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**ISRAEL CORPORATION LTD**

Number at the Registrar: 520028010

To: Israel Securities Authority

To: Tel Aviv Stock Exchange Ltd.

T460 (Public)

www.isa.gov.il

www.tase.co.il

Transmitted via MAGNA: 24/05/2018

Reference: 2018-01-042681

**Immediate report on a meeting**

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

Explanation: If one of the items on the agenda of the meeting is approval of an agreement with a controlling shareholder or approval of an exceptional offer, first fill out Form T133 or T138 respectively, and afterwards, filling this form is required as well.

Is there a possibility of voting via the electronic voting system? Yes

Note: This field is only for corporations not registered in Israel.

The corporation announces: *the convening of a meeting*

Note: In the event of a change in the date of the meeting (postponement or advancement), a "meeting postponement" or "postponement by court" or "postponement to an unknown date" should be chosen.

The reference number of the last notice of the meeting is \_\_\_\_\_, summoned for the date \_\_\_\_\_

Reason for postponement or cancellation: \_\_\_\_\_

Explanation: Address the reference number of the last notice of convening or postponing the meeting

1. Share security class

Name of entitling security: Israel Corporation 1 NIS

The number of the security on the stock exchange that entitles the holder thereof to participate in the meeting 576017

The effective date for entitlement to participate and vote at the meeting: 31/05/2018

Explanation: If a meeting is required for more than one paper, T460 for each additional paper must be reported separately. Reports indicating additional paper numbers will require the sending of a corrective report

2. On the date: 24/05/2018

It was decided to convene a special meeting \_\_\_\_\_,

Which will convene on Tuesday, 03/07/2018 at 10:00

Address: 23 Arania Street, Millennium Tower, 24th floor, Tel Aviv

3. On the agenda:

Explanation: The numbering of the items on the agenda will be according to the order of their appearance in the report of convening of the meeting, if attached as a file.

Issues / Decisions to be Raised at the Meeting:

**1**

Subject / resolution and details:

To approve the updated Compensation policy for officers of the Company in the wording attached as Appendix A to the report of convening of the meeting and its terms from the date of its approval, where the annual bonus formula for 2018 will be in accordance with the existing

Compensation policy, all as stated in the report summoning the meeting.

Approval of Compensation policy pursuant to section 267A (a) of the Companies Law

Attention: A value from this table determines the wording of the shareholder's statement in the online voting system. For the conversion table, [click here](#)

A reference to the last report on the approval of a private placement (T138): \_\_\_\_\_

Not a transaction between the Company and its controlling shareholder as set out in sections 275 and 320 (f) of the Companies Law.

A reference to the last report on the subject (T133): \_\_\_\_\_

An explanation of the section in the Companies Law or in the Securities Law or in another law for approval of the decision

\_\_\_\_\_

Explanation: In a transaction with a controlling shareholder that does not correspond to any field in the table of legal clauses, select the field "Declaration: There is no suitable field for classification" and choose "Yes" for a transaction with a controlling shareholder.

Only in the case of a debenture meeting or if there is no transaction with the controlling shareholder, and no appropriate field is found in the table, the relevant sections of the law requiring the resolution must be explained and detailed.

Does the subject require disclosure of an affiliation or other characteristic of the voting shareholder: \_\_\_\_\_

Attention: These values can be selected only in the event that a "Declaration: There is no appropriate field for classification" has been marked in the previous table and this is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

#### **In the case of a debenture meeting**

It was decided that another matter existed: \_\_\_\_\_

Details of the other matter

\_\_\_\_\_

Attention: detailing the other matter determines the wording of a declaration that will be included in the online voting system. A question should be formulated the answer to which is "yes" / "no". The question will appear in the voting system next to the resolution on the agenda and the voter will have a choice between "Yes" / "No", and the option to add details if the answer is "Yes".

It was decided to demand additional details from the holders: \_\_\_\_\_

Details of the additional particulars required from the holders or the manner of convening the meetings (in the event of a meeting according to 350):

\_\_\_\_\_

Attention: This field determines the wording of the requirement for further details to be included in the online voting system. The voter will have the option to add the information in the text field.

- Amendment of disclosure
- A negligible change or a change that will only entitle the Company compared to the resolution wording detailed in the last report
- Off the agenda
- The subject was discussed at a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting in a Public Company and the Addition of a Subject to the Agenda), 5760-2000
- The issue was added to the agenda after the effective date due to a technical error, as detailed below:

\_\_\_\_\_

Explanation: After the effective date, it is not possible to make an amendment to the resolution other than a change to the terms of the transaction that benefits the Company or a negligible change. Additionally, it is not possible to add new subjects to the agenda after the effective date, except in a court order or in accordance with Regulation 5B of the Notice and Announcement Regulations

The resolution on the agenda is brought for *voting*

The majority required for approval is *not a regular majority, as detailed in the attached report*

Will the rate of holdings of the controlling shareholder in the shares of the corporation grant the controlling shareholder the majority required to receive a draft resolution on the subject:*No*

#### 4. Attached

Yes Voting paper wording

No Position notice:

1

On the date \_\_\_\_\_

The Company received a position notice as defined in Section 88 of the Companies Law, 5759-1999, by

\_\_\_\_\_

In connection with a matter that is being discussed by the General Meeting that was convened.

See page \_\_\_\_\_ for position notice files.

[כתבהצבעהISA.PDF](#)

No Declaration of the candidate to serve as a director of the corporation

No Declaration of an independent director

No Declaration of an external director

\_\_\_\_\_ Declaration of appointment of representative to the agency

\_\_\_\_\_ Amended trust deed

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\_\_\_\_\_ Application for approval of a creditors arrangement under section 350

\_\_\_\_\_ Other \_\_\_\_\_

Explanation: If a voting paper and / or position notice is attached, it must be ascertained that they are prepared in accordance with the Companies Regulations (Voting in Writing and Position Notices), 5765-2005

Link to the voting system website in which you can vote: [The voting system](#)

Explanation: Those entitled to vote in the system will receive the details of system access from the stock exchange members.

5. The quorum for holding the meeting:

*See attached report*

6.

In the absence of a quorum, the adjourned meeting will take place on 10/07/2018 at 10:00

Address: 23 Arania Street, Millennium Tower, 24th floor, Tel Aviv

In the absence of a quorum, the meeting will not take place.

7. The place and times when any draft resolution the wording of which was not fully presented in the above agenda can be reviewed

*At the company's offices at 23 Arania Street, Millennium Tower, Tel Aviv, Sunday through Thursday, 09:00-16:00 by appointment at 03-6844500.*

Meeting ID: \_\_\_\_\_

Note: The meeting ID is the reference of the initial report. The field remains empty in the initial report on the meeting.

*Name of authorized signatory on the report and name of authorized electronic signatory: Maya Alshich Kaplan*

*Position: VP, Legal Counsel and Company Secretary*

*Date of signing: 24/05/2018*

Reference numbers of previous documents on the subject (the reference does not constitute inclusion by way of reference):

Date of updating the structure of the form: 01/05/2018

The corporation's securities are listed for trade at the Tel-Aviv Stock Exchange.

Abbreviated name: Israel Corporation

Address: POB 20456, Tel Aviv 61204 Tel: 03-6844517, 03-6844500 Fax: 03-6844587

Email: MAYAAK@ISRAELCORP.COM

Previous names of the reporting entity: Israel Corporation Ltd.

Name of electronic reporter: **Alshich Kaplan Maya** Position: **VP, Legal Counsel and Company Secretary** Name of employing company:

Address: **23 Arania, Tel-Aviv 61204** Telephone: **03-6844517** Fax: **03-6844587** E-mail: [mayaak@israelcorp.com](mailto:mayaak@israelcorp.com)

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**Israel Corporation Ltd.**

Millennium Tower, 23 Arania Street, POB 20456, Tel Aviv 61204

Tel.: (03) 6844517 Fax: (03) 6844587

**Adv. Maya Alshich Kaplan**

**VP**

**Legal counsel and Company Secretary**

May 24, 2018

To:  
Israel Securities Authority  
Via the MAGNA system

To:  
Tel Aviv Stock Exchange Ltd.  
Via the MAGNA system

Dear Sir/Madame,

Re: **Convening a special General Meeting of the shareholders of the Israel Corporation Ltd.**

In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and the provisions of the Companies Law, 5759-1999 ("the **Companies Law**") and the regulations thereunder, Israel Corporation Ltd. ("the **Company**") is pleased to announce that a special General Meeting of the shareholders of the Company will convene on July 3, 2018, at 10:00, at the Company's offices at 23 Arania Street, the Millennium Tower, Tel Aviv ("the **Meeting**"), the agenda of which is detailed below in this report.

**The subject on the agenda of the meeting:**

Approval of an updated Compensation policy for officers of the Company.

**1. Details regarding the subject on the agenda of the meeting and a summary of the decision**

**Approval of an updated Compensation policy for officers of the Company.**

1.1. **Background**

- 1.1.1. On July 7, 2015, the General Meeting of shareholders of the Company, in accordance with the provisions of the Companies Law, approved a Compensation policy for officers of the Company (hereinafter - the "**Existing Compensation Policy**")<sup>1</sup>.
- 1.1.2. In accordance with the provisions of the law, the Compensation policy requires approval once every three years from the date of its approval. In view of this, the Company acted to adopt an updated remuneration policy, which will include adjustments and updates, taking into consideration, inter alia, the accumulated experience from the implementation of the existing remuneration policy and the changes in the provisions of the law from the date of adoption of the existing remuneration policy.
- 1.1.3. On May 22 and 24, 2018, the Compensation Committee held a discussion of the updated Compensation policy, which, in its summation, recommended that the Company's Board of Directors, having considered the considerations required by the Companies Law, approve the updated Compensation policy.

