

Israel Corporation Ltd.

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Vice President, General Counsel and Company Secretary

ISRAEL CORPORATION

September 12, 2019

To:

The Securities Authority
Through the MAGNA system

The Tel Aviv Stock Exchange Ltd.
Through the MAGNA system

Dear Sir/Madam,

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

An immediate report is hereby given in accordance with the Companies Law, 5759-1999 (hereinafter: the “**Companies Law**”), the Securities Regulations (Immediate and Periodic Reports) 5730-1970 (hereinafter: the “**Reporting Regulations**”), the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting at a Public Company and the Addition of an Item to the Agenda), 5760-2000, and the Companies Regulations (Voting in Writing and Position Statements), 5766-2005, (hereinafter: the “**Voting Regulations**”), with regard to the convening of a special general meeting of the shareholders of Israel Corporation Ltd. (hereinafter: the “**Company**”), which will be held on Tuesday, October 29, 2019, at 10:00 a.m., at the Company’s offices, at 23 Aranha St., Millennium Tower, Tel Aviv (hereinafter: the “**Meeting**”), for the purpose of passing the resolutions on the agenda, as set forth below:

1. **The Items on the Meeting’s Agenda and an Overview of the Text of the Resolutions**

- 1.1 The approval of the updated compensation policy for officers of the Company. For further details on this matter, please see Section 2 below.

Overview of the Text of the Proposed Resolution: “To approve the updated compensation policy for the officers of the Company, as per the text attached herewith as Appendix A of this Report, as stated in the Report Convening the Meeting.”

- 1.2 To approve the granting of a letter of an indemnity undertaking for an officer, to Ms. Tali Bellish.

On September 11, 2019, the Board of Directors of the Company approved the appointment of Ms. Tali Bellish as a director of the Company, effective from the date of the resolution of the Board of Directors.¹ Effective from the date of commencement of her office, Ms. Bellish will be entitled to such remuneration and terms of office as per standard practice at the Company with respect to directors, as stated in Section 3 of this Report below,² including remuneration in accordance with the Companies Regulations (Rules with Respect to Remuneration and Expenses for an Outside Director), 5760-2000 (hereinafter: the “**Remuneration Regulations**”), and she will be entitled to be included in the officers’ insurance policies. Further to the approvals of the Audit and Compensation Committee and the Board of Directors of the Company, the granting of a letter of indemnity to Ms. Bellish, in effect from the date of her appointment, in such draft as was attached to the Report Convening a Meeting of the Company dated September 13, 2018 (Reference No. 2018-01-087141), which is presented by way of incorporation by reference (hereinafter: the “**Letter of Indemnity Undertaking**”), is hereby brought for the approval of the Meeting convened herein. For further details on this matter, please see Section 3 below.

Overview of the Text of the Proposed Resolution: “To approve the granting of the Letter of Indemnity Undertaking to Ms. Tali Bellish, as stated in the Report Convening the Meeting.”

- 1.3 The appointment of Yaakov Amidror as an outside director of the Company for an additional term in office, commencing from the date of the Meeting’s approval. Mr. Amidror will continue to be entitled to the current terms and conditions of office, *inter alia*, to annual remuneration and to remuneration for participation in the maximum amount that is determined in the Remuneration Regulations, taking into account the Company’s ranking and the director’s classification as an “expert director” who is entitled to an “expertise supplement,” to the reimbursement of expenses and inclusion in the insurance arrangements for the officers of the Company, and to the letter of indemnity undertaking that was granted to him.³ The term of office for the outside director, should he be appointed, will be for a period of three years from the date of commencement of the said office.

Mr. Yaakov Amidror’s declaration, including in accordance with Sections 224B and 241 of the Companies Law, is attached as **Appendix C** to this Report and it is available for inspection at the Company’s offices.

¹ See the Immediate Report on the appointment of Ms. Tali Bellish dated September 12, 2019 (Reference No. 2019-01-095470), which is presented by way of incorporation by reference.

² In accordance with the approval of the Audit and Compensation Committee and the Board of Directors of the Company (Regulations 1A, 1B.1 and 1B.4 of the Companies Regulations (Relief in Transactions with Interested Parties), 5760-2000).

³ For details with regard to Mr. Amidror’s current terms and conditions of office, see the Report Convening a Meeting of the Company dated August 22, 2016 (Reference No. 2016-01-107653), which is presented by way of incorporation by reference.

For details with respect to Mr. Yaakov Amidror, see Article 26 of the Chapter of Additional Details in the Company's Periodic Report for 2018, as published on March 19, 2019 (Reference No.: 2019-01-024244), which is presented by way of incorporation by reference.

