 1, 2014, the general meeting of the shareholders of the Company approved, in accordance with the provisions of Amendment No. 20 of the Companies Law (hereinafter: “**Amendment No. 20**”), a compensation policy for the Company’s

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officers (hereinafter: the “**Current Compensation Policy**”)¹. The said compensation policy stated that upon the completion of the Distribution Act that was the subject of the Company’s report dated December 23, 2014 (Reference.: 2014-01-229086) (hereinafter: the “**Distribution Act**”), the Compensation Committee and the Board of Directors of the Company would examine the Company’s compensation policy, and the Company would adopt an updated compensation policy for all of the Company’s officers, that would be brought to the general meeting of the shareholders of the Company, and for the approvals required pursuant to law.

1.1.2 After the completion of the Distribution Act in January 2015, the Compensation Committee and the Board of Directors of the Company examined the compensation policy and the adjustments required thereto, *inter alia*, in view of the Company’s operations, its size, its strategic plan and its objectives with a long-term perspective after the completion of the Distribution Act. At the same time, the Company held discussions on this matter with a company that provides consulting services to institutional entities.

1.1.3 For the purpose of formulating its recommendations with respect to the updated compensation policy, the Compensation Committee held a number of meetings, while consulting with external consultants and receiving background material. At the time of the formulation of the updated compensation policy, considerations were taken into account (including, but not limited to, those set forth in Amendment No. 20) which include, *inter alia*, the position of the officers, data regarding each one of the officers, the current compensation terms at the Company, the Company’s work plan and its risk management policy, the areas of responsibility of the

¹ See the Company’s reports dated March 26, 2014 and May 1, 2014 (reference No: 2014-01-025239 and 2014-01-055587, respectively).

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officers and their contribution to the Company and to its shareholders with a long-term perspective.

1.1.4 The Board of Directors of the Company discussed the updated compensation policy and, on May 27, 2015, after considering the Compensation Committee's recommendation, dated May 25, 2015, with respect to the updated compensation policy, the Board of Directors of the Company approved the updated compensation policy which is the subject of this Report and approved it to be submitted for the approval of the Company's general meeting, as convened herein².

1.1.5 The updated compensation policy is attached as **Appendix A** to this Report, and it forms an integral part hereof (hereinafter: the "**Compensation Policy**" or the "**Updated Compensation Policy**").

1.2 **The Manner of Formulating the Compensation Policy, Parameters and the Reasons of the Compensation Committee and the Board of Directors**

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

1.2.2 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, taking into consideration the size of the Company, its business and its objectives.

² As regards the majority required to approve the resolution on the agenda and the manner of approval thereof, see section 8 of this Report.

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1.2.3 The Compensation Committee and the Board of Directors of the Company have determined that the Updated 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 respect of their achievements, and the Company's policy with a long-term perspective, taking into consideration 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.

1.2.4 The Company's Updated 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 provide stability for the Company and for 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, while taking into account 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

³ The manner of determining the annual bonuses pursuant to the Compensation Policy is based, *inter alia*, on the Company's net profit (net of profits, if any, as a consequence of the implementation *per se* of the Distribution Act or of the completion of the debt arrangement formulated by ZIM, as stated in the Compensation Policy) and on the Company's compliance with objectives (with the exception of a possible bonus, limited to VPs), and it also takes into consideration the Company's risk policy through parameters such as compliance with a maximum net debt level.

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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 promote the best interests of the Company and its shareholders and to create value in the long-term.

It should be noted that similar to the Current Compensation Policy, in view of the fact that as of the present date, the Company has a capital compensation plan, no framework conditions have been determined for capital compensation in the Updated 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.

1.2.5 In the determination of the Compensation Policy, the appropriate ratio was discussed between the fixed compensation components and the variable compensation components, 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 taking into account the small scope of the Company's employees (who are corporate headquarter employees), and whilst taking into account the Company's nature as a holding 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

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at the Company, and in any event, they will not have any adverse effect thereon.

1.2.6 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.

1.2.7 It should be emphasized that the purpose of the Compensation Policy is to determine 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.

1.2.8 As of the date of the approval of the Compensation Policy by the Board of Directors of the Company, the terms of office and employment of the Company's officers are consistent with the Compensation Policy, as presented herein for the Meeting's approval.

1.2.9 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 the Company's officers, 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

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the Company's officers, in such a manner so as to serve the Company's best interests.

1.2.10 After discussions on 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 Updated Compensation Policy is appropriate and suitable for the Company's characteristics, taking into account, *inter alia*, the size of the Company, its nature, its business and its objectives.

1.3 The Company is not a public second-tier subsidiary, as this term is defined in the Law.

1.4 The main update to the Updated Compensation Policy applies to the annual bonus formula, in which, *inter alia*, the annual bonus overheads have been significantly reduced, and with respect to the CEO of the Company, a maximum bonus has been determined in the amount of 9 gross monthly salaries, and with respect to the VPs, a maximum bonus has been determined in the amount of 6 gross monthly salaries. In addition, the targets and weights for calculating the bonus have been updated in the annual bonus formula, and threshold conditions have been set for meeting each target.

1.5 For details regarding the controlling shareholders of the Company, see section 6 below.

1.6 For details regarding the directors who participated in the meetings of the Audit Committee, the Compensation Committee and the Board of Directors of the Company, see section 5 below.

1.7 **Text of the Proposed Resolution:**

To approve the Compensation Policy for the Company's officers as stated in this Report, as per the text attached herewith as **Appendix A** to this Report, and the terms and conditions thereof.

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2. **The Updating of the Bonus clause in the Employment Agreement of the Company's CEO⁴**

2.1 It is proposed to approve the updating of the bonus clause in the employment agreement of the Company's CEO, Mr. Avishar Paz (who began to serve as CEO upon the completion of the Distribution Act, and who served prior to the said time as the Company's CFO), so that it will be determined that the Company's CEO shall be entitled to an annual bonus in accordance with the Company's Compensation Policy, as shall be in effect from time to time.