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<sup>1</sup>See Company reports dated May 28, 2015 and July 14, 2015 (References: 2015-01-031422 and 2015-01-072771, respectively).

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- 1.1.4. Further to the recommendation of the Compensations Committee, the Company's Board of Directors discussed the updated Compensation policy, and on May 24, 2018 approved the updated Compensation policy that is the subject of this report and its presentation to the General Meeting of the Company, which is hereby convened<sup>2</sup>.
- 1.1.5. The updated Compensation policy is attached as **Appendix A** to the Report and constitutes an integral part hereof (hereinafter: "the **Compensation Policy**" or the "**Updated Compensation Policy**").
- 1.1.6. In the framework of the formulation and approval of the updated Compensation policy, considerations were taken into account, including, but not limited to, those prescribed in the Companies Law (which include, inter alia, the position of the officers, the existing Compensation conditions in the Company, comparative data for the Compensation of the officers, the Company's work plan and objectives, the responsibilities of the officers and their contribution to the Company and its shareholders with a long-term view. For further details regarding the rationale of the Compensation Committee and the Board of Directors for approving the updated Compensation policy, see section 1.4 of this report.

1.2. The main changes that have occurred in the updated Compensation policy in contrast to the existing Compensation policy

For details of the changes made in the updated Compensation policy in relation to the existing Compensation policy, see the convenience marked text attached as **Appendix B** to the report. The following are the main changes in the updated Compensation policy regarding the existing Compensation policy:

- 1.2.1. As part of the updated Compensation policy, adjustments were made as a result of the fact that as at the approval date of the policy, the Company does not have a capital Compensation policy plan for the officers. As a result of the above, the provisions relating regarding the fixed / variable Compensation ratio were updated among other things.

For further details see Section 3 of the Compensation Policy.

- 1.2.2. According to a conversation with Entropy, the Compensation policy was updated so that in respect of new officers only (who are not serving at the Company on the date of approval of the updated Compensation policy), the possibility of approving entitlement to additional severance / retirement benefits (At a rate of up to one more last salary) shall be subject to an employment period at the Company of not less than three years (the "Qualification Period"), and in respect of each year of employment after the qualification period.

It was also determined that during the entire period of the updated Compensation policy, severance / retirement benefits at the total rate of the last two salaries as stated in the Compensation policy will apply to a maximum of five senior officers only.

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<sup>2</sup> For the majority required for approval of the resolution on the agenda and the manner of its approval, see section 4 of this report.

For further details, see section 6.2.3 of the updated Compensation policy.

- 1.2.3. The ceilings for the annual bonuses for the officers remained unchanged in the updated Compensation policy, and there was no change in the parameters for determining an annual bonus and their weights out of the maximum grant amount. As part of the revision of the annual bonus formula in the updated Compensation policy, the minimum net profit constituting the threshold condition for an annual bonus was reduced to a net profit of \$ 50 million (compared to \$ 100 million in the existing Compensation policy). In addition, in the calculation of the bonus component in respect of profit, the amount of net profit to be credited with the maximum amount in respect of this component was reduced to a net profit of \$ 300 million (compared to \$ 400 million in the existing policy). Additionally, the possibility of granting the CEO of the Company a bonus of up to three salaries in the event that the minimum profit has not been met.

For additional details, see sections 7.2 and 7.5 of the Compensation policy.

- 1.2.4. As part of the updated Compensation policy, terms of engagement were defined for the purpose of purchasing additional liability insurance policies for the officers in accordance with the provisions of Regulation 1B1 of the Companies Regulations (Easements in Transactions with Interested Parties), 5760-2000, in addition to the existing insurance cover conditions and without derogating from the validity of the contractual arrangements in officers' insurance policies already existing in the Company at the date of this report.

For further details, see Section 10.2 of the Compensation Policy.

- 1.2.5. The Compensation policy was updated so that officers are required to reimburse the Company amounts paid to them on the basis of erroneous data in the financial statements, for a period of three years from the date of publication of the financial statements on the basis of which such amounts were given.

For further details, see Section 7.8 of the Compensation Policy.

- 1.2.6. The updated Compensation policy does not include prior consideration of adopting a new Compensation policy in the event that the control of the Company is transferred to Israel Chemicals Ltd. or Oil Refineries Ltd.

### 1.3. Implementation of the previous Compensation policy

- 1.3.1. The Compensation of officers in the Company is consistent with the provisions of the Compensation policy.

- 1.3.2. The ratio between the salary paid to the CEO during the period of the previous policy and the ceiling of the salary set in the existing Compensation policy was about 100%. The ratio between the annual bonus paid to the CEO during the previous policy period and the ceiling of the fixed bonus relative to the CEO in the existing Compensation policy was about 37%. During the period of the existing Compensation policy, no capital compensation was allocated to the CEO of the Company.

1.4. The manner of formulating the updated Compensation policy and the reasons of the Compensation Committee and the Board of Directors

Based on the data presented to the Compensation Committee and the Board of Directors, including comparative work performed by an external consultant, and taking into consideration the considerations and parameters set forth in Section 267B and in the First Addendum to the Companies Law, the Compensation Committee and the Board of Directors approved the updated Compensation policy, inter alia, based on the following reasons:

- 1.4.1. For details of the considerations and objectives in determining the Compensation policy and the provisions of the Compensation policy with regard to each of the Compensation components, including matters that must be addressed in the Compensation policy and provisions that must be included in it, in accordance with the first addition to the Companies Law, see the Compensation policy.
- 1.4.2. The updated Compensation policy was approved after examining the regulatory changes that occurred from the adoption of the existing Compensation policy, the experience accumulated in the Company from the implementation of the existing Compensation policy and its suitability to the Company.
- 1.4.3. The Company's Compensation policy is intended to advance the Company's goals, its work plan and its long-term vision, while providing a response to the Company's needs, taking into account the size of the Company, its business and its objectives.
- 1.4.4. The Compensation Committee and the Board of Directors of the Company determined that the updated Compensation policy that is the subject of this report is in the best interest of the Company, and that it can create a proper balance between the creation of incentives for officers, their retention and their compensation for achievements and the Company's long-term vision, taking into account the challenges facing it, and that the compensation of the Company's officers according to which will be fair and reasonable considering the above.
- 1.4.5. The updated Compensation policy anchors the fixed Compensation component (fixed salary, related terms and retirement terms for officers), based, among other things, on the characteristics of the position and the existing terms of office of the Company, in a manner that strives to provide stability to the Company and its officers while maintaining a reasonable and worthy Compensation framework.
- 1.4.6. As with the existing Compensation policy, the updated Compensation policy establishes a clear and effective formula for an annual bonus, based mainly on the performance and results of the Company and the consideration of the position and responsibilities of the officer and his contribution to the Company. The Compensation Committee and the Board of Directors have taken the view that the annual bonus formula constitutes a challenging incentive for officers, from a long-term perspective, to act to promote the Company's business objectives and to advance its profits, taking into account the Company's risk management policy and work plan.
- 1.4.7. The Compensation policy grants the Board of Directors the authority to examine the reasonableness of the annual bonus and to reduce it, and also determines the layout of the payment of the annual bonus under the terms set out in the policy.



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- 1.4.8. The Compensation policy defines the proper ratio between the fixed Compensation components and the variable Compensation components of the officers, in accordance with their position, in a way that ties the Compensation to the Company's performance and complies with its risk policy. In addition, the ratio between the cost of employing officers and the cost of employing the rest of the Company's employees was examined, and it was determined that taking into consideration the limited scope of the Company's employees (who are staff members), and taking into consideration the nature of the Company, the said relations (found reasonable, as expressed in the compensation policy) is not relevant to the Company's working relations, and in any case, it cannot adversely affect it.
- 1.4.9. The Company's Compensation policy includes terms of office for directors, which are designed to ensure the freedom of activity and independence of the directors and to ensure appropriate Compensation for the directors, taking into consideration the responsibility of the directors and the Company's aspiration to appoint qualified and skilled directors and taking into account the terms of office of directors.
- 1.4.10. The Compensation Committee and the Board of Directors of the Company found that the compensation policy conforms to the principles set out in the Companies Law, and appropriately anchors the Compensation to which the Company's officers are entitled. It was also found that the Compensation policy creates clear framework rules for the manner of determining the Compensation of officers in the Company, in a manner consistent with the provisions of the law, and which provide the Compensation Committee and the Board of Directors with the tools required to regulate the Compensation of officers in the Company.
- 1.4.11. After discussion of the Compensation policy and its various components, the Compensation Committee and the Board of Directors of the Company reached the conclusion that the updated Compensation policy is appropriate and suitable to the Company's characteristics, taking into consideration, inter alia, the size of the Company, its character, its business and its objectives.
- 1.5. It should be noted that the formula for the annual bonus for the officers in respect of 2018 will be calculated according to the bonus formula prescribed in the existing Compensation policy. The annual bonus formula prescribed in the updated Compensation policy will apply starting with the annual bonus in respect of 2019.
- 1.6. The company is a subsidiary public as defined by law.
- 1.7. For details regarding the directors who participated in the meetings of the Compensation Committee and the Board of Directors of the Company, see Section 2 below.
- 1.8. A summary of the wording of the proposed resolution:

To approve the updated Compensation policy for officers of the Company in the wording attached as **Appendix A** to this report and its terms from the date of its approval, with the annual bonus formula for 2018 being in accordance with the existing Compensation policy, all as stated in this report.