Overview of the Text of the Proposed Resolution: "To appoint Mr. Yaakov Amidror as an outside director of the Company for an additional term in office of three years, commencing from the date of the Meeting's approval, and he will be entitled to the terms and conditions of office as stated in the Report Convening the Meeting."

2. **Additional Details with Respect to the Resolution in Section 1.1 – Approval of an Updated Compensation Policy for the Officers of the Company**

2.1 **Background**

2.1.1 On July 9, 2018, the General Meeting of the Company's shareholders approved, in accordance with the provisions of the Companies Law, a compensation policy for the Company's officers (hereinafter: the "**Current Compensation Policy**").⁴

2.1.2 On March 13, 2019, the Company published a report on an update to the Company's business strategy that will include, together with the objective of continuing to maximize the value of the Company's investments in Israel Chemicals Ltd. (hereinafter: "**ICL**") and Oil Refineries Ltd. (known by its Hebrew acronym, "**Bazan**") (hereinafter: "**Bazan**"), also the making of new investments in accordance with the guiding principles that were set forth in the Company's Immediate Report dated March 13, 2019 (Reference No. 2019-01-021592), which is presented by way of incorporation by reference.

2.1.3 In view of the updating of the Company's business strategy, the Audit and Compensation Committee and the Board of Directors of the Company examined the need to update the Compensation Policy, while taking into consideration the fact that the Company's Current Compensation Policy does not take into account the updating of the Company's business strategy and it is not consistent with the Company's targets which are derived from the updated strategy or with the anticipated changes as a consequence thereof.

2.1.4 Further to the discussions that were held by the Audit and Compensation Committee with respect to the updated Compensation Policy, the Board of Directors of the Company discussed the updated Compensation Policy and, after considering the recommendation of the Audit and Compensation Committee, on September 11, 2019, it approved the updated Compensation Policy which is the subject of

⁴ See the Company's reports dated June 28, 2018 and July 9, 2018 ((Reference Nos. 2018-01-057546 and 2018-01-062016, respectively), which are presented by way of incorporation by reference.

this Report, and it approved bringing it to the Company's General Meeting, as convened herein.⁵

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

2.1.6 In the course of the formulation and approval of the Updated Compensation Policy, the following considerations were taken into account (including, but not limited to, those considerations set forth in the Companies Law), which include, *inter alia*, the advancement of the Company's objectives, its work plan and its policy further to the updating of the Company's business strategy, the creation of appropriate incentives for the officers, while taking into account, *inter alia*, the Company's risk management policy, the size of the Company and the nature of its activities through the lens of the updating of the business strategy, as aforesaid, the areas of responsibility of the officers, the officers' contribution to the Company and to the shareholders from a long-term perspective, and while taking into consideration the Company's objective of strengthening the connection between the officers' compensation and the interests of all of the shareholders.

2.1.7 It should be stated that the terms and conditions of office and employment of Mr. Yoav Doppelt, the Company's incumbent CEO as of the date of the determination of the Updated Compensation Policy, were approved by the General Meeting of the Company's shareholders that was held on June 27, 2019 (see the Report Convening a Meeting of the Company dated June 16, 2019 (Reference No. 2019-01-059392), which is presented by way of incorporation by reference), and the Updated Compensation Policy does not derogate from the terms and conditions of office that were approved by the aforesaid General Meeting. It should be noted that the terms and conditions of the Company's incumbent CEO were also determined while taking into consideration the updating of the Company's business strategy.

2.2 The Main Changes that Have Been Made to the Updated Compensation Policy as Compared with the Current Compensation Policy

For details with respect to the changes that have been made to the Updated Compensation Policy as compared with the Current Compensation Policy, see the marked convenience text which is attached herewith as **Appendix B** to this Report. Below is a concise overview of the main material changes that have been made to the Updated Compensation Policy as compared with the Current Compensation Policy:

2.2.1 **The ratio between the compensation package components** – the range of the *pro rata* share of the variable component out of the total compensation (given the maximum compensation components that

⁵ With regard to the majority that is required to approve the resolution, and the manner of approval thereof, see Section 5.1 of this Report.

are determined in the Compensation Policy) was updated to 30%-55% (instead of 19%-35% in the Current Compensation Policy). For further details, please see Section 3 of the Compensation Policy.