2.2 The members of the Compensation Committee and the Board of Directors of the Company have approved the aforesaid update to the employment agreement of the Company's CEO, which constitutes the adjustment of the CEO's employment agreement to the provisions of the Compensation Policy, as shall be determined from time to time by the competent organs pursuant to law.

2.3 **Text of the Proposed Resolution:**

"To update the employment agreement of the Company's CEO so that it will be determined that the Company's CEO shall be entitled to an annual bonus in accordance with the Company's Compensation Policy, as shall be in effect from time to time."

3. **Approval of the Company's Engagements in Officers' Liability Insurance**

3.1 On August 9, 2012, the general meeting of the shareholders of the Company approved, as a "framework transaction", as this term is construed in the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000 (hereinafter: the "**Relief Regulations**")⁵, the Company's engagement in an insurance policy for the officers

⁴ For details regarding the compensation of the Company's CEO, see the details with respect to Article 21 of the chapter of the Additional Details in the Company's Periodic Report for 2014, dated March 31, 2015. For details regarding the Company's CEO, including details of his education, his qualifications and his professional experience, see the details with respect to Article 26A of the chapter of the Additional Details in the Company's Periodic Report for 2014.

⁵ For additional details regarding the framework transaction and the terms and conditions thereof, see the Company's Report dated July 4, 2012 (Reference No.: 2012-01-176643).

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currently serving at the Company and as will serve at the Company from time to time, including officers of the Company who are deemed to be controlling shareholders or where the controlling shareholder of the Company may be deemed to have a personal interest in including them in the insurance policy. In accordance with the resolution of the aforesaid meeting, and in accordance with the Current Compensation Policy, the Company has renewed the insurance policy from time to time, as stated, for example, in the Company's report dated August 26, 2014 (Reference No.: 2014-01-142947). The current insurance period will expire on August 30, 2015.

3.2 In accordance with the Company's Compensation Policy (both the current policy and the updated policy), the officers of the Company, including the Company's CEO, are entitled to insurance coverage and to their being included in the insurance policy as part of the terms and conditions of their employment with the Company.

3.3 It is proposed to approve the Company's engagement in the officers' insurance for a period of up to three years commencing from the expiration of the current insurance period, as aforesaid, in accordance with and subject to the following terms and conditions:

3.3.1 The policy will include two layers – the first layer is joint with Israel Chemicals Ltd. (hereinafter: "ICL") and the second layer is separate, as set forth below:

3.3.1.1 The Joint Layer: The policy will insure the liability of the Company's officers, who are serving at the Company at the present time and as shall serve at the Company from time to time, and also their liability by virtue of their service in office, at the Company's request or on the Company's behalf, at companies held, either directly or indirectly, by the Company (hereinafter, respectively: the "Company's Group" and the "Officers in the Company's Group") and in

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addition, the liability of the officers at ICL, who are serving at ICL at the present time and as shall serve at ICL from time to time, and also their liability by virtue of their service in office at companies held, either directly or indirectly, by ICL, at ICL's request or on ICL's behalf. The insurance coverage in the joint layer shall have a limit of liability of US\$ 20 million per occurrence and for the period.

3.3.1.2 The Separate Layer: The policy will insure the liability of the officers of the Company's Group, pursuant to the standard terms of coverage in this kind of insurance. The insurance coverage in the separate layer shall have a limit of liability of US\$ 120 million per occurrence and for the period.

3.3.2 The officers of the Company's Group are beneficiaries of the two aforesaid layers.

3.3.3 The distribution of the liability in the payment of the insurance premium between ICL and Israel Corporation in the joint layer shall be as set forth below: the Company – 70%; ICL – 30%, based on the insurers' assessment.

3.3.4 The cost of the annual premium that shall be paid by the Company during the insurance period after the expiration of the current insurance period, as stated above, with respect to the two layers jointly, shall not exceed the amount of US\$ 500,000 (hereinafter: the "**Maximum Premium**"), except in accordance with that stated below.

3.4 The Company, with the approval of the Compensation Committee and the Board of Directors of the Company, shall be authorized to renew, extend or purchase from time to time an insurance policy upon identical terms and conditions and/or upon similar terms and conditions, and the aforesaid engagement may be done with the same insurance company or

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with any other insurance company in Israel or overseas, provided that the following conditions shall be satisfied:

3.4.1 During the insurance periods, the annual premium that will be paid by the Company in respect of the insurance year shall not exceed, by more than 25% per year, the amount of the Maximum Premium. Any deviation from these limitations shall require the approval of the general meeting.

3.4.2 The Company shall be authorized to approve changes, from time to time, in connection with the percentage of the distribution of the premium between the Company and ICL with respect to the joint layer, provided that the percentage of the change shall not deviate in excess of 25% of the distribution described in section 3.3.3 above.

3.4.3 The deductible for the Company in respect of claims against officers shall not exceed US\$ 500,000, in accordance with the cause of action and the place of the filing thereof.

3.4.4 In the event that the Company's insurance policy is not renewed, the Company shall be entitled to purchase the continued application of the policy by paying a premium amount that shall not exceed USD 1 million ("Run-Off").

3.5 Similar to the approval of the meeting given in 2012⁶, as stated above, the resolution stated in this section shall constitute a "framework transaction", as this term is construed in Regulation 1(3) of the Relief Regulations, which allows, during a period of three years commencing from the expiration of the current insurance period, the Company's engagement in an officers' liability insurance policy, by way of the purchase of new insurance policies or by extensions or renewals of the existing policy or policies that shall be purchased in the future, from any

⁶ As aforesaid, in 2012, the Company's general meeting approved a framework transaction in accordance with the Relief Regulations, which allows, during a period of three years, the renewal of the officers' insurance policy. For details, see the Company's Report dated July 4, 2012 (Reference No.: 2012-01-176643).