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## **2. The confirmations required to approve the resolution on the agenda, the identity of the directors who participated in the approval of the resolution and personal interest**

- 2.1. At the Compensation Committee meetings on May 22 and 24, the Compensation policy and its recommendation to the Board of Directors were unanimously approved. The meeting was attended by all members of the committee, Dr. Yehoshua Rosenzweig, Yaakov Amidror, Dan Ziskind.
- 2.2. At the meeting of the Company's Board of Directors on May 24, 2018, in which the Compensation policy was unanimously approved, following the recommendation of the Compensation Committee, the participants included Aviad Kaufman Zehavit Cohen, Dan Ziskind, Yaakov Amidror and Dr. Yehoshua Rosenzweig.
- 2.3. The resolution on the agenda of the meeting requires the approval of the General Meeting in accordance with the required majority stated in section 4 below.
- 2.4. Personal interest in approving the compensation policy  
Generally, the Company's directors are affected by the Compensation policy and therefore may be considered as having a personal interest in its approval, since the nature and character of the policy is, inter alia, the Compensation to which the Company's serving directors will be entitled. Nevertheless, in accordance with the provisions of Amendment 20 to the Companies Law and taking into account the position of the legal staff number 101-16: "*Amendment 20 to the Companies Law - Questions and Answers*", which was published by the Securities Authority on January 15, 2013, all the directors were not prevented from participating in the Board of Directors' discussions and to vote in connection with the Compensation policy, despite the apparent personal interest in approving the Compensation policy.

## **3. Details of the convening of a special meeting**

It is hereby announced that a General Meeting of the shareholders of the Company will take place on July 3, 2018 at 10:00 at the Company's offices at 23 Arania Street, 23rd floor, Tel Aviv, the agenda of which is the resolution on the above subjects.

## **4. The majority required for the adoption of resolutions at the meeting**

- 4.1. The majority required for adopting the resolutions specified in section 1 of the report at the meeting is a majority of the shareholders entitled to participate in the vote, who are present at the meeting in person or through their proxies, provided that either of the following is fulfilled: (1) The majority of the votes of the shareholders at the General Meeting shall include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or having a personal interest in the adoption of the resolutions on the agenda of the meeting and who participate in the vote; In the counting of the votes of the said shareholders, abstaining votes shall not be taken into account; The provisions of section 276A shall apply to a person who has a personal interest, mutatis mutandis, (2) The total number of dissenting votes among the shareholders mentioned in paragraph (1) did not exceed two percent of the total voting rights in the Company.
- 4.2. Notwithstanding the provisions of Section 4.1 above, in relation to the resolution brought to the General Meeting convened under this report, the Company's Board of Directors may determine the Compensation policy even if the General Meeting objects to its approval, provided that the Compensation Committee and thereafter the Board of Directors decided on detailed grounds and after revising the Compensation policy, that approval of the Compensation policy, despite the objection of the General Meeting, is in the Company's favour.

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## **5. The effective date**

The effective date for determining the entitlement of a shareholder in the Company to vote at the meeting as stated in section 182 (b) of the Companies Law is the end of the trading day on the Stock Exchange on May 31, 2018, and if there is no trading on the effective date, on the first trading day before it.

## **6. Proof of ownership of the share**

In accordance with the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting), 5711-2000, a shareholder in whose favour a share is registered with a member of the Tel Aviv Stock Exchange Ltd. and that share is included among the Company's shares registered in the register of shareholders in the name of a registering company, and is interested in voting at the General Meeting, will provide the Company with confirmation from the Stock Exchange member with whom his right in the share is registered, regarding his ownership in the share, on the effective date, in accordance with form 1 in the Addendum to the said Regulations ("**certificate of ownership**").

A shareholder as aforesaid may receive a certificate of ownership from the Stock Exchange member through which he holds his shares, at the branch of the member of the Stock Exchange or by mail to his address in exchange for postage only, if requested by him, and a request for this purpose shall be given in advance to a particular securities account.

## **7. Legal quorum**

According to the Company's Articles of Association, the quorum for holding the meeting will be constituted when five shareholders holding at least twenty five percent of the voting rights are present, either in person or by proxy. If a quorum is not present at the General Meeting half an hour after the date set for the commencement of the meeting, the meeting shall be adjourned by one week to the same day, time and place, without the obligation to notify the shareholders, and if a quorum is not present within half an hour of the time set for the meeting, the present shareholders shall constitute a quorum.

## **8. Voting by proxy**

A shareholder who is entitled to participate and vote at the meeting may vote by himself or by proxy in accordance with the provisions of the Company's Articles of Association. A shareholder wishing to vote by means of a proxy, as stated above, shall deposit the power of attorney at the registered office of the Company at least 48 hours before the date determined for the meeting or for the adjourned meeting.

## **9. Voting through voting papers and sending position notices**

In accordance with the Companies Regulations (Voting in Writing and Position Notices), 5766-2005 (the "**Voting Regulations**"), a shareholder entitled to participate and vote at the meeting may vote in the resolution brought to the approval of the meeting by means of a voting paper. For this purpose, the vote of a shareholder who voted by means of a voting paper shall be deemed to have been present and participated in the meeting. The voting by means of a voting paper, in relation to a shareholder wishing to vote by means of a voting paper in lieu of his participation in the meeting himself and / or by means of a proxy, shall be done by means of the second part of the voting paper attached hereto as **Appendix C** to this report.

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The voting paper and the documents to be attached to it as specified in the voting slip must be submitted to the Company's offices up to 4 hours prior to the date of convening the meeting. For this purpose, the time of delivery is the time on which the voting paper and the documents to be attached thereto reached the Company's offices. A member of the Stock Exchange shall send by e-mail, free of charge, a link to the text of the voting paper and the voting papers on the distribution site to any shareholder who is not registered in the register of shareholders and whose shares are registered with that member of the Stock Exchange, unless he has notified the member of the Stock Exchange that he is not interested in receiving such a link or announced that he was interested in receiving voting papers by mail in exchange for postage only.

The addresses of the websites of the Securities Authority and the Tel Aviv Stock Exchange Ltd., in which the text of the voting paper, the position notices (if submitted to the Company) and the updated agenda (if published) can be found are as follows: The distribution site of the Securities Authority: <http://magna.isa.gov.il> ("the distribution site"); The Tel Aviv Stock Exchange Ltd. website: <http://maya.tase.il>. A shareholder may also apply directly to the Company and receive the text of the voting paper and position notice from it, if any are submitted.

One or more shareholders holding shares at a rate constituting five percent or more of the total voting rights in the Company at the effective date, and whoever holds such percentage out of the total voting rights not held by the controlling shareholder of the Company, as defined in section 268 of the Companies Law, is entitled to review the voting papers as specified in Regulation 10 of the Voting Regulations.

As of this date, the number of shares constituting 5% of the total voting rights in the Company is: 381,307 ordinary Company shares of NIS 1 par value each.

As of this date, the number of shares constituting 5% of the total voting rights in the Company that are not held by the Company's controlling shareholder is: 182,952 ordinary Company shares of NIS 1 par value each.

The final date for delivery of position notices is up to ten days prior to the date of the meeting, and the last date for submitting the Board of Directors' response to a position statement is up to five days prior to the date of the meeting.

## **10. Voting in the electronic system**

An unregistered shareholder as defined in section 177 (1) of the Companies Law may vote by means of a voting paper to be delivered to the Company in the electronic voting system (as defined below), all in accordance with and subject to the conditions set out in the Voting Regulations.

After the effective date, upon receipt of an identification number and an access code from the Stock Exchange member, and after a process of identification, an unregistered shareholder may vote in the electronic system that operates according to Section 2 of Chapter G2 of the Securities Law, 5728-1968 (the "**electronic voting system**" and the "**Securities Law**", as the case may be). The address of the electronic voting system, as defined in section 44K2 of the Securities Law, is <http://votes.isa.gov.il/>

In accordance with and subject to the conditions set out in the Voting Regulations and the provisions of the Securities Authority in this matter, voting through the electronic voting system shall be permitted up to six (6) hours prior to the date of the convening of the meeting or at an earlier date to be determined by the Securities Authority, provided that it does not exceed 12 hours prior to the date of the convening of the meeting (Hereinafter: "**the date of locking the system**"). It should be clarified that voting through the electronic voting system may be changed or cancelled until the system is locked and cannot be changed through the system after this date.

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If a shareholder voted in more than one way as aforesaid, his later vote shall be counted, and the vote of a shareholder at the meeting, himself or by means of a proxy, shall be deemed to be later than a vote by means of a voting paper or through the electronic voting system.

#### **11. Application to include a subject on the agenda**

The deadline for submitting an application by a shareholder to include a subject on the agenda of the meeting in accordance with the provisions of section 66 (b) of the Companies Law is up to seven (7) days after the date of convening the meeting. It should be noted that if an application is filed under this section above - there may be changes in the agenda of the meeting, including the addition of a subject to the agenda, and the updated agenda can be viewed in the Company's reports on the distribution site.

#### **12. Inspection of documents**

The shareholders of the Company will be able to inspect the report and the attached documents at the Company's offices at 23 Arania Street, Millennium Tower, Tel Aviv, Sunday through Thursday, from 09:00 to 16:00, by appointment at 03-6844500.

**Respectfully,  
The Israel Corporation Ltd.**

Name of authorized signatory of the report and name of authorized electronic signatory: Maya Alshich Kaplan  
Position: VP, Senior Legal Counsel and Company Secretary  
Date of signature: May 24, 2018

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## Appendix A

### **ISRAEL CORPORATION LTD.**

### **COMPENSATION POLICY**

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

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

#### **1. The Objectives of the Compensation Policy – General**

- 1.1. The Company's Compensation Policy is intended to advance the Company's objectives, its work plan and its policy with a long-term perspective, whilst providing a response to the Company's needs and requirements, taking into consideration the size of the Company, the complexity of its business and the ever-changing challenges which it faces, and also taking into consideration the uniqueness of the Company and the nature of its operations as an investment and holding company.
- 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;

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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 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. In the event that the Company executes a transaction in which the Company's control (as this term is defined in the Securities Law) in Israel Chemicals Ltd. or Oil Refineries Ltd. will be transferred, the Compensation Committee and the Company's Board of Directors will examine the Compensation Policy and the Company will adopt an updated Compensation Policy for all officers of the Company, which will be brought to the general assembly of the Company and for approvals as required 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 **"Calculated Bonus"** – as defined in section 7.4.5 below;

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

The **"Corporate Headquarter Companies"** – the Company and also the HQ companies, which are wholly owned by the Company.