2.2.2 **Annual bonus for officers of the Company** – the formula for the annual bonus and the manner of determination thereof were updated while taking into account the Company’s targets in view of the updating of the business strategy, and without any change to the bonus ceilings. The parameters based on which the annual bonus will be determined were adjusted to the parameters that were determined with respect to the annual bonus of the Company’s incumbent CEO (except with respect to the discretionary bonus for VPs, and in accordance with the provisions of the Companies Law), based on the principles set forth below:

- (a) The annual bonus for the officers will be based on a “target-based bonus component,” with the exception of an immaterial part thereof which will be based on a “discretionary bonus component.” Notwithstanding the foregoing, with respect to officers who are subordinate to the CEO (VPs), the Compensation Committee and the Board of Directors of the Company may determine that the annual bonus, in whole or a material part thereof, will be based on discretion, as will be determined by them (and it will not be subject to the terms and conditions as stated in sub-section (b) below), provided that it will not exceed the annual bonus ceiling that is set forth in the Updated Compensation Policy. With respect to the CEO, the discretionary bonus component will not exceed three monthly salaries.
- (b) A threshold condition for a target-based bonus component⁶ was updated so that in respect of a target-based bonus component in respect of a particular calendar year, there will be a net profit that is not less than US \$70 million in accordance with the Company’s financial statements for that year (instead of US \$65 million in the Current Compensation Policy).
- (c) The bonus targets were updated so that in the framework of the target-based bonus component, the Compensation Committee and the Board of Directors of the Company will choose between two and six targets, which will be measurable performance targets or measurable financial targets, out of the following targets: meeting the budget, net profit, net debt, milestones in the making of investments in accordance with the Company’s strategy, the disposal of assets, financial costs, return to shareholders, cash flow, debt raising (including issues/debt refinancing), the making of a strategic transaction (including restructuring) in the Company’s holdings in the companies held by it (both present and future), the achievement of targets out of the strategic plan that will be determined by the Company, savings in costs and

⁶ The said threshold condition does not apply to the discretionary bonus component.

expenses, regulatory targets⁷; and in addition, the *pro rata* weight for each target will be determined, which will be not less than 15% with respect to each target. In addition, a provision was added with respect to the “exclusion” of exceptional incidents from the calculation of the performance, for the purpose of the target-based bonus component.

(d) The Updated Compensation Policy includes provisions with respect to the determination of the targets in the framework of the target-based bonus component and the manner of measuring the compliance therewith. It should be noted that the amount of the annual bonus for the VPs in respect of 2019 will be calculated in accordance with the bonus formula set forth in the Company’s Current Compensation Policy, and the annual bonus formula that is set forth in the Updated Compensation Policy will apply commencing from the bonus in respect of 2020.

(e) The Updated Compensation Policy does not include provisions with respect to the annual bonus payment schedule (the foregoing does not derogate from the provision with respect to the reimbursement of bonus amounts that were given based on data that transpired to be misleading and that were restated in the Company’s financial statements, which provision is included in the Updated Compensation Policy). Accordingly, upon the determination of the Updated Compensation Policy, the Compensation Committee may determine that amounts that were scheduled in respect of the annual bonus for 2018, in accordance with the provisions of the Current Compensation Policy, will be paid to the officers on the date of the payment of the annual bonus for 2019. In addition, upon the determination of the Updated Compensation Policy, the payment of the bonus in respect of 2019 will not be subject to the annual bonus payment schedule provisions of the Current Compensation Policy, and it will be paid in full, upon and subject to the approval thereof.

For further details, please see Section 7 of the Updated Compensation Policy.

2.2.3 **Special Bonus** – The special bonus section was updated so that in addition to the compensation components pursuant to the Compensation Policy, the Compensation Committee and the Board of Directors of the Company will be entitled to grant to officers who are VPs a special bonus of up to three monthly salaries, once only, during the period of the Compensation Policy, in respect of a transaction that is extraordinary in terms of its materiality and its complexity for the Company and while taking into consideration, *inter alia*, the special efforts that were made by the VP beyond the usual scope of his position.

For further details, please see Section 8 of the Compensation Policy.

⁷ Naturally, the Company’s work plan and its strategic plan contain confidential, private and sensitive information, disclosure of which could harm the Company’s best interests.

2.2.4 **Capital Compensation** – The Updated Compensation Policy includes a framework for the granting of capital compensation, as set forth below:

(a) **Capital Compensation at the Company** – The Company may adopt a capital compensation plan at the Company, which is based on the granting of units of restricted shares and/or restricted shares (whether or not performance-dependent) and/or option warrants convertible into shares of the Company, or a combination thereof, the allocation and vesting of which will be in accordance with the principles set forth in the Updated Compensation Policy (hereinafter: “**Capital Compensation at the Company**”). The granting of the Capital Compensation at the Company to the officers may be done in the format of an annual grant (i.e., the allocation of capital compensation units each year) or in the format of a periodic grant. The Updated Compensation Policy formalizes the possibility of granting Capital Compensation at the Company, as aforesaid, to the VPs and to the directors only.