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insurance company in Israel and/or overseas that shall be selected by the Board of Directors of the Company, provided that the Compensation Committee and the Board of Directors of the Company shall confirm, with respect to each renewal of insurance, that the terms and conditions of the purchase of the policies are consistent with the terms and conditions of the framework transaction, and the Compensation Committee and the Board of Directors shall have the power to modify, from time to time, the amount of the coverage, the amounts of the premium, the amount of the deductible and the percentage of the distribution of the premium between the Company and ICL with respect to the joint layer, all subject to the terms of the framework transaction as described above.

3.6 The Reasons of the Audit Committee, the Compensation Committee and the Board of Directors of the Company and the Way in Which the Terms of the Engagement were Determined: The Audit Committee, the Compensation Committee and the Board of Directors of the Company approved the Company's engagements in officers' liability insurance, as set forth in this section, *inter alia*, based on the following key considerations:

3.6.1 The provision of insurance coverage to the officers is in the Company's best interests, because it will allow the Company's officers to perform their position as required and for the Company's benefit, taking into consideration the risks entailed in the Company's activities and the personal liability imposed pursuant to law on the Company's officers and on the directors, in particular, due to their activities as officers of the Company.

3.6.2 Engagement in an officers' and directors' liability insurance policy is deemed standard practice at public companies in Israel, and it forms part of the current and standard terms of office for the Company's officers in the ordinary course of the Company's business. As aforesaid, the provision of insurance coverage and

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the inclusion of the Company's officers are in accordance with the Company's Compensation Policy.

- 3.6.3 The aforesaid terms and arrangements of the insurance, and, *inter alia*, the scope of the insurance coverage and the amount of the premium, have been determined in accordance with the Company's assessment, after consulting with its insurance consultants, taking into account the standard insurance terms on the market, as of the date of the Report, for the purchase of officers' liability insurance of the kind and scope in question, and taking into account the Company's needs and activities, and also taking into account the fact that the insurance market is characterized by fluctuations and it operates as a sophisticated market of supply and demand.
- 3.6.4 The purpose of purchasing the insurance jointly with ICL, the Company's subsidiary, is to allow the Company to take advantage of the size of the Group, in an efficient and appropriate manner, thereby reducing the costs of the insurance premium. The layer of the joint insurance between ICL and the Company is intended to guarantee that a claim which is filed against both companies jointly will be handled by the insurance companies in a coordinated and uniform manner. The percentage of the distribution of the premium between the Company and ICL with respect to the joint layer has been determined based on assessments by the Company and its insurance consultants and taking into account the percentage that was determined in the insurance arrangement previously in effect.
- 3.6.5 The premium for each insurance year shall be determined after negotiations with the insurance companies, and to the best of the Company's understanding, the premium reflects standard prices and market conditions.

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3.6.6 The terms and conditions of the insurance policies are reasonable, taking into consideration the Company's nature and the scope of its activities, and they are identical for all of the Company's officers (when the amount of the annual premium is not material to the Company).

3.6.7 In view of the foregoing, the members of the Audit Committee, Compensation Committee and the Board of Directors of the Company are of the opinion that the engagement stated in section 2 of this Report is fair and reasonable and promotes the Company's best interests.

3.7 For details regarding the majority required for the approval of the resolution, see section 8 below.

3.8 **Text of the Proposed Resolution:**

"To approve the Company's engagement in a liability insurance policy for the officers currently serving at the Company and as will serve at the Company from time to time (including the Company's CEO and/or officers where the controlling shareholder of the Company may be deemed to have a personal interest in including them in the insurance policy, as they shall be from time to time), by way of the purchase of new policies or by extensions or renewals of the existing policy or policies that will be purchased in the future, for a number of insurance periods that will not exceed three years, in the aggregate, commencing from the expiration of the current insurance period, upon such terms as set forth in this Report, as well as purchasing of "Run-Off" policy as stated in section 3.4.4."

4. **Assignment of the Remuneration of Employed Directors**

4.1 On May 8, 2012, the general meeting of the shareholders of the Company approved, *inter alia*, the assignment of the remuneration of directors of the Company who are employed as officers of companies which are related, directly or indirectly, to the controlling shareholders of the

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Company, and which are not the Company or companies controlled by the Company (hereinafter: the “**Employed Directors**”), to their employer or to corporations related to their employer, including corporations that are interested parties in the Company (hereinafter: the “**Employer Corporations**”)⁷.

4.2 In accordance with the Compensation Policy for the Company’s officers, which was approved on May 1, 2014, by the general meeting of the shareholders of the Company, the directors serving at the Company are entitled, *inter alia*, to annual remuneration and to remuneration for participation, in the maximum amount determined in the Companies Regulations (Rules Regarding Remuneration and Expenses for an Outside Director), 5760-2000 (hereinafter: the “**Remuneration Regulations**”), taking into account the Company’s rank and the director’s classification as an “expert director” who is entitled to an “expertise supplement” as set forth in Regulation 5A of the Remuneration Regulations (hereinafter: the “**Directors’ Compensation**”). For details regarding the terms of office to which the directors of the Company are entitled in accordance with the Compensation Policy for the Company’s officers, see the Company’s report dated February 2, 2015 (Reference No. 2015-01-023254).

4.3 The Company was requested by the Employed Directors to extend the period of the assignment of the Directors’ Compensation to which they are entitled, to their employer or to the Employer Corporations, as part of the employment arrangements between the aforesaid Employed Directors and their employer, arrangements to which the Company is not a party.

4.4 In order to be cautious and conservative, and due to the concern that the assignment of the Employed Directors’ Compensation, as aforesaid, could be deemed to be an engagement that requires approval pursuant to sections 270(4) and 275 of the Companies Law, the aforesaid assignment of the compensation is being submitted for the approval of the general

⁷ See the Company’s reports dated March 29, 2012 and May 8, 2012 (Reference Nos. 2012-01-084841 and 2012-01-339914, respectively).