**"Officer/s"** – as this term is defined in the Companies Law<sup>1</sup>;

**"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 4.4 of this Compensation Policy;

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<sup>1</sup> Notwithstanding the foregoing, with regard to the terms of compensation for directors, see section 10.99 of the Compensation Policy. The reference in the rest of the sections of the Compensation Policy (excluding the general provisions) to the term "officers" is done for reasons of convenience, and it does not intend to include directors.

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

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

## 2. Structure of the Compensation Package

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

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

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

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 19% - 35% (in accordance with the position of the Officer, and the terms of his employment)<sup>2</sup>. It shall be clarified that the actual ratios may vary in accordance with the actual compensation. Thus, for example, in a year in which no bonus is given, or a bonus is given which is lower than the maximum bonus, the ratio between the variable compensation and the total compensation is expected to be lower than that stated above.

As part of the formulation of this Compensation Policy, the Compensation Committee and the Board of Directors gave their opinion regarding the mix of the compensation package and the desired ratio between the fixed compensation components and the variable compensation components and determined that the Company's policy is that the aforesaid ratio is appropriate and serves the objectives of the Compensation Policy.

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<sup>2</sup> With regard to this estimated range: (a) the component of the severance pay is included in the fixed component; (b) the capital component was calculated by the financial value of the option papers granted for officers in the framework of the 2012 option plan (see Section 9 Below), as it is divided equally over a 3-year maturation period.



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#### 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)<sup>3</sup>;

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 experience<sup>4</sup>;

4.2.5 The Officer's achievements, and his contribution to the Company;

4.2.6 The achievement of the Company's best interests in the retention of the Officer for the long-term;

4.2.7 The ratio between the Officer's salary and the salary of other officers at the Company;

4.2.8 An analysis of the relevant market conditions, taking into consideration the size of the Company, its complexity 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;

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<sup>3</sup> 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.

<sup>4</sup> 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.

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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 intended to reflect the current salary of any of the Officers<sup>5</sup>.

## 5. **Related Terms of Employment for Officers of the Company**

### 5.1 **Objective**

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

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

5.2.1 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, holiday gifts 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 year<sup>6</sup>.

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<sup>5</sup> The above-mentioned amounts have been determined, *inter alia*, taking into consideration the fact that Officers are additionally entitled to a "13<sup>th</sup> salary" as part of their terms of office and employment.

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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 Officers 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.

6.1.2 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 objectives<sup>7</sup>.

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 terms, provided that he was employed as an Officer of the Company for at least 12 months prior to the date of provision of the retirement notice<sup>8</sup>:

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.

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<sup>6</sup> It is clarified that this rate does not include increased retirement pay and the adjustment period (as stated in section 0 below) and that it has been calculated assuming that the vacation days were taken.

<sup>7</sup> 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.

<sup>8</sup> The Company may engage in consulting agreements with its Officers after their retirement, insofar as necessary.

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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.
- 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

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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 period.

6.2.3 **Retirement pay:** as part of the retirement terms for Officers of the Company, the Company's policy is to grant 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 by 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 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.

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- 3) With respect to new Officers only (who are not serving in the Company on the date of approval of this Policy): They shall be entitled to severance / retirement pay at the rate of one gross monthly salary, in the amount of the last salary, for each year of employment. Following the approval of the Compensation Committee, the Company's Board of Directors may approve entitlement to additional severance at the rate of up to one more last salary, only subject to an employment period at the Company of not less than three years (the "**Qualification Period**") and for each year of employment after the Qualification Period.

During the entire period of this Policy, severance / retirement benefits at the total rate of the last two salaries as stated above shall apply to a maximum of five senior Officers only.

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 above.

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 objectives, as set forth, *inter alia*, in the Company's work

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plan, all with a long-term perspective, and taking into consideration the position of each one of the Officers and the Company's risk management policy.

- 7.1.2 The Company's aspiration is to encourage the Officers to obtain excellent achievements for the Company's benefit, whilst tying the bonus to the Company's results, paying heed to the character of the Company and its 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 For every relevant year, the maximum bonus amount is determined with regard to the Officers' office and seniority, as follows:

For the CEO of the Company – a maximum bonus equal to 9 gross monthly Salaries.

For the VP of the Company – a maximum bonus equal to 6 gross monthly Salaries.

- 7.2.2 In respect of each Officer, the bonus will be calculated according to the weighting of several parameters, as detailed below, including compliance of the Officer with the Company's goals set out in the Company's work plan for the same year in respect of which the bonus is calculated for each Officer and according to his position and areas of responsibility, while the weight of these parameters out of the maximum bonus amount will be as follows:

Net Profit – 40%;

Discount rate – 20%;

Net debt level – 20%;

Personal/strategic objectives – 20%.

- 7.2.3 It should be emphasized that a threshold condition for the granting of an annual bonus for a certain calendar year is the existence of a Net Profit of no less than \$50 million according to the Company's annual financial statements for that year (hereinafter: the "**Minimum Profit**").

- 7.2.4. In addition, an Officer shall not be entitled to an annual bonus (or a proportionate part thereof) in the event of termination of office in circumstances in which severance pay may be denied by law.

## 7.3 **Table A – Bonus Amounts in Respect of Net Profit**

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

Net Annual Profit (in millions of Dollars)		Bonus in Respect of Profit to CEO (in number of Monthly Salaries)		Bonus in Respect of Profit to VP (in number of Monthly Salaries)	
Between	And	Between	And	Between	And
0	50	0	0	0	0
50	100	0.6	1.2	0.4	0.8
100	200	1.2	2.4	0.8	1.6
200	300	2.4	3.6	1.6	2.4

7.3.2 The bonus amount in respect of profit is 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, the Compensation Committee and the Board of Directors of the Company took into consideration the fact that there are a number of criteria upon which the bonus for the Officers should be based, which may be relevant to the Company and to the nature of the Company's activities as a holding and investment company, and it was determined that the Net Profit, as reflected in the Company's Financial Statements, is a measurable and effective criterion for this purpose, alongside other criteria on which the annual bonus will be based and which will be determined taking into consideration the meeting of performance objectives, which are based on compliance with the Company's work plan/its strategic plan.



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Notwithstanding the aforesaid, it should also be noted that to the extent that profits are generated as a result of the actual implementation of the change in holdings (which is the subject of the immediate report of the Company dated January 7, 2015) or as a result of the completion of the debt arrangement formulated by Zim Integrated Shipping Services Ltd. ("**Zim**"), a subsidiary of the Company, to restructure ZIM's debts towards its creditors and shareholders, as detailed in the Company's report of July 16, 2014, these profits shall not be considered, if any are generated, as profits entitling the grant of a bonus in respect of profit.

#### 7.4 **Table B – Additional objectives for Officers**

- 7.4.1 In addition to Table A in respect of the bonus component for profit, which constitutes, as stated, 40% of the maximum grant amount, Table B below defines the manner of measuring the personal score of each Officer, which will be calculated according to compliance with parameters (measurable, except for an insignificant rate) which include parameters as set out in the Company's work plan for the Bonus Year<sup>9</sup> approved by the Company's Board of Directors, and the relative weights of each of these parameters. It should be noted that the objectives will be determined after the Company's Board of Directors has examined the objectives and found them to be challenging objectives.
- 7.4.2 The additional parameters are the maximum net debt level (20%), the "discount" rate reflected in the market value of the company (20%) and the strategic / personal objectives (20%). for each parameter a score will be given according to the rate of compliance with the objective set for that parameter, provided that the minimum threshold for compliance with it as set forth below is met for each parameter.
- 7.4.3 Table B below lists the additional parameters and their relative weight out of the maximum bonus amount:

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<sup>9</sup> 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.

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Personal / strategic objectives	Net debt level	Discount rate
20%	20%	20%

7.4.4 **Definitions and Threshold Conditions in Respect of Table B:**

- a. **Discount rate** - the objective of the "Discount" rate, the difference between the market value of the Company and the value of the Company's assets net of net debt, as determined for each Bonus Year by the Company's Board of Directors. The minimum threshold for entitlement to a bonus in respect of the discount rate shall not be less than 70% of the discount rate objective, where the amount of the bonus in respect of a parameter shall be determined in a linear manner according to the rate of compliance with the objective. Meeting the objective in full will entitle the Officer to 20% of the maximum bonus amount applicable to him.
- b. **Net Debt Level** – The objective of the total net debt compared with the end of that Bonus Year in the Company's annual work plan, while adjusting the objective to decisions regarding making investments or making a distribution, all as determined by the Board of Directors. The minimum threshold for entitlement to a bonus in respect of the net debt level shall not be less than 70% of the net debt level objective, where the amount of the bonus in respect of this parameter will be determined linearly according to the rate of meeting the objective. Meeting this objective in full will entitle the Officer to 20% of the maximum grant amount applicable to him.

**"Total Net Debt"** for the purpose of this parameter – the total amount of credit from banking 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 31 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.

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- c. **Strategic/ Personal Objectives** – objectives as shall be determined each year by the Board of Directors, in accordance with the Company's strategic / work plan, and taking into consideration the Company's risk management policy, the Officer's position and his areas of responsibility (such as the completion of milestones in projects) as well as personal evaluation. Meeting this parameter shall entitle the Officer to up to 20% of the maximum bonus amount applicable to him.

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

7.4.6 Insofar as an annual bonus is granted to an Officer in respect of a Bonus Year, the Company shall publish the rate of compliance of the Officer with the "net debt level" and "discount rate" objectives shortly after approval of the granting of the bonus.