On the date of the approval of the capital compensation plan at the Company, shares of the Company that are likely to arise from all of the capital compensation plans for all of the officers who are VPs and that are in effect at that time will not constitute more than one percent of the Company’s issued and paid-up share capital (after the allocation, and on a fully diluted basis).

(b) **Capital Compensation at Acquired Companies** – In accordance with the Company’s updated business strategy, the Company will also aspire to maximize the value for its shareholders from new investments, in a format that is similar to the private equity format. Therefore, subject to completion of the Company’s engagement in a new investment (hereinafter: the “**Investment Transaction**” and the “**Acquired Company**,” respectively), should it be implemented, the officers are likely to receive, without consideration, capital compensation that will consist of option warrants convertible into shares of the Acquired Company (hereinafter: the “**Options in Acquired Companies**”) in accordance with the principles set forth in the Updated Compensation Policy. An officer will be entitled to one grant only of options in each Acquired Company.⁸ It is clarified that directors will not be entitled to the Options in Acquired Companies.

The Options in each Acquired Company which are granted to all of the officers who are VPs of the Company will not exceed 3% of the issued capital/ the rights of the said Acquired Company (assuming the full exercise of the Options in the Acquired Company).

⁸ It is clarified that the Company’s incumbent CEO as of the date of the determination of the Updated Compensation Policy is entitled to Capital Compensation at the Acquired Companies.

- (c) **The maximum fair value of the Capital Compensation at the Company and of the Options in Acquired Companies** – with respect to an officer who is a VP – the maximum fair value⁹ of the Capital Compensation at the Company will not exceed nine times the monthly salary of the officer for any year (it will be calculated in accordance with the result that is obtained by dividing the fair value of the capital compensation on the date of the grant thereof by the number of vesting years, and in such a manner that is not necessarily in accordance with the accounting entry of the expense) (hereinafter: the “**Fair Value Ceiling at the Company**”). The maximum fair value per year of the Options in the Acquired Companies will not exceed the difference between the Fair Value Ceiling at the Company and the fair value of the Capital Compensation at the Company that was actually granted to the officer, when this difference is multiplied by 1.33¹⁰ (hereinafter: the “**Fair Value Ceiling at Acquired Companies**”). It is clarified that in accordance with the Updated Compensation Policy, capital compensation will not be granted to a VP only at the Acquired Companies.
- (d) The granting of capital compensation to officers of the Company by virtue of a capital compensation plan and Options in Acquired Companies will be subject to obtaining the approval of the Compensation Committee and the Board of Directors of the Company. The scope of the capital compensation and the concrete terms and conditions for the allocation to each one of the officers, including the mix of the capital compensation that may include Capital Compensation at the Company or a combination of Capital Compensation at the Company and Options in Acquired Companies, will be determined in accordance with the provisions of the Updated Compensation Policy, and also in accordance with the position, the actions and the contribution of each one of the officers to the Company’s performance, in accordance with the assessment by the Compensation Committee and the Board of Directors of the officer’s ability to contribute to the achievement of the Company’s targets in the long-term, and the Company’s aspiration to retain the officer at the Company for the long-term.
- (e) The Updated Compensation Policy contains principles with respect to the vesting periods, exercise price, exercise periods and additional provisions with respect to the Capital Compensation at the Company and the Options in Acquired Companies. Without derogating from the foregoing, with respect to the exercise price in the event of an allocation of options to shares of the Company

⁹ The value as of the date of the grant, when the economic value will be determined in accordance with the Black-Scholes model or with the binomial model or with any other generally accepted economic model for the performance of valuations, as will be determined by the Compensation Committee.

¹⁰ For example, in the event that Capital Compensation at the Company was granted to an officer in the value of six salaries per year, then the Fair Value Ceiling at Acquired Companies will equate to four salaries per year.

plus a premium of 5%, see Section 9.6 of the Updated Compensation Policy.

- (f) With respect to the Options in Acquired Companies, provisions have been determined in the Updated Compensation Policy that deal with the scenario of a number of investments in Acquired Companies during the same year, including the possibility of bringing forward a certain part of the annual Fair Value Ceiling at Acquired Companies, out of and on account of part of the maximum fair value at the Acquired Companies for the following year for the said officer, a possibility that will also apply with respect to the Company's incumbent CEO as of the date of this Report.¹¹

For details with respect to the principles of the Capital Compensation at the Company and the Options in Acquired Companies, please see Section 9 of the Compensation Policy.