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- meeting of the shareholders of the Company as convened pursuant to this Report.
- 4.5 The number of the Employed Directors in respect of whom the Directors' Compensation to which they are entitled, as aforesaid, shall be paid by virtue of the assignment of the said rights shall not exceed, at any time, five directors.
- 4.6 The Employed Directors who are serving on the Board of Directors of the company as of the present date are the Messrs. Ron Moskovitz and Aviad Kaufman. For additional details regarding the Employed Directors who are serving in office at the Company, including the date of their appointment as directors of the Company, see the details included in Article 26 of the Fourth Part (Additional Details on the Corporation) of the Company's Periodic Report for 2014.
- 4.7 It should be noted that the assignment of the Employed Directors' Remuneration, as aforesaid, is being done at the request of these directors, as part of the employment arrangements between the Employed Directors and their employer, arrangements to which the Company is not a party. The assignment of the remuneration is being done at the request of the Employed Directors (without derogating from the rest of the terms of office to which they are entitled as directors of the Company, which have not been assigned), and any of the Employed Directors may order the termination of the assignment of the remuneration, as aforesaid, in his sole discretion.
- 4.8 The Company shall specify, in reports that it publishes regarding the appointment of a director of the Company (including the convening of a general meeting whose agenda comprises the appointment of a director), whether the director being appointed is an "Employed Director" and whether the remuneration of the directors of the Company to which the Employed Director is entitled, as aforesaid, shall be paid to the Employer Corporations, in accordance with the resolution on the agenda of the

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Meeting as convened herein (and also, a reference to this Report shall be included), insofar as relevant.

4.9 **The Way in Which the Terms were Determined**

The aforesaid resolution does not constitute a modification of the terms of remuneration for any of the Employed Directors, but rather the assignment of the aforesaid remuneration to their employer or to the Employer Corporations. The Company's standard Directors' Remuneration was determined in accordance with the Remuneration Regulations, taking into consideration the Company's rank and the directors' entitlement to the "expertise supplement" as set forth in Regulation 5A of the Remuneration Regulations, and it has been approved by the Company's competent organs.

4.10 **Transactions of the Type of the Transaction or Similar Transactions**

As aforesaid, the assignment of the Directors' Remuneration by the Employed Directors to the Employer Corporations was approved by the general meeting of the shareholders of the Company on May 8, 2012.

4.11 **Overview of the Reasons of the Audit Committee and the Board of Directors for the Assignment of the Employed Directors' Remuneration**

The Audit Committee and the Board of Directors of the Company approved, at their meetings held on May 25, 2015 and May 27, 2015 (respectively), subject to the approval of the general meeting, the assignment of the Directors' Remuneration to which the Employed Directors are entitled, as set forth in the resolution in section 4 of this Report, *inter alia*, based on the following key considerations:

4.11.1 The Company's standard Directors' Remuneration was determined in accordance with the Remuneration Regulations, taking into consideration the Company's rank and the directors' entitlement to the "expertise supplement" as set forth in Regulation 5A of the Remuneration Regulations, and it was

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approved by the general meeting of the shareholders of the Company as stated in section 4.2 above.

4.11.2 The assignment of the Directors' Remuneration does not constitute a modification of the Employed Directors' entitlement to the Company's standard Directors' Remuneration, which has been duly approved by the Company's competent organs, as stated above, but rather, the assignment of this right to their employer (or corporations related to their employer). Therefore, the assignment of the remuneration, as aforesaid, shall not impose any additional cost that deviates from the payment of the Company's standard Directors' Remuneration to which the directors are entitled in any event, in accordance with the resolutions of the competent organs.

4.11.3 The assignment of the Company's standard Directors' Remuneration to which the Employed Directors are entitled is being done at the request of the Employed Directors, as part of the employment arrangements between the Employed Directors and their employer, arrangements to which the Company is not a party. The assignment of the remuneration is being done at the request of the Employed Directors, and any of the Employed Directors may order the termination of the assignment of the remuneration, as aforesaid, in his sole discretion.

4.11.4 The assignment of the remuneration to which the Employed Directors are entitled is being done as per standard practice in an employer-employee relationship, when the employee is not entitled to any consideration in addition to the terms of his compensation pursuant to his employment arrangements.

4.11.5 The members of the Audit Committee and the Board of Directors of the Company are of the opinion that the limitation of the number of the Employed Directors in respect of whom the remuneration to which they are entitled by virtue of the

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resolutions of the Company's competent organs shall be paid to their employer (or to companies related to their employer), is reasonable and appropriate.

In view of the foregoing, the members of the Audit Committee and the Board of Directors of the Company are of the opinion that the assignment of the remuneration to which the Employed Directors are entitled as set forth in the resolution in section 4 of this Report is fair and reasonable and does not deviate from standard practice, and it does not harm the Company's best interests.

4.12 **Text of the Proposed Resolution**

"To approve the assignment of the Directors' Remuneration to which the Employed Directors (as defined in section 4.1 of the Report) are entitled, who shall be serving in office from time to time, to the Employer Corporations. The number of the Employed Directors in respect of whom the Directors' Remuneration to which they are entitled may be assigned as aforesaid shall not exceed, at any time, five directors."

5. **The Approvals Required for Approval of the Resolutions on the Agenda, the Identity of the Directors Who Participated in the Approval of the Resolutions and a Personal Interest**

5.1 At the meeting of the Audit Committee held on May 25, 2015, the Compensation Policy, the Company's engagement in the officers' liability insurance policy and the assignment of the Employed Directors' Remuneration were unanimously approved. The meeting was attended by all of the members of the Committee, the Messrs. Oded Degany, Professor Gideon Langholz, Michael Bricker and Amnon Lion, who was present, taking into consideration that stated in section 6.4 below, at the stage of the presentation of the situation, only, ahead of the approval of the assignment of the Employed Directors' Remuneration.