7.5 **Bonus at the Discretion of the Compensation Committee and the Board of Directors of the Company**

Notwithstanding the contents of this Section 7, insofar that on a certain bonus year the threshold in respect of minimal profit was met (as mentioned in Section 7.2.3 above), the Compensation Committee and the Board of Directors may grant the CEO of the Company an annual bonus of up to 3 gross monthly Salaries in respect of the aforementioned Bonus Year, and grant each VP (after the CEO is heard) an annual bonus in an amount of up to 4 gross monthly salaries for the said Bonus Year, considering the Officer's contribution to the Company. It shall be clarified that the bonus at discretion according to this Section and shall not be subject to Section 7.7 below regarding the layout of the bonus.

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 Calculated 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.

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#### 7.7 **Layout of Payment of the Annual Bonus and a Proportionate Bonus**

The Calculated annual Bonus to which an Officer shall be entitled in respect of a particular Bonus Year, as determined pursuant to Sections 7.4 – 7.3 above, shall be paid in the following manner:

7.7.1 70% of the bonus amount 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 bonus amount 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 "**Consecutive Year**"), provided that the Company's Net Profit in the Consecutive 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 Consecutive 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.

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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 Consecutive Year, provided that the Net Profit in the Annual Financial Statements for the said Consecutive 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, provided that no more than three years had passed from the date of publishing the financial statements on the basis of which the bonus is given. 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, merger as well as the Change of Holding Move) of

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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 should be clarified that the granting of such special bonus by the Company will be brought to the General Meeting of the Company, as aforesaid.

## 9. **Compensation of Directors**

### 9.1 **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.

### 9.2 **The Compensation for the Directors**

9.2.1 The directors of the Company shall be entitled to annual Compensation and to Compensation for participation, in the maximum amount to which directors of a company with the Company's status

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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 time<sup>10</sup>.

9.2.2 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 organs<sup>11</sup>, including the arrangements of letters of indemnity for the Officers of the Company and insurance coverage, as have been and shall be approved according to law.

9.2.3 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.

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

## 10. **Other Issues and Aspects**

10.1 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

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<sup>10</sup> 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.

<sup>11</sup> Including the resolutions of the general meeting dated 21.3.2001, 18.9.2003, 10.9.2007, 8.11.2011, 9.8.2012, 14.7.2015, 8.10.2015, and 27.12.2017 regarding indemnity, exempt and insurance arrangements (Immediate Reports dated 14.3.2001, 22.3.2001, 2.9.2003, 21.9.2003, 2.8.2007, 11.9.2007, 2.11.2011, 8.11.2011, 4.7.2012, 9.8.2012, 4.7.2012, 9.8.2012, 28.5.2015, 14.7.2015, 31.8.2015, 8.10.2015, 10.12.2017 and 27.12.2017).

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approved at the Company's general meetings<sup>12</sup>, 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.

## 10.2 Officers' insurance

10.2.1 On December 27, 2007, the general meeting of the Company approved the Company's engagement in an insurance policy for Officers that serve the Company and as will serve from time to time and approved the Company's commitments to purchase policies or extensions or renewals of the said insurance policy or policies purchased in the future<sup>13</sup>.

10.2.2 In addition, and without derogating from the aforementioned existing insurance coverage, the Compensation Committee may, from time to time, approve the Company's engagements for the purchase of additional insurance policies for the Officers and directors (including the renewal or extension of existing policies or policies purchased in the future) of any kind with any insurer/s in Israel or abroad, for all the directors and Officers who serve and will serve from time to time in the Company and / or its investee companies, including directors in the engagement in respect of which the controlling shareholder may be considered as having a personal interest, as they may be from time to time, provided that the engagement is at market conditions, Materially on the Company's profitability, assets or liabilities And drink, and consistent with the principles of the framework set out in the Compensation Policy.

10.2.3 The terms of all the insurance policies for the Officers of the Company (including the additional policies that will be purchased, if purchased

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<sup>12</sup> As stated in footnote 13, *supra*.

<sup>13</sup> All as detailed in the Company's reports dated 10.12.2017 (reference No.: 2017-01-11016 and 2017-01-110179) and 27.12.2017 (reference No. 2017-01-117787)



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and / or renewed, as stated in this Policy) shall be as follows, and approved by the Compensation Committee:

(1) The annual insurance premium to be paid by the Company in respect of all cumulative insurance policies in force will not exceed US \$ 750 thousand;

(2) The limits of liability for all cumulative insurance policies will not exceed US \$ 200 million per event and per period;

(3) The deductible for the Company in respect of claims against Officers in respect of all cumulative insurance policies in force will not exceed US \$ 1.8 million;

(4) In the event that the Company's insurance policy is not renewed, the Company may purchase the continuation (extension) of the policy for a total premium not exceeding US \$ 2 million ("Run Off").

It should be noted that an addition of up to 25% of the said insurance components will not be considered as an exception to the Compensation Policy.

10.2.4 To remove any doubt, it is hereby clarified that nothing in this Policy shall prejudice the validity of existing insurance arrangements and / or approvals obtained by law for engagements in the insurance of Officers prior to the determination of this Policy.

10.3 In the course of formulation of this Compensation Policy, the Compensation Committee and the Board of Directors of the Company examined the ratio between the terms of office and employment of each one of the Officers serving in office at the Company, and the salary of the Company's other employees<sup>14</sup>, including the ratio to the average salary and to the median salary of such employees<sup>15</sup>, and they also examined the said ratio based on the cost of the salary of the Officers as

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<sup>14</sup> As of the present time, no contractor's employees are employed at the Company.

<sup>15</sup> 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.

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compared with the Company's other employees. Paying heed to the small number of employees at the Company, most of whom are corporate headquarter employees, and paying heed to the nature of the Company as a holding and investment company, the Compensation Committee and the Board of Directors of the Company believe that the said ratios, which they found to be reasonable *per se*<sup>16</sup>, 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.

## 11. **General**

- 11.1 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.
- 11.2 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.
- 11.3 The Company's engagement with the Officers may be done for a specified period of time or for an unspecified period of time.
- 11.4 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.
- 11.5 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.

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<sup>16</sup> As of the year 2017, 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 5.1 and approximately 8.4 (respectively), and the rest of the Officers within a range of approximately 2.58 – 2.65 and approximately 5.02 – 5.12 (respectively).

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- 11.6 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.
- 11.7 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).
- 11.8 The amounts paid to the Officers shall be gross, and subject to deduction as required by law.
- 11.9 Without derogating from the provisions of section 11.5 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.
- 11.10 In accordance with the provisions of Section 272(d) of the Companies Law, and subject to any law, the Compensation Committee will be entitled to approve changes that are not material in the terms of employment of Officers, in accordance with the provisions of the Compensation Policy. In accordance with the provisions of Regulation 1B3 of the Companies Regulations (Easements in Transactions with Interested Parties) 5760-2000, an immaterial change in the terms of office and employment of an Officer subject to the CEO of the Company shall not require the approval of the Compensation Committee if approved by the CEO of the Company,

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provided that such terms of office and employment are consistent with the  
Compensation Policy.

- 11.11 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 - Marked convenience text**

**ISRAEL CORPORATION LTD.**

**COMPENSATION POLICY**

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

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

**1. The Objectives of the Compensation Policy – General**

- 1.1 The Company's Compensation Policy is intended to advance the Company's objectives, its work plan and its policy with a long-term perspective, whilst providing a response to the Company's needs and requirements, taking into consideration the size of the Company, the complexity of its business and the ever-changing challenges which it faces, and also taking into consideration the uniqueness of the Company and the nature of its operations as an investment and holding company.
- 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;

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- 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 In the event that the Company executes a transaction in which the Company's control (as this term is defined in the Securities Law) in Israel Chemicals Ltd. or Oil Refineries Ltd. will be transferred, the Compensation Committee and the Company's Board of Directors will examine the Compensation Policy and the Company will adopt an updated Compensation Policy for all officers of the Company, which will be brought to the general assembly of the Company and for approvals as required by law.~~

#### ~~1.5~~ 1.4 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 "**Calculated Bonus**" – as defined in section ~~7.4.6~~ 7.4.5 below;

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

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The "**Corporate Headquarter Companies**" – the Company and also the HQ companies, which are wholly owned by the Company;

"**Officer/s**" – as this term is defined in the Companies Law<sup>1</sup>;

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

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

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

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

## 2. Structure of the Compensation Package

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

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

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

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

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<sup>1</sup> Notwithstanding the foregoing, with regard to the terms of compensation for directors, see section 109 of the Compensation Policy. The reference in the rest of the sections of the Compensation Policy (excluding the general provisions) to the term "officers" is done for reasons of convenience, and it does not intend to include directors.

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

Given the maximum compensation components as set forth in this Policy, the proportionate part of the variable compensation out of the total compensation is within a range of approximately ~~60%—80%~~ 19% - 35% (in accordance with the position of the Officer, and the terms of his employment)<sup>2</sup>. It shall be clarified that the actual ratios may vary in accordance with the actual compensation. Thus, for example, in a year in which no bonus is given, or a bonus is given which is lower than the maximum bonus, the ratio between the variable compensation and the total compensation is expected to be lower than that stated above.

In formulating this Compensation Policy, the Compensation Committee and the Board of Directors gave their opinion to the mix of the compensation package and the desired ratio between the fixed compensation components and the variable compensation components and determined that the Company's policy is that the said ratio is appropriate and serves the objectives of the compensation policy.