2.2.5 Capital Compensation for the Directors – With the objective of strengthening the connection between the directors' compensation and the interests of the Company's shareholders, the Updated Compensation Policy includes the possibility of granting to the directors of the Company (including the outside directors) Capital Compensation at the Company only, in accordance with the provisions of the Remuneration Regulations and with the capital compensation plan at the Company, which will be determined as stated above and as stated in the Updated Compensation Policy, and in accordance with the terms and conditions as set forth in the Compensation Policy, including what is set forth below:

- (a) The annual fair value of the capital compensation for directors will not exceed NIS 100,000 per year or 50% of the maximum amount in accordance with the Remuneration Regulations, whichever is the lower of the two said amounts.
- (b) It will be possible to allocate Capital Compensation at the Company to the directors each year, for a period of three years, which will vest, in full, at the expiration of one year from the allocation date, and it will be exercisable during a period of one year from the aforesaid vesting date, or, in the alternative, it will be possible to make the allocation in the format of a periodic grant for three years, when the *pro rata* share of the grant will vest each year, and each tranche that has vested will be exercisable during a period of one year from the vesting date. A director who has completed his term in office will be entitled to the vesting of a *pro rata* share of the capital compensation as of the date of the termination of his office (without full acceleration of the entire allocated quantity).

For further details (including with respect to the exercise price), please see Section 10 of the Compensation Policy.

¹¹ And this is without derogating from the rest of the terms and conditions for the granting of the Capital Compensation at the Acquired Companies.

2.2.6 **Additional Updates** – Pursuant to the Updated Compensation Policy it has been determined that during the period of the Compensation Policy, no more than five VPs will serve in office [and] any modification of the terms of office whose effect on the total annual cost of the relevant officer is not greater than 10% will not constitute a deviation from the provisions of the Updated Compensation Policy (including in the event of a deviation from the ceilings of the components that have been determined in the Updated Compensation Policy). In addition, additional provisions have been set forth in the Updated Compensation Policy, including a provision whereby in cases in which the provisions of the law, as will be in effect from time to time, will allow the granting of concessions with respect to the manner of the compensation of officers and/or with respect to the manner of proceedings for the approval of compensation for officers, subject to the approval of the Compensation Committee and the Board of Directors of the Company, these provisions will apply to the Company and will form part of the Updated Compensation Policy. For further details, see **Appendix B** of this Report.

2.3 The Manner of the Implementation of the Current Compensation Policy¹²

2.3.1 The terms and conditions of office and employment of the Company's incumbent CEO were approved by the General Meeting of the Company's shareholders, while deviating from the Company's Compensation Policy.¹³ For details regarding the terms and conditions of office that were approved, as aforesaid, see the Report Convening a Meeting of the Company dated June 16, 2019 (Reference No. 2019-01-059392), which is presented by way of incorporation by reference (hereinafter: the "**Report Convening a Meeting for the Approval of the Incumbent CEO's Terms and Conditions**").

2.3.2 In accordance with the Current Compensation Policy, the Chairman of the Board of Directors of the Company is entitled to fixed remuneration that is identical to that of the rest of the directors of the Company in accordance with the Remuneration Regulations.

2.4 Agreements that are Not in Accordance with the Company's Current Compensation Policy

For details regarding the terms and conditions of office and employment of the Company's incumbent CEO, Mr. Yoav Doppelt, which were approved while deviating from the Current Compensation Policy, see the Report Convening a Meeting for the Approval of the Incumbent CEO's Terms and Conditions. It is clarified that the Updated Compensation Policy does not derogate from Mr. Doppelt's terms and conditions of office and employment,

¹² For details regarding the implementation of the previous Compensation Policy with respect to the Company's former CEO, see the Report Convening the Meeting dated June 28, 2018 (Reference No. 2018-01-057546).

¹³ For details, see the Company's Report with respect to the results of the meeting held on June 27, 2019 (Reference No. 2019-01-064945), which is presented by way of incorporation by reference.

which were approved, as aforesaid, by the General Meeting of the Company's shareholders.

Except as stated above, the compensation of the officers of the Company is consistent with the provisions of the Compensation Policy.

2.5 Additional reasons for the approval of the Updated Compensation Policy

2.5.1 As stated above, the updating of the Compensation Policy was done against the background of the updating of the Company's business strategy and it is intended to adjust the structure of the officers' compensation to the Company's targets which are derived from the updating of the Company's business strategy, as aforesaid. In this respect, there has been no change whatsoever in the officers' fixed compensation, as set forth in the Compensation Policy, and there has also been no change in the annual bonus ceilings, as set forth in the Compensation Policy.

2.5.2 The Updated Compensation Policy takes into account the adjustments that are required as a consequence of the updating of the Company's business strategy, *inter alia*, in relation to the updating of the targets for the annual bonus and the possibility of granting Capital Compensation at the Company and at the Acquired Companies.