5.2 At the meeting of the Compensation Committee, held on May 25, 2015, the updating of the CEO's employment agreement and the approval of the

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Company's engagements in an officers' liability insurance were unanimously approved, and the Compensation Policy was also approved, as well as being recommended to the Board of Directors. The meeting was attended by all of the members of the Committee, the Messrs. Oded Degany, Professor Gideon Langholz and Michael Bricker.

5.3 The meeting of the Board of Directors of the Company held on May 27, 2015, at which the items on the meeting's agenda were unanimously approved, including the Compensation Policy, after the Compensation Committee's recommendation had been considered, was attended by the following directors, the update to the Company's CEO employment agreement, approval of the company's engagements in officers' liability insurance and assignment of compensation of employed directors : the Messrs. Ron Moskowitz, Amnon Lion, Professor Gideon Langholz, Oded Degany, Zahavit Cohen, Aviad Kaufman, Dan Suesskind and Michael Bricker, but the Messrs. Ron Moskowitz, Amnon Lion and Aviad Kaufman, who may be deemed to have a personal interest in the approval of the assignment of the Directors' Remuneration, as set forth in section 5.6 below, did not participate in the discussion and resolution on this matter.

5.4 The resolutions on the agenda of the Meeting require the approval of the general meeting. Taking into consideration the fact that the insurance coverage as set forth in section 3 above includes a joint layer with ICL, it should be noted that ICL's engagement in the officers' liability insurance was approved by ICL's general meeting on May 8, 2014.

5.5 Personal Interest in the Approval of the Compensation Policy

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

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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 precluded 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.

5.6 Personal Interest in the Prior Approval of the Company's Engagement in the Officers' Liability Insurance

All of the incumbent directors may be deemed to have a personal interest by virtue of their being beneficiaries of insurance policies that will be purchased by the Company. Accordingly, and taking into account the provisions of section 278(b) of the Companies Law, none of the directors will be precluded from participating in the discussions of the Board of Directors in this matter.

5.7 Personal Interest in the Approval of the Assignment of the Directors' Remuneration

The Employed Directors serving in office at the Company (i.e., the Messrs. Ron Moskovitz and Aviad Kaufman) may be deemed to have a personal interest in the assignment of the Employed Directors' Remuneration as stated in section 4 above. In addition, Amnon Lion, who serves as a director of Millennium Investments Elad Ltd., may be deemed to have a personal interest in the assignment of the Employed Directors' Remuneration, *inter alia*, take into consideration that stated in section 6.4 of this Report.

6. **Details Regarding the Controlling Shareholders of the Company and Their Personal Interest**

6.1 Millennium Investments Elad Ltd. (hereinafter: “**Millennium**”) and Mr. Idan Ofer are deemed to be the joint controlling shareholders of the

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Company for the purpose of the Securities Law⁸. Millennium holds approximately 46.94% of the Company's share capital (47.38% of the voting rights). To the best of the Company's knowledge, Millennium is held by Mashat Investments Ltd. (hereinafter: "**Mashat**") and by XT Investments Ltd. (hereinafter: "**XT Investments**"), according to holding percentages of 80% and 20%, respectively. Mashat is a private company, which is wholly held by a Dutch company by the name of Ansonia (Holdings) B.V. (hereinafter: "**Ansonia**"). Ansonia is wholly held by Jelany Corporation N.V. (which is registered in Curaçao), which is wholly held by a Liberian company by the name of Court Investments Ltd. (hereinafter: "**Court**"). Court is wholly held by a foreign discretionary trust, of which Mr. Idan Ofer is the beneficiary.

6.2 XT Investments is a private company which is wholly held by XT Holdings 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 by Lynav Holdings Ltd., which is controlled by a foreign discretionary trust, of which Mr. Idan Ofer is the main beneficiary. Mr. Ehud Angel has, *inter alia*, 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. In addition, XT Investments directly holds 1.24% of the Company's share capital (1.25% of the voting rights).

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

6.4 Millennium and XT Investments may be deemed to have a personal interest in Resolution No. 4 of this Report, due to the fact that they or

⁸ Both Millennium and Mr. Ofer hold shares in Israel Corporation directly, and Idan Ofer serves as a director of Millennium and has an indirect interest in it as a beneficiary of a trust that has indirect control of Millennium.

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companies related to them, either directly or indirectly, may, pursuant to the assignment of the Employed Directors' Remuneration, receive the amounts of the Employed Directors' Remuneration in accordance with the said resolution, and also they may be deemed (for the sake of caution) to have a personal interest in their being included in the insurance policies, as stated above. The interest of Mr. Idan Ofer and Kirby Enterprises Inc., as described above, also derives from this.

7. **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 Tuesday, July 14, 2015, at 11:00 a.m., at the Company's offices at 23 Aranha St., Floor 23, Tel Aviv, whose agenda comprises the passing of a resolution in the matters set forth above.

8. **The Majority Required to Pass the Resolutions at the Meeting**

8.1 The majority required to pass the resolutions detailed in section 1, 2, 3 and 4 to this report 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 resolutions on the agenda of the Meeting, 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.

8.2 Notwithstanding the foregoing in section 8.1 above, with respect to the resolution set forth in section 1 of the Report, the Board of Directors of the Company may set the Compensation Policy even if the general

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meeting has opposed 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.

8.3 Notwithstanding the foregoing in section 8.1 above, with respect to the resolution set forth in section 2 of the Report, the Compensation Committee, and subsequently, the Board of Directors of the Company may, in special cases, approve a transaction as stated in section 2 of the Report even if the general meeting has opposed the approval of the transaction, provided that the Compensation Committee, and subsequently, the Board of Directors, decided to do so, based on detailed reasons, after discussing the transaction once again and examining, during such a discussion, *inter alia*, the general meeting's opposition.

9. **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 Sunday, June 7, 2015, and if no trading is conducted on the record date, then on the first trading day prior thereto.

10. **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, regarding his ownership of the share, on the record date, in accordance with Form 1 in the Schedule to the said Regulations.