#### 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.

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<sup>2</sup> With regard to this estimated range: (a) the component of the severance pay is included in the fixed component; (b) ~~the capital component was calculated by the financial value of the option papers granted as of the date of the determination of this Policy, the Company does not have a capital compensation plan for officers in the framework of the 2012 option plan (see Section 9 Below), as it is divided equally over a 3-year maturation period.~~



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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)<sup>3</sup>;

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 experience<sup>4</sup>;

4.2.5 The Officer's achievements, and his contribution to the Company;

4.2.6 The achievement of the Company's best interests in the retention of the Officer for the long-term;

4.2.7 The ratio between the Officer's salary and the salary of other officers at the Company;

4.2.8 An analysis of the relevant market conditions, taking into consideration the size of the Company, its complexity, 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.

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<sup>3</sup> 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.

<sup>4</sup> 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.

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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 intended to reflect the current salary of any of the Officers<sup>5</sup>.

## 5. **Related Terms of Employment for Officers of the Company**

### 5.1 **Objective**

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

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

5.2.1 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, holidays' gifts etc.;

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<sup>5</sup> The above-mentioned amounts have been determined, *inter alia*, taking into consideration the fact that Officers are additionally entitled to a "13<sup>th</sup> salary" as part of their terms of office and employment.

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(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 year<sup>6</sup>.

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 Officers 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.

6.1.2 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 objectives<sup>7</sup>.

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 terms<sup>8</sup>, provided that he was employed as an

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<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> ~~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~~

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Officer of the Company for at least 12 months prior to the date of provision of the retirement notice<sup>9</sup>:

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.
- 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

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~~Policy shall not derogate from this existing entitlement or from the terms of the capital compensation that was granted.~~

<sup>9</sup> The Company may engage in consulting agreements with its Officers after their retirement, insofar as necessary.

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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 6 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 period<sup>40</sup>.

6.2.3 **Retirement pay:** as part of the retirement terms for Officers of the Company, the Company's policy is to grant 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:

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<sup>40</sup> See footnote 8, *supra*.

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- 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 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.
- 3) With respect to new Officers only (who are not serving in the Company on the date of approval of this Policy): They shall be entitled to severance / retirement pay at the rate of one gross monthly salary, in the amount of the last salary, for each year of employment. Following the approval of the Compensation Committee, the Company's Board of Directors may approve entitlement to additional severance at the rate of up to one more last salary, only subject to an employment period at the Company of not less than three years (the "**Qualification Period**") and for each year of employment after the Qualification Period.

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During the entire period of this Policy, severance / retirement benefits at the total rate of the last two salaries as stated above shall apply to a maximum of five senior Officers only.

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 above.

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 4.1 of this Compensation Policy and to the Officers' contribution to the achievement of the Company's objectives, as set forth, *inter alia*, in the Company's work plan, all with a long-term perspective, and taking into consideration the position of each one of the Officers and the Company's risk management policy.

7.1.2 The Company's aspiration is to encourage the Officers to obtain excellent achievements for the Company's benefit, whilst tying the bonus to the Company's results, paying heed to the character of the Company and its challenges.

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## 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 For every relevant year, the maximum bonus amount ~~amount~~ is determined with regard to the Officers' office and seniority, as follows:

For the CEO of the Company – a maximum bonus equal to 9 gross monthly Salaries.

For the VP of the Company – a maximum bonus equal to 6 gross monthly Salaries.

~~It should be noted that the above maximum bonus amounts reflect a substantial decrease in the ceilings of the annual bonuses compared to the ceilings determined in the Company's previous Compensation Policy (so, for example, the ceiling for the CEO of the Company, according to the previous Compensation Policy, was NIS 5 million, and for a senior VP, NIS 3.2 million, whilst according to the suggested Policy, the maximum bonus amount is 9 gross monthly Salaries, constituting a total of approximately NIS 1.22 million, linked to the index as aforesaid).~~

7.2.2 In respect of each Officer, the bonus will be calculated according to the weighting of several parameters, as detailed below, including compliance of the Officer with the Company's goals set out in the Company's work plan for the same year in respect of which the bonus is calculated for each Officer and according to his position and areas of responsibility, while the weight of these parameters out of the maximum bonus amount will be as follows:

Net Profit – 40%;

Discount rate – 20%;

Net debt level – 20%;

Personal/strategic objectives – 20%.

7.2.3 It should be emphasized that a threshold condition for the granting of an annual bonus for a certain calendar year is the existence of a Net Profit of



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no less than \$ ~~100~~50 million according to the Company's annual financial statements for that year (hereinafter: the "**Minimum Profit**").

7.2.4. In addition, an Officer shall not be entitled to an annual bonus (or a proportionate part thereof) in the event of termination of office in circumstances in which severance pay may be denied by law.

**7.3 Table A – Bonus Amounts in Respect of Net Profit**

7.3.1 Table A below defines the part of the bonus amount to which every Officer of the Company will be entitled for the Bonus Year, 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 "**Bonus in respect of profit**"). The maximum bonus amount in respect of profit to which an Officer will be entitled shall constitute up to 40% of the maximum bonus amount to which the Officer is entitled in respect of a bonus year (as mentioned in Section 7.2.1 ~~7.2.1~~ above).

Net Annual Profit (in millions of Dollars)		Bonus to Senior VP (in the number of monthly salaries)		Bonus to VP (in the number of monthly salaries)	
Between	And	Between	And	Between	And
0	<del>50</del> <u>100</u>	0	0	0	0
<del>50</del> <u>100</u>	<del>100</del> <u>200</u>	<del>0.9</del> <u>0.6</u>	<del>1.8</del> <u>2</u>	<del>0.6</del> <u>0.4</u>	<del>1.2</del> <u>0.8</u>
<del>100</del> <u>200</u>	<del>200</del> <u>300</u>	<del>1.8</del> <u>2.7</u>	<del>2.7</del> <u>4</u>	<del>1.2</del> <u>0.8</u>	<del>1.8</del> <u>2.4</u>
<del>200</del> <u>300</u>	<del>300</del> <u>400</u>	<del>2.7</del> <u>4</u>	3.6	<del>1.8</del> <u>2.4</u>	2.4
<del>300</del> <u>400</u>	<del>400</del> <u>+400</u>	<del>3.6</del> <u>4</u>		<del>2.4</del> <u>3.2</u>	

7.3.2 The bonus amount in respect of profit is 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.

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

~~Notwithstanding the aforesaid, it should also be noted that to the extent that profits are generated as a result of the actual implementation of the change in holdings (which is the subject of the immediate report of the Company dated January 7, 2015) or as a result of the completion of the debt arrangement formulated by Zim Integrated Shipping Services Ltd. ("Zim"), a subsidiary of the Company, to restructure ZIM's debts towards its creditors and shareholders, as detailed in the Company's report of July 16, 2014, these profits shall not be considered, if any are generated, as profits entitling the grant of a bonus in respect of profit.~~

#### 7.4 **Table B –Additional objectives for the Officers**

7.4.1 In addition to Table A in respect of the bonus component for profit, which constitutes, as stated, 40% of the maximum grant amount, Table B below defines the manner of measuring the personal score of each Officer, which will be calculated according to compliance with parameters (measurable, except for an insignificant rate) which include parameters as set out in the Company's work plan for the Bonus Year<sup>11</sup> approved by the Company's Board of Directors, and the relative weights of each of these parameters. It should be noted that the objectives will be determined after the Company's Board of Directors has examined the objectives and found them to be challenging objectives.

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<sup>11</sup> 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.

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7.4.2 The additional parameters are the maximum net debt level (20%), the "discount" rate reflected in the market value of the company (20%) and the strategic / personal objectives (20%). for each parameter a score will be given according to the rate of compliance with the objective set for that parameter, provided that the minimum threshold for compliance with it as set forth below is met for each parameter.

7.4.3 Table B below lists the additional parameters and their relative weight out of the maximum bonus amount:

Personal / strategic objectives	Net debt level	Discount rate
20%	20%	20%

7.4.4 **Definitions and Threshold Conditions in Respect of Table B:**

- a. **Discount rate** - the objective of the "Discount" rate, the difference between the market value of the Company and the value of the Company's assets net of net debt, as determined for each Bonus Year by the Company's Board of Directors. The minimum threshold for entitlement to a bonus in respect of the discount rate shall not be less than 70% of the discount rate objective, where the amount of the bonus in respect of a parameter shall be determined in a linear manner according to the rate of compliance with the objective. Meeting the objective in full will entitle the Officer to 20% of the maximum bonus amount applicable to him.
- b. **Net Debt Level** – The objective of the total net debt compared with the end of that Bonus Year in the Company's annual work plan, while adjusting the objective to decisions regarding making investments or making a distribution, all as determined by the Board of Directors. The minimum threshold for entitlement to a bonus in respect of the net debt level shall not be less than 70% of the net debt level objective, where the amount of the bonus in respect of this parameter will be determined linearly according to the rate of meeting the objective. Meeting this objective in full will

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entitle the Officer to 20% of the maximum grant amount applicable to him.

"**Total Net Debt**" for the purpose of this parameter – the total amount of credit from banking 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 31 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 Objectives** – objectives as shall be determined each year by the Board of Directors, in accordance with the Company's strategic / work plan, and taking into consideration the Company's risk management policy, the Officer's position and his areas of responsibility (such as the completion of milestones in projects) as well as personal evaluation. Meeting this parameter shall entitle the Officer to up to 20% of the maximum bonus amount applicable to him.

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

7.4.6 Insofar as an annual bonus is granted to an Officer in respect of a Bonus Year, the Company shall publish the rate of compliance of the Officer with the "net debt level" and "discount rate" objectives shortly after approval of the granting of the bonus.

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

Notwithstanding the contents of this Section 7.5, Insofar that on a certain bonus year Officers which are vice presidents were not entitled to an annual bonus due to not achieving minimal profit the threshold in respect of minimal profit was not met (as

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mentioned in Section ~~7.2.3~~ 7.2.3 above), the Compensation Committee and the Board of Directors may grant the CEO of the Company an annual bonus of up to 3 gross monthly Salaries in respect of the aforementioned Bonus Year, and grant each VP (after the CEO is heard) to grant each VP an annual bonus in an amount of up to 4 gross monthly salaries for the said Bonus Year, considering the Officer's contribution to the Company. It shall be clarified that the bonus at discretion according to this Section could be only paid to VP's and shall not ~~shall not~~ be subject to Section ~~7.7~~ 7.7 below regarding the layout of the bonus.