2.5.3 The granting of Capital Compensation at the Company strengthens the connection between the interests of the Company's shareholders and the officers' compensation, from a long-term perspective, and it is a compensation component that is generally accepted at public companies in Israel and around the world. In addition, the Capital Compensation at the Company is based on creating value for the shareholders, and in the event of the grant of options to officers at the Company (who are not directors), the exercise price of the options will include a premium of 5%. It is clarified that as of the present date, the allocations of capital compensation to the VPs and to the directors of the Company have not yet been approved.

2.5.4 The granting of Options in Acquired Companies is intended to constitute an incentive for creating value for the Company from new investments in accordance with the Company's updated business strategy, and it is performance-dependent compensation that is based on creating value for the Company.

2.5.5 The capital compensation ceilings at the Company and at Acquired Companies were found to be reasonable and fair. The Fair Value Ceiling of the Options in Acquired Companies takes into account the fact that the Acquired Companies may be private companies (without liquidity).

2.5.6 The Audit and Compensation Committee and the Board of Directors of the Company have found that the mix of the officers' total compensation reflects an appropriate balance between the fixed compensation and the variable compensation, which is, primarily, based on the performance-dependent compensation.

2.5.7 The inclusion of the framework for the granting of capital compensation to the directors serves the Company's best interests, and it allows the strengthening of the alignment between the directors' compensation and the shareholders' interests, and it is also consistent with the Company's aspiration to bring into its ranks, in accordance with its needs, professional directors with the appropriate qualifications and experience.

2.5.8 In the opinion of the Audit and Compensation Committee and the Board of Directors of the Company, the ratio that is determined in the policy between the capital compensation and the current compensation for directors creates an appropriate balance between the various compensation components for the directors, with a long-term perspective.

For additional considerations (including the considerations pursuant to the Companies Law), see the Updated Compensation Policy.

3. **Additional Details with Respect to the Resolution in Section 1.2 –The granting of a Letter of Indemnity Undertaking to Ms. Tali Bellish**

3.1 It should be stated that in addition to the Letter of Indemnity Undertaking that is being brought for approval by this Meeting, in accordance with the decision of the Audit and Compensation Committee and the Board of Directors of the Company, Ms. Bellish will be entitled to remuneration and terms of office as per standard practice with respect to directors of the Company, including annual remuneration and participation remuneration in the maximum amount that is set forth in the Remuneration Regulations, while taking into consideration the Company's ranking and the director's classification as an "expert director" who is entitled to an "expertise supplement" as set forth in Regulation 5A of the Remuneration Regulations, to a reimbursement of expenses and to inclusion in the insurance arrangements for the Company's officers.

3.2 Below is an overview of the reasons of the Audit and Compensation Committee and the Board of Directors of the Company for the granting of the Letter of Indemnity Undertaking:

3.2.1 The granting of the Letter of Indemnity Undertaking to the officers of the Company is for the Company's benefit, given that the Letter of Indemnity Undertaking allows the Company's officers, including the Company's directors, to perform their position as required and for the Company's benefit, while taking into consideration the risks entailed in the Company's activities and the personal liability that is imposed pursuant to law on the officers and directors, in particular, and also due to the importance of the existence of the Letters of Indemnity Undertaking for the officers' performance.

3.2.2 The granting of an indemnity undertaking is standard practice at many public companies in Israel, including companies whose activities are similar in scope and nature to the Company's activities,

and such undertaking has been given, in the past, to officers and directors of the Company.

- 3.2.3 The Letter of Indemnity Undertaking is consistent with the provisions of the Company's Compensation Policy and it is subject to the provisions of the Companies Law.

4. **Notice of the Convening of a Special General Meeting**

Notice is hereby given that a special general meeting of the Company's shareholders will be held on Tuesday, October 29, 2019, at 10:00 a.m., at the Company's offices at 23 Aranha St., Millennium Tower, Tel Aviv, whose agenda comprises the passing of the resolutions set forth above.

5. **The Majority Required to Approve the Resolutions on the Meeting's Agenda**¹⁴

5.1 The majority that is required at the Meeting, to approve the resolution proposed in Section 1.1 above, is a majority of the shareholders who are present at the Meeting, in person or by proxy, provided that one of the following is satisfied: (1) the count of the votes of the majority at the general meeting will include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or entities with a personal interest in the approval of the Compensation Policy, who are participating in the vote; the count of all the votes of the said shareholders will not take into account the votes of the abstaining shareholders; (2) the total of the votes against, from among the shareholders as stated in paragraph (1) above, will not exceed a rate of two percent (2%) of the total voting rights at the Company.¹⁵

A shareholder with a personal interest will be subject to the provisions of Section 276 of the Companies Law, *mutatis mutandis*.

5.2 The majority that is required at the Meeting to approve the resolution proposed in Section 1.2 above is a simple majority of the shareholders who are entitled to participate in the vote and who are present at the Meeting, in person or by proxy, without taking into account the votes of the abstaining shareholders.