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11. **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.

12. **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.

13. **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 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

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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 mail, 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: 178,179 ordinary shares having a par value of NIS 1.00 each of the Company.

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

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

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.

15. **Inspection of Documents**

The Company's shareholders may inspect the transaction report, 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,

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: May 27, 2015

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 holding company.
- 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 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.
- 1.4 If the Company shall execute an act in the framework of which the Company's control (within its definition in the Securities Law) in Israel Chemicals Ltd. or Oil Refineries Ltd., the compensation committee and the board of directors of the company will review and the Company will adopt an updated compensation plan to all of the officers of the Company, which shall be brought to the approval of the shareholders meeting and the required approvals by law.

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 headquarter companies, which are wholly controlled by the Company;

"**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.

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.

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**

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 the benefit of the shareholders of the Company 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

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.

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 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;

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.

- 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 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 linked to the Consumer Price Index, and the index known on the date of determination of the Salary shall serve as the base index.
- 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 CEO of the Company: a monthly salary of up to NIS 135,000;
- 4.4.2 VP: a monthly salary of up to NIS 90,000;

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 necessarily 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 The aforementioned amounts were set, *inter alia*, considering the fact that the officers are also entitled to "13th salary" as part of the terms of office and employment.

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

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

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.

6.1.2 The Compensation Committee and the Board of Directors of the Company believe that the retirement terms should be determined for the CEO of the Company in accordance with his seniority, his position and 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 notice⁹:

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 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 CEO of the Company: an advance notice period of six months.

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.

⁹ The Company may enter into consulting agreements with officers after they retire, if needed.

- 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.

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 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 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 rest of his terms of office and employment, provided that the adjustment period shall not exceed six months.

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 period¹⁰.

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 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 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 CEO, the CEO's terms of office and employment during this period, the Company's performance during the said period, the 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.
- 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

¹⁰ See footnote 8, *supra*.

purpose, the CEO's recommendation), may approve the 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 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 above¹¹.

In case an Officer 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 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

¹¹ 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 "13th salary" applies – see footnote 5, *supra*).

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, *inter alia*, to the Company's nature and challenges.

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 In respect of each relevant year, a maximum bonus amount was determined according to the said Officer's position and seniority as set forth below:

To the Company's CEO - maximum bonus of 9 monthly salaries gross.

To VP of the Company - maximum bonus of 6 monthly salaries gross.

It is noted that the said maximum bonus amounts reflect a significant decrease of the maximum annual bonuses in comparison to those which are determined by the previous compensation policy of the Company (for example, the maximum bonus to the Company's CEO according to the previous policy was NIS 5 million and to a senior VP was NIS 3.2 million, whereas according to the proposed policy the maximum bonus amount is 9 monthly salaries gross, which are equal to an amount of NIS 1.22 million, linked to the index as stated above).

- 7.2.2 In respect of each Officer, the bonus shall be calculated according to a weighted grade of several parameters, which are detailed below, including 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, as determined in respect of each Officer in accordance with his position and his areas of responsibility, and the

weight if these parameters out of the maximum bonus amount will be as follows:

Net Profit - 40%;

Discount Percentage - 20%;

Level of Net Debt - 20%;

Strategic/Personal targets - 20%.

7.2.3 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\$ 100 million pursuant to the Company's Annual Financial Statements for the said year (hereinafter: the "**Minimum Profit**").

7.2.4 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 - Bonus Amounts due to Net Profit**

7.3.1 Table A below defines the part of bonus to which each Officer of the Company shall be entitled for the Bonus Year, which will be determined 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 "**Profit Bonus**"). The maximum amount of the Profit Bonus to which an officer will be entitled to shall constitute up to 40% of the maximum bonus amount to which the officer is entitled to in respect of that bonus year (as mentioned in section 7.2.1 above).

Annual Net Profit		Profit Bonus to CEO (in number of monthly salaries)		Profit Bonus to Senior VP (in number of monthly salaries)	
Between	And	Between	And	Between	And
0	100	0	0	0	0
100	200	0.9	1.8	0.6	1.2
200	300	1.8	2.7	1.2	1.8
300	400	2.7	3.6	1.8	2.4
400+		3.6		2.4	

7.3.2 The Amount of the Profit Bonus 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 calculated in a linear manner, in accordance with the amount of the Net Profit in the said Bonus Year. Table A has been determined, *inter alia*, taking into consideration the Company's work plan and its policy.

7.3.3 In addition, at the time of formulating Table A and the relative weight of the Profit Bonus, 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 holdings 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, together with additional criteria on which the annual bonus is based, and which shall be determined whilst 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 (subject of the Company's immediate report dated January 7, 2015) 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 July 16, 2014, such profits, if created, shall not be deemed as profits which entitles a Profit Bonus.

7.4 **Table B - Additional Officers' Targets**

7.4.1 In addition to Table A for the Profit Bonus, which as stated constitute 40% of the Maximum bonus, Table B below defines the manner of measuring the personal grade of each Officer, which shall be calculated in accordance with compliance with the parameters (measurable, excluding an immaterial percent), including parameters, as determined in the Company's work plan for the Bonus Year¹², which is approved by the Board of Directors of the Company, and in accordance with the relative weights of each one of these parameters. 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 The additional parameters are Level of Net Debt (20%), "Discount" percentage as reflected by the Company's market value (20%) and Strategic/ Personal Targets (20%). Each parameter will be graded in accordance with compliance with the determined minimum target for the said parameter, provided that the minimal threshold determined for complying with each parameter was reached.