#### 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 Calculated 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 **Layout of Payment of the Annual Bonus and a Proportionate Bonus**

The Calculated annual Bonus to which an Officer shall be entitled in respect of a particular Bonus Year, as determined pursuant to Sections ~~7.64~~ – ~~7.13~~ above, shall be paid in the following manner:

7.7.1 70% of the bonus amount 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 bonus amount 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 "**Consecutive Year**"), provided that the Company's Net Profit in the Consecutive Year was positive;

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- 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 Consecutive 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 Consecutive Year, provided that the Net Profit in the Annual Financial Statements for the said Consecutive 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, provided that no more than

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three years had passed from the date of publishing the financial statements on the basis of which the bonus is given. 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, merger as well as the Change of Holding Move) of exceptional significance for the Company, the Compensation Committee and the Board of Directors of the Company may grant, in addition to the compensation components pursuant to this Compensation Policy, and subject to receipt of the approvals required pursuant to law (including the shareholders meeting of the company with special majority), a special bonus to any of the Officers, taking into consideration the said Officer's contribution to the advancement of the transaction and completion thereof, the transaction's contribution to the creation of value for the Company's investors from a long-term perspective, and the total compensation to which the Officer is entitled after completion of the transaction. It should be clarified that the granting of such special bonus by the Company will be brought to the General Meeting of the Company, as aforesaid.

## 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-~~

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~~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.~~

#### 109. **Compensation of Directors**

##### 10.19.1 **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.



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#### **10.29.2 The Compensation for the Directors**

~~10.2.19.2.1~~ The directors of the Company shall be entitled to annual Compensation and to Compensation 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 time<sup>12</sup>.

~~10.2.29.2.2~~ 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 organs<sup>13</sup>, 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~~ according to law.

~~10.2.39.2.3~~ 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.

~~10.2.49.2.4~~ It shall be clarified that the terms of office of the outside directors shall not exceed that set forth in the law.

#### **11.10. Other Issues and Aspects**

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<sup>12</sup> 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.

<sup>13</sup> Including the resolutions of the general meeting dated 21.3.2001, ~~18.9.2003, 10.9.2007~~, 8.11.2011, ~~and~~ 9.8.2012, 14.7.2015, 8.10.2015, and 27.12.2017 regarding indemnity, exempt and insurance arrangements (Immediate Reports dated ~~14.3.10.2001, 22.3.2001, 2.9.2003, 21.9.2003, 2.8.2007, 11.9.2007, 2.11.2011, 28.11.2011, 4.7.2012, 9.8.2012, 29.8.2013, 4.7.2012, 9.8.2012, 28.5.2015, 14.7.2015, 31.8.2015, 8.10.2015, 10.12.2017~~ and ~~27.12.2017~~~~26.8.2014~~).

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~~11.1~~10.1 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 meetings<sup>14</sup>, 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.

## 10.2 Officers' insurance

10.2.1 On December 27, 2007, the general meeting of the Company approved the Company's engagement in an insurance policy for Officers that serve the Company and as will serve from time to time and approved the Company's commitments to purchase policies or extensions or renewals of the said insurance policy or policies purchased in the future<sup>15</sup>.

10.2.2 In addition, and without derogating from the aforementioned existing insurance coverage, the Compensation Committee may, from time to time, approve the Company's engagements for the purchase of additional insurance policies for the Officers and directors (including the renewal or extension of existing policies or policies purchased in the future) of any kind with any insurer/s in Israel or abroad, for all the directors and Officers who serve and will serve from time to time in the Company and / or its investee companies, including directors in the engagement in respect of which the controlling shareholder may be considered as having a personal interest, as they may be from time to time, provided that the engagement is at market conditions, is not likely to have a material effect on the Company's profitability, assets

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<sup>14</sup> As stated in footnote 13, *supra*.

<sup>15</sup> All as detailed in the Company's reports dated 10.12.2017 (reference No.: 2017-01-11016 and 2017-01-110179) and 27.12.2017 (reference No. 2017-01-117787)

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or liabilities. and is consistent with the principles of the framework set out in the Compensation Policy.

10.2.3 The terms of all the insurance policies for the Officers of the Company (including the additional policies that will be purchased, if purchased and / or renewed, as stated in this Policy) shall be as follows, and approved by the Compensation Committee:

(1) The annual insurance premium to be paid by the Company in respect of all cumulative insurance policies in force will not exceed US \$ 750 thousand;

(2) The limits of liability for all cumulative insurance policies will not exceed US \$ 200 million per event and per period;

(3) The deductible for the Company in respect of claims against Officers in respect of all cumulative insurance policies in force will not exceed US \$ 1.8 million;

(4) In the event that the Company's insurance policy is not renewed, the Company may purchase the continuation (extension) of the policy for a total premium not exceeding US \$ 2 million ("Run Off").

It should be noted that an addition of up to 25% of the said insurance components will not be considered as an exception to the Compensation Policy.

10.2.4 To remove any doubt, it is hereby clarified that nothing in this Policy shall prejudice the validity of existing insurance arrangements and / or approvals obtained by law for engagements in the insurance of Officers prior to the determination of this Policy.

~~11.2~~10.3 In the course of formulation of this Compensation Policy, the Compensation Committee and the Board of Directors of the Company examined the ratio between the terms of office and employment of each one of the Officers serving in office at the Company, and the salary of the Company's other employees<sup>16</sup>, including the

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

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ratio to the average salary and to the median salary of such employees<sup>17</sup>, and they also examined the said ratio based on the cost of the salary of the Officers as compared with the Company's other employees. Paying heed to the small number of employees at the Company, most of whom are corporate headquarter employees, and paying heed to the nature of the Company as a holding and investment company, the Compensation Committee and the Board of Directors of the Company believe that the said ratios, which they found to be reasonable *per se*<sup>18</sup>, 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.

#### 12.11. General

~~12.111.1~~ 12.111.1 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.

~~12.211.2~~ 12.211.2 The engagement with an Officer in connection with his terms of employment and office may be done with a company wholly controlled by the Officer (*mutatis mutandis*, with the objective of maintaining the equivalent amount of compensation), provided that the engagement will include terms and conditions, to the satisfaction of the Compensation Committee and the Board of Directors of the Company, pursuant to which the undertakings and the services to be provided to the Company shall be performed personally by the Officer.

~~12.311.3~~ 12.311.3 The Company's engagement with the Officers may be done for a specified period of time or for an unspecified period of time.

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<sup>17</sup> 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.

<sup>18</sup> As of ~~December 31, 2013~~, the year 2017, 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~~ 5.1 and approximately ~~15~~ 8.4 (respectively) and the rest of the Officers, within a range of approximately ~~1.55 – 2.58 – 2.65~~ 4.48 and approximately ~~3.52 – 9.30~~ (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 granted that are "outside of money" and excluding annual bonus not granted to the CEO for that year 2014) is approximately 5.44 and approximately 7.55 (respectively), and for the rest of the Officers within the range of approximately 1.63 – 3.06 and approximately ~~2.53 – 5.02 – 5.12~~ 4.55 (respectively).

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~~12.4~~11.4 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~~11.5 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~~11.6 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~~11.7 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~~11.8 The amounts paid to the Officers shall be gross, and subject to deduction as required by law.

~~12.9~~11.9 Without derogating from the provisions of section ~~12.500~~ ~~11.5~~ 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.

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11.10 In accordance with the provisions of Section 272(d) of the Companies Law, and subject to any law, the Compensation Committee will be entitled to approve changes that are not material in the terms of employment of Officers, in accordance with the provisions of the Compensation Policy. In accordance with the provisions of Regulation 1B3 of the Companies Regulations (Easements in Transactions with Interested Parties) 5760-2000, an immaterial change in the terms of office and employment of an Officer subject to the CEO of the Company shall not require the approval of the Compensation Committee if approved by the CEO of the Company, provided that such terms of office and employment are consistent with the Compensation Policy.

~~12.10~~ 11.11 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 C- Voting Paper

### Israel Corporation Ltd.

#### Voting Paper

Pursuant to the Companies Regulations (Voting in Writing and Position Notices), 5766-2005 (hereinafter: the "Voting Regulations")

#### Part One

1. **Company name:**

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

2. **Type of meeting, date and place of convening**

A special general meeting to be held at the Company's offices at 23 Arania Street (Millennium Tower), Tel Aviv, on July 3, 2018 at 10:00 (hereinafter: "the Meeting"), and at any adjourned meeting.

3. **Details of the subjects on the agenda that can be voted on using a voting paper:**

Approval of an updated Compensation policy - Approval of an updated Compensation policy for officers of the Company as set forth in this report, in the wording attached as **Appendix A** to the report of convening the meeting and its terms.

**The wording of the proposed resolution:** To approve the updated Compensation policy for officers in the Company, as detailed in **Appendix A** to the report of convening the meeting and its contents from the date of its approval, where the annual bonus formula for 2018 will be in accordance with the existing Compensation policy, all as stated in the report of convening the meeting.

4. **Consideration of the wording of the proposed resolution**

The shareholders of the Company will be able to review the report of convening the meeting and the documents attached to it at the Company's offices, Sunday through Thursday, between 09:00 and 16:00, by appointment at tel. 036844500, and on the websites of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd. the address of which is indicated in section 10.1 below.