5.3 The majority that is required at the Meeting, to approve the resolution proposed in Section 1.3 above, is a majority of the shareholders who are

¹⁴ To the best of the Company's knowledge, the controlling shareholders of the Company do not hold shares at such rate that would confer on them the majority that is required to pass the resolutions proposed in Sections 1.1 and 1.3 of the agenda, because for the purpose of passing the said resolutions, a special majority is required. To the best of the Company's knowledge, the controlling shareholders of the Company hold shares at such rate that will confer on them the majority that is required to pass the resolution proposed in Section 1.2 of the agenda.

¹⁵ It should be noted that in accordance with Section 267A(c) of the Companies Law, the Board of Directors of the Company, may, except at a public second-tier company, determine the Compensation Policy even if the General Meeting objected to the approval thereof, provided that the Compensation Committee, and subsequently, the Board of Directors, passed a resolution, based on detailed reasons and after reviewing the Compensation Policy, to the effect that the approval of the Compensation Policy, notwithstanding the General Meeting's approval, is in the Company's best interests.

present at the Meeting, in person or by proxy, provided that one of the following is satisfied: (1) the count of the votes of the majority at the general meeting will include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or entities with a personal interest in the approval of the appointment, with the exception of a personal interest that is not as a consequence of his/her relationship with the controlling shareholder, who are participating in the vote; the count of all the votes of the said shareholders will not take into account the votes of the abstaining shareholders; (2) the total of the votes against, from among the shareholders as stated in paragraph (1) above, will not exceed a rate of two percent (2%) of the total voting rights at the Company.

6. **Quorum and Adjourned Meeting**

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

7. **The Record Date and Proof of Ownership of a Share**

The record date for determining the eligibility of a shareholder of the Company to vote at the general meeting, as stated in Section 182(c) of the Companies Law and Section 3 of the Voting Regulations, is at the end of the Stock Exchange trading day of Thursday, September 26, 2019, and if no trading is conducted on the Record Date, then on the first trading day prior thereto (hereinafter: the "**Record Date**").

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

Such a shareholder is entitled to receive the Confirmation of Ownership from the member of the Stock Exchange through whom he holds his shares, at the branch of the Stock Exchange member or by dispatch by mail, in consideration of mailing costs only, if he so requested. A request in this matter will be given in advance, for a particular securities account.

8. **Manner of Voting**

8.1 **Voting By Proxy**

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

8.2 **Voting By Voting Form and Sending Position Statements**

In accordance with the Voting Regulations, a shareholder who is entitled to participate in and vote at the Meeting may vote on a resolution submitted for the Meeting's approval, by using a voting form. For this purpose, the vote of the shareholder who voted using a voting form will be counted, as if he had been present at and participated in the Meeting. The vote using a voting form, with regard to a shareholder who wishes to vote using a voting form instead of his participation at the Meeting in person and/or by proxy, will be done using the Second Part of the Voting Form, which is attached herewith as **Appendix D** to this Report.

The Voting Form and the documents that need to be attached thereto as specified in the Voting Form will be submitted to the Company's offices up to 4 hours prior to the time for the convening of the Meeting. For this purpose, the time of submission is the time when the Voting Form and the documents that need to be attached thereto arrived at the Company's offices. A member of the Stock Exchange will send, by e-mail, without consideration, the link to the text of the Voting Form and the voting forms on the Distribution Site, to any shareholder who is not registered in the Register of Shareholders, and whose shares are registered with the said Stock Exchange member, unless the shareholder notified the Stock Exchange member that he does not wish to receive such link or unless he gave notice that he wishes to receive voting forms by post, in consideration of mailing costs only.

The addresses of the websites of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd., where the text of the Voting Form, the position statements (if submitted to the Company) and the updated agenda (if published) are available, are as set forth below – the distribution site of the Israel Securities Authority is: <http://www.magna.isa.gov.il> (hereinafter: the “**Distribution Site**”); and the website of the Tel Aviv Stock Exchange Ltd. is: <https://maya.tase.co.il>. A shareholder may also apply directly to the Company and receive from it the text of the Voting Form and the position statements, if submitted.

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

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

As of the present date, the number of shares which constitute 5% of the total voting rights of the Company which are not held by the controlling shareholder of the Company, as defined in Section 268 of the Companies Law, is: 182,950 ordinary shares having a par value of NIS 1.00 each of the Company.

The last date for the submission of position statements is up to ten days prior to the date of the Meeting, and the last date for the submission of the Board of Directors' response to a position statement is up to five days prior to the date of the Meeting.