7.4.3 Below is Table B in it the additional parameters and their relative weight out of the maximum bonus amount are detailed:

Strategic/ personal targets	Level of net debt	Discount percentage
20%	20%	20%

7.4.4 **Definitions and Thresholds in Respect of Table B:**

- a. **Discount Percentage** - Discount percentage target, the gap between the Company's market value and the Company's assets value with deduction of the Net Debt, as shall be determined by the Company's board of directors for each bonus year. The minimal threshold for entitlement to a bonus for the Discount Percentage shall not be less than 70% of the Discount percentage

¹² 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.

target, when the bonus amount for this target shall be determined in a linear manner according to the percent of complying with the target. Full compliance with this target will grant the officer entitlement to 20% of the maximum bonus amount as applicable to that officer.

- b. **Level of Net Debt** – the total net debt target in relation to the end of the said Bonus Year, in the Company's annual work plan, whilst adjustment of the target to resolutions regarding investments or distributions, all as determined by the board of directors. The minimal threshold for entitlement to a bonus for the Level of Net Debt shall not be less than 70% of the Level of Net Debt target, when the bonus amount for this target shall be determined in a linear manner according to the percent of complying with the target. Full compliance with this target will grant the officer entitlement to 20% of the maximum bonus amount as applicable to that officer.

"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.

- c. **Strategic/ Personal Targets** - targets, as shall be determined each year by the Board of Directors, taking into consideration the Company's strategic plan/ its work plan and its risk management policy, the Officer's position and his areas of responsibility (such as the completion of milestones in projects) as well as personal assessment. Complying with this target will grant the officer entitlement to 20% of the maximum bonus amount as applicable to that officer.

7.4.5 The result obtained from the adding of the Profit Bonus amount (in accordance with Table A) to the bonus amount obtained from the implementation of parameters in Table B shall constitute the **Computerized Bonus**, to which the Officer shall be entitled, subject to that stated below.

7.4.6 Insofar that an annual bonus will be granted to an officer for a bonus year, the Company will report following the approval of such grant the percent of the officer compliance with the “Level of Net Debt” and “Discount Percentage” targets.

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

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**

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 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 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 or merger) 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. It is clarified that the grant of the aforesaid special bonus shall be brought to the approval of the shareholders' meeting, as stated above.

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 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 Compensation Regulations , 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 time¹³.

¹³ 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.

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 organs¹⁴, 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**

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 meetings¹⁵, 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

¹⁴ 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, July 4, 2012, August 29, 2013 and August 26, 2014).

¹⁵ As stated in footnote 13, *supra*.

in office at the Company, and the salary of the Company's other employees¹⁶, including the ratio to the average salary and to the median salary of such employees¹⁷, 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 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*¹⁸, 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.

¹⁶ As of the present time, no contractor's employees are employed at the Company.

¹⁷ 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.

¹⁸ As of December 31, 2014, the ratio between the cost of employment for the CEO and the average and median cost of employment for the Company's other employees equates to approximately 7.9 and approximately 15 (respectively) and the rest of the officers, within a range of approximately 1.55 – 4.48 and approximately 3.52 – 9.3 (respectively). The ratio between the cost of employment for the CEO and the average and median cost of employment for the Company's other employees, excluding options which were granted and are “out of the money” and excluding annual bonus for 2014 which was not granted to the CEO equates to approximately 5.44 and approximately 7.55 (respectively) and the rest of the officers, within a range of approximately 1.63 – 3.06 and approximately 2.53 – 4.55 (respectively).

- 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.
- 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 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.

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

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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

An special meeting, which shall be held at the Company's offices, at 23 Aranha St. (Millennium Tower), Tel Aviv, on July 14, 2015, at 11:00 a.m. (hereinafter: the "**Meeting**"), and any adjourned meeting.

3. Details of the Items on the Agenda

- 3.1. **Approval of an Updated Compensation Policy** - approval of an updated compensation policy for the Company's officers as stated in this Report, as per the text attached herewith as **Appendix A** to this Report, and the terms and conditions thereof. The current compensation policy, which was approved on May 1, 2014, stated that upon the completion of the Distribution Act that was the subject of the Company's report dated December 23, 2014 (Reference.: 2014-01-229086), the Compensation Committee and the Board of Directors of the Company would examine the Company's compensation policy, and the Company would adopt an updated compensation policy for all of the Company's officers, that would be brought to the general meeting of the shareholders of the Company, and for the approvals required pursuant to law.

Text of the Proposed Resolution: To approve the Compensation Policy for the Company's officers as stated in this Report, as per the text attached herewith as **Appendix A** to this Report, and the terms and conditions thereof.

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3.2. **Update of the Bonus Clause in the Company's CEO Employment**

Agreement - It is proposed to approve the updating of the bonus clause in the employment agreement of the Company's CEO so that it will be determined that the Company's CEO shall be entitled to an annual bonus in accordance with the Company's Compensation Policy, as shall be in effect from time to time.

Text of the Proposed Resolution: "To update the employment agreement of the Company's CEO so that it will be determined that the Company's CEO shall be entitled to an annual bonus in accordance with the Company's Compensation Policy, as shall be in effect from time to time."

3.3. **Approval of the Company's Engagements in Officers' Liability**

Insurance - To approve the engagement of the Company in purchasing insurance policy for the Company's officers' liability, who currently serve in the Company and as will serve from time to time (including the Company CEO and/or officers which the controlling shareholder of the Company might be considered as having personal interest in their inclusion in the insurance policy, as will be from time to time). Similarly to the shareholders' meeting approval dated August 9, 2012, the resolution mention in this section shall constitute a "Framework Transaction" (as construed in regulation 1(3) of the Companies Regulations (Easements in Transactions with an Interested Party), 5760 – 2000), according to which the Company will engage in Officers' liability insurance policy for a period of three years commencing on the end of the current insurance year, which shall include a first joint layer with Israel Chemicals Ltd., a Company's subsidiary, and a second separate layer for of the Company's Group, by way of purchasing new policies or extensions or renewals of the current policy or policies which will be purchased, from any insurance company in Israel and/or abroad, which will be selected by the board of directors of the Company, provided that the compensation committee and the board of directors of the Company will approve that the conditions of purchasing of the policies comply with the terms of the Framework Transaction, while the compensation committee and the board of

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directors of the Company shall be authorized to amend, from time to time, the level of coverage, the premium sums and the portion division of the premium between the Company and ICL regarding the joint layer, and all subject to the terms of the Framework Transaction detailed in this Report. Insofar that the Company's insurance policy shall not be renewed, the Company shall be authorized to purchase the continuance of the application of the policy for a total premium amount which will not exceed USD 1 million ("Run-Off").