5. **The majority required to pass the resolution at the meeting**

5.1. The majority required for the resolution specified in section 30 above at the meeting is a majority of the shareholders entitled to participate in the vote, who are present at the meeting in person or through their representatives, provided that either of the following is fulfilled: (1) The majority of the votes in the general meeting shall include a majority of the votes of the shareholders who are not the controlling shareholders of the Company or of personal interest in approving the Compensation policy, who participate in the vote; In the counting of all the votes of the aforesaid shareholders, abstaining votes shall not be taken

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into account, a person who has a personal interest shall be subject to the provisions of section 276 of the Companies Law, 5759-1999 ("the **Companies Law**"), mutatis mutandis;(2) The total number of dissenting votes among the shareholders mentioned in paragraph (1) did not exceed two percent of all the voting rights in the Company.

5.2. Notwithstanding the provisions of this section above, the Company's Board of Directors may determine the Compensation policy even if the General Meeting objects to its approval, provided that the Compensation Committee and thereafter the Board of Directors decided, on detailed grounds and after revising the Compensation policy, that the approval of the Compensation policy notwithstanding the objection of the General Meeting is in the best interests of the Company.

#### **6. Declaring the affiliation of a shareholder**

In the second part of the voting paper, a place is allocated to mark the existence or absence of an affiliation, as required by the provisions of the Companies Law, and to describe the nature of the relevant affiliation. **If such shareholder does not sign or does not describe the nature of the affiliation, his vote shall not be counted in a quorum.**

#### **7. Amended: Voting paper**

7.1. The voting paper will be valid only if a "certificate of ownership" (power of attorney from the registering company proving its ownership of the share; hereinafter: "**certificate of ownership**") of the unregistered shareholder (i.e. a person for whom shares are registered with a stock exchange member and those shares are included among the shares registered in the registry; hereinafter: "**Unregistered Shareholder**") is attached to it, or if a certificate of ownership is sent to the Company through the electronic voting system as defined below, or photocopy of an identity card, passport or certificate of incorporation, if the shareholder is registered in the Company's books.

7.2. The last date for the delivery of the voting papers is up to 4 hours prior to the date of the general meeting. For this purpose, the date of delivery is the date on which the voting paper and the documents to be attached there to reached the offices of the Company at the address listed in section 0 below.

#### **8. Voting through the electronic voting system**

An unregistered shareholder may vote by means of a voting paper to be delivered to the Company through the electronic voting system (as defined below), all in accordance with and subject to the conditions set forth in the Voting Regulations.

After the effective date (as this term is defined), upon receipt of an identification number and an access code from the stock exchange member and after a process of identification, an unregistered shareholder may vote in the electronic system operating under Article C of Chapter 2 of the Securities Law, 1968 (above and hereinafter: "**the electronic voting system**" and "**the Securities Law**", respectively.) The address of the electronic voting system, within its meaning in section 44K of the Securities Law, is <https://votes.isa.gov.il>.



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In accordance with and subject to the conditions set out in the Voting Regulations and the provisions of the Securities Authority regarding this matter, voting through the electronic voting system will be possible up to six (6) hours prior to the date of convening the meeting or at an earlier date to be determined by the Securities Authority, provided that it does not exceed 12 hours before the date of convening the meeting (hereinafter: "**the date of locking the system**"). It should be clarified that voting through the electronic voting system may be altered or cancelled until the system is locked and may not be changed through the system after that date.

If a shareholder votes in more than one way, as aforesaid, his later vote shall be counted, while a vote of a shareholder himself or by proxy at the meeting shall be deemed to be later than voting by means of a voting paper.

**9. Address of the Company for the delivery of voting papers and position notices**

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

**10. The last date for delivery of position papers and the effective date for determining the entitlement of the shareholders to participate in and vote at the meeting**

10.1. The final date for delivery of position notices is up to ten days prior to the date of the meeting, and the last date for submitting the Board of Directors' response to a position notice is up to five days prior to the date of the meeting.

10.2. The "effective date" is the date for determining the entitlement of a shareholder in the Company to vote at the general meeting and at the adjourned meeting, in accordance with section 182 (b) of the Companies Law, at the end of the trading day on the stock exchange (if it is held) on Thursday, 31 May 2018 (the "**effective date**"). If there is no trading day on the effective date, then the effective date shall be the last trading day prior to that date.

**11. The distribution website and the website of the stock exchange that contain voting papers and position notices**

11.1. The distribution website of the Israel Securities Authority: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

11.2. The stock exchange website address: [maya.tase.co.il](http://maya.tase.co.il).

**12. Additional notes as required by the voting regulations**

12.1. 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 mail, if he so requests. A request for this purpose shall be given in advance to a particular securities account. In addition, an unregistered shareholder may order that his certificate of ownership be transferred to the Company through the electronic voting system.

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- 12.2. An unregistered shareholder is entitled to receive, by e-mail, free of charge, a link to the text of the voting paper and position statements (if any) on the distribution site from the member of the stock exchange through which he holds his shares, unless he notified the member of the stock exchange that he is not interested in receiving such a link, or that he is interested in paid delivery of voting papers by mail. The notice of an unregistered shareholder regarding the voting papers shall also apply to the receipt of position notices (if any).
- 12.3. One or more shareholders holding shares at a rate constituting five percent or more of the total voting rights in the Company, and whoever holds such percentage out of the total voting rights not held by the controlling shareholder of the Company, as defined in Section 268 of the Companies Law, is entitled to review the voting papers as specified in Regulation 10 of the Voting Regulations.
  - 12.3.1. As at the date of sending this voting paper, the number of shares constituting 5% of the total voting rights in the Company is 381,307 ordinary Company shares of NIS 1 par value each.
  - 12.3.2. As at the date of sending this voting paper, the number of shares constituting 5% of the total voting rights in the Company that are not held by the Company's controlling shareholder is: 182,952 ordinary Company shares of NIS 1 par value each.
- 12.4. After the publication date of this voting paper, there may be changes in the meeting agenda that is the subject of this voting (including adding a subject to the agenda), and position notices in the subjects of this voting may be published. It will be possible to review the updated agenda of the meeting as aforesaid, and the position notices, if any, in the Company's reports on the distribution site.
- 12.5. A revised voting paper, to the extent required due to changes in the resolutions on the agenda, will be published by the Company on the distribution site concurrently with the publication of the changes in such resolutions, no later than the dates specified in Regulation 5B of the Companies Regulations (Notification and Notice of General Meeting and Class Meeting in a Public Company) 5760-2000.
- 12.6. A shareholder shall indicate the manner of voting, on the subject on the agenda for which it is possible to vote by means of this voting paper, in the second part of this voting paper.

### **13. Cancellation of a voting paper**

A shareholder may, up to 24 hours before the date of convening the general meeting, apply for the delivery of voting papers, as stated in section 0 above, and after proving his identity to the satisfaction of the Company secretary, or another employee appointed to the matter, to withdraw his voting paper and confirmation of ownership.

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## Appendix C – Voting Paper

### Israel Corporation Ltd.

#### Voting Paper

Pursuant to the Companies Regulations (Voting in Writing and Position Notices), 5766-2005 (hereinafter: the "Voting Regulations")

#### Part Two

##### Part A:

1. **Company name:** Israel Corporation Ltd. (hereinafter: "the **Company**"); public company: 52-002801-0.
2. **Company address (for sending and delivering the voting papers):** 23 Arania Street (Millennium Tower) Tel Aviv.
3. **Date of meeting:** July 3, 2018, at 10:00, and at any adjourned meeting.
4. **Type of meeting:** Special general meeting.
5. **The effective date:** May 31, 2018.

##### Part B (To be filled by the shareholders):

1. Details of shareholder
  - 1.1. Name of shareholder: \_\_\_\_\_.
  - 1.2. I.D. No.: \_\_\_\_\_.
  - 1.3. Passport No. (If the shareholder does not have an Israeli I.D.): \_\_\_\_\_.
  - 1.4. The state of issue of the passport (If the shareholder does not have an Israeli I.D.): \_\_\_\_\_.
  - 1.5. Passport is valid until (If the shareholder does not have an Israeli I.D.): \_\_\_\_\_.
  - 1.6. Corporation No. (If the shareholder is a corporation): \_\_\_\_\_.
  - 1.7. State of incorporation (If the shareholder is a corporation): \_\_\_\_\_.

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**Appendix C – Voting Paper**

**2. Manner of voting**

Subject on the agenda	Manner of voting <sup>1</sup>			Are you a controlling shareholder in the Company/do you have personal interest in the passing of the resolution <sup>2</sup>		Are you a senior officer in the Company <sup>2</sup>		Are you an institutional investor <sup>2</sup>	
	For	Against	Abstain	No	Yes*	No	Yes*	No	Yes*
To approve the updated Compensation policy for officers of the Company, as set forth in <b>Appendix A</b> of the Report of Convening of the Meeting and its terms from the date of its approval, with the annual bonus formula for 2018 being in accordance with the existing Compensation policy, all as stated in the subpoena.									

**Senior officer** - as defined in Section 37 (d) of the Securities Law.

**Institutional investor** - as defined in Regulation 1 of the Supervision of Financial Services Regulations (Provident Funds) (Participation of a Managing Company in a General Meeting), 2009; as well as the manager of a joint investment trust fund as defined in the Joint Investment Trust Law, 5754-1994.

**\*Please specify the relevant affiliation, as the case may be:**

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

A. For shareholders who hold shares through a stock exchange member and (pursuant to Section 177 (1) of the Companies Law) this voting paper is valid only with a confirmation of ownership.

<sup>1</sup>The failure to mark an answer in this section shall be tantamount to abstaining from voting on that subject.

<sup>2</sup>A shareholder who does not fill this column or who signs "yes" and does not elaborate, his vote shall not be counted. There is no need to elaborate on a personal interest that is not a result of a relationship with the controlling shareholder.

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- B. For shareholders who are registered in the Company's shareholders register - the voting paper is valid together with a photocopy of the I.D. card / passport / certificate of incorporation.