8.3 **Voting Through the Electronic System**

A non-registered shareholder, as defined in Section 177(1) of the Companies Law, may vote using a voting form that is transmitted to the Company through the Electronic Voting System (as defined below), all in accordance with and subject to the terms and conditions set forth in the Voting Regulations.

After the Record Date, upon receipt of an identification number and an access code from the member of the Stock Exchange, and after a process of identification, a non-registered shareholder may vote through the electronic system, which operates pursuant to Article B of Chapter G2 of the Securities Law, 5728-1968 (hereinafter and hereinabove: the “**Electronic Voting System**” and the “**Securities Law**,” as applicable). The address of the Electronic Voting System, as construed in Section 44K2 of the Securities Law, is: <https://votes.isa.gov.il>.

In accordance with and subject to the terms and conditions set forth in the Voting Regulations and the instructions of the Israel Securities Authority in this matter, voting through the Electronic Voting System will be possible for up to six (6) hours prior to the time for the convening of the Meeting or at an earlier time as will be determined by the Israel Securities Authority, provided that it will not exceed 12 hours prior to the time for the convening of the Meeting (hereinafter: the “**System Closing Time**”). It should be clarified that a vote cast through the Electronic Voting System may be modified or cancelled up until the System Closing Time, and it may not be modified through the Electronic Voting System after this time.

If a shareholder voted in more than one of the aforesaid ways, his later vote will be counted, and the vote of a shareholder in person at the Meeting or by proxy will be deemed to be later than a vote using a voting form or a vote using the Electronic Voting System.

9. **Request by a Shareholder to Include an Item to the Agenda**

The last date for the submission of a request by a shareholder, pursuant to Section 66(B) of the Companies Law, to include an item on the agenda of the Meeting, is up to seven (7) days after the date of the convening of the Meeting. It should be

stated that should a request be submitted pursuant to this section above – there may be changes to the Meeting’s agenda, including the addition of an item to the agenda, and it will be possible to examine the up-to-date agenda in the Company’s reports on the Distribution Site.

10. **Inspection of Documents**

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

Sincerely yours,

Israel Corporation Ltd.

The name of the authorized signatory to the report and the name of the authorized electronic signatory: Maya Alcheh-Kaplan

Position: Vice President, General Counsel & Company Secretary

Date of signature: September 12, 2019.

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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 a holding company.
- 1.2. In the determination of the Compensation Policy for the officers, various considerations were taken into account, *inter alia*, the position of the officers, the current terms and conditions of office at the Company, the managerial inputs required in the management of a company of this sort, the areas of responsibility of the officers and the officers’ contribution to the achievement of the Company’s objectives and to maximizing the Company’s profits and for the benefit of its shareholders, with a long-term perspective.
- 1.3. The objectives of this Compensation Policy are, *inter alia*, as set forth below:
 - 1.3.1. To retain the officers serving at the Company, who possess the skills and qualifications as required, and who also possess experience and knowledge of the Company, its characteristics and its various investments and the needs and requirements thereof;
 - 1.3.2. To advance the Company’s ability to recruit to its ranks, in accordance with its needs, new officers, with the appropriate experience and qualifications;
 - 1.3.3. To create the appropriate incentives for the officers of the Company to act to maximize the Company’s value and to advance its objectives in the long-term, taking into consideration, *inter alia*, the Company’s risk management policy;
 - 1.3.4. To provide a basis for compensating the officers, by incorporating fixed components and variable components, in such a manner so as to tie a part of

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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, and while taking into consideration the Company's objective to strengthen the alignment of the directors' interests with all of the shareholders' interest in maximizing the Company's value.

1.4. **Definitions:**

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

"Annual Financial Reports" – the audited and consolidated annual financial reports of the Company;

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

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 Law¹;

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

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

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

"Compensation Regulations" – Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 5760-2000 (or any provisions of the law which shall replace and/or amend same).

2. **Structure of the Compensation Package**

¹ Notwithstanding the foregoing, with regard to the terms of compensation for directors (including outside directors), see section 10 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, unless stated otherwise.

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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 special bonuses;
- 2.5 Equity base 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.

During the period of the Compensation Policy, no more than five VPs will serve in office at the Company.

It should be emphasized that the terms and conditions of office and employment of the Company's incumbent CEO, as of the date of the determination of this Compensation Policy, were approved by the General Meeting of the Company's shareholders that was held on June 27, 2019,² and this Compensation Policy does not derogate from the terms and conditions of office that were approved by the aforesaid General Meeting.

It should be noted that there has been no change to the terms and conditions of the Company's incumbent CEO, and with respect to the provisions regarding the Capital Compensation in Acquired Companies, see section 9.7.3 below.

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 30% - 55% (in accordance with the position of the Officer, and the terms of his employment)