Text of the Proposed Resolution: "To approve the Company's engagement in a liability insurance policy for the officers currently serving at the Company and as will serve at the Company from time to time (including the Company's CEO and/or officers where the controlling shareholder of the Company may be deemed to have a personal interest in including them in the insurance policy, as they shall be from time to time), by way of the purchase of new policies or by extensions or renewals of the existing policy or policies that will be purchased in the future, for a number of insurance periods that will not exceed three years, in the aggregate, commencing from the expiration of the current insurance period, upon such terms as set forth in this Report, as well as purchasing of "Run-Off" policy as stated in section 3.4.4."

3.4. Assignment of Compensation of Employed Directors

On May 8, 2012 the shareholders of the Company meeting has approved the assignment of the compensation of directors at the Company, who are employed as officers in companies which are affiliated, directly or indirectly, to the controlling shareholders of the Company, which are not the Company or companies controlled by the Company (the "Employed Directors") to their employer, including corporations which are interested parties in the Company (the "Employing Corporations")¹

¹ See the Company reports dated March 29, 2012 and May 8, 2012 (reference No: 2012-01-084841 and 2012-01-339914, respectively).

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Regarding Remuneration and Expenses for an Outside Director), 5760-2000 (hereinafter: the "Remuneration Regulations"), taking into consideration the rank of the Company and the classification of a director as an "expert director", who is entitled to an "expertise supplement" as set forth in Regulation 5A of the Remuneration Regulations (the "Directors' Compensation"). The Company was requested by the Employed Directors to extend the assignment of the Directors' Compensation, to which they are entitled, to their employer or Employing Corporations, as part of the employment arrangements between the said Employed Directors and their Employers, arrangements to which the Company is not a party. For carefulness reasons, and in light of the concern that said assignment of Employed Directors' Compensation might be considered as a transaction requiring approval in accordance with the provisions set forth in Sections 270(4) and 275 of the Companies Law, the assignment of compensation is brought to the approval of the general meeting of the Company's shareholders. The number of Employed Directors, which the Directors' Compensation to which they are entitled, as stated, shall not exceed five directors at all times. It is noted that the said assignment of the Employed Directors' Compensation is done at the request of these directors (without derogating from any of the other service terms to which they are entitled as directors of the Company, which are not being assigned), as part of the employment arrangements between the Employed Directors and their employer, and any of the Employed Directors may request to discontinue the said assignment of compensation at his sole discretion.

Text of the Proposed Resolution: "To approve the assignment of the Directors' Remuneration to which the Employed Directors (as defined in section 4.1 of the Report) are entitled, who shall be serving in office from time to time, to the Employer Corporations. The number of the Company compensation policy the serving directors are entitled, *inter* Employed Directors in respect of whom the Directors' Remuneration *alia*, to annual remuneration and to remuneration for participation, in to which they are entitled may be assigned as aforesaid shall not exceed, at any time, five directors."

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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 resolutions detailed in section 1, 2, 3 and 4 to this report 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 resolutions on the agenda of the Meeting, 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 section 5.1 above, with respect to the resolution set forth in section 1 of the Report, the Board of Directors of the Company may set the Compensation Policy even if the general meeting has opposed 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.

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5.3 Notwithstanding the foregoing in section 5.1 above, with respect to the resolution set forth in section 2 of the Report, the Compensation Committee, and subsequently, the Board of Directors of the Company may, in special cases, approve a transaction as stated in section 2 of the Report even if the general meeting has opposed the approval of the transaction, provided that the Compensation Committee, and subsequently, the Board of Directors, decided to do so, based on detailed reasons, after discussing the transaction once again and examining, during such a discussion, *inter alia*, the general meeting's opposition.

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

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

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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 Sunday, June 7, 2015 (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.

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 twelve days before the date of the Meeting.

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**

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- 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 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, at the Company's registered office, from Sundays to Thursdays, during normal working hours, and by prior arrangement with the Company.
 - 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.

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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: 178,179 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.

15. A shareholder shall state his vote regarding any matter on the agenda which can be voted by this voting form on the second part of this voting form.
16. After the date of issuance of this voting form there may changes in the agenda which is the subject of this voting form (including adding a subject to the agenda), and position notices regarding the subjects of this voting form. The updated agenda and position notices which shall be published as aforesaid may be reviewed in the Company's report on the distribution website.
17. In case the board of Directors shall resolve to add a subject to the agenda of the meeting which is the subject of this report following a shareholders request, in accordance with regulation 5A to the Companies regulations (notice and announcement of a general meeting in a public company and adding a subject to an agenda), 2000, the Company shall issue a new voting form at the date of the issuance of the updated meeting convening report.

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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:** July 14, 2015, at 11:00 a.m., and any adjourned meeting.
4. **Type of the Meeting:** A special general meeting.
5. **Record Date:** Sunday, June 7, 2015.
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): _____.
- 1.7 Country of incorporation (if the shareholder is a corporation): _____.

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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
Approval of an updated compensation policy for the Company’s officers in accordance with the text of the resolution detailed in section 1 of the Report											
Approval of the update of the bonus clause in the employment agreement of the Company’s CEO in accordance with the text of the resolution detailed in section 2 of the Report.											
Approval of the Company’s engagement in an officers’ liability insurance policy in accordance with the text of the resolution detailed in section 3 of the Report.											
The assignment of the remuneration of directors who are employed by corporations related to the controlling shareholder policy in accordance with the text of the resolution detailed in section 4 of the Report.											

*** 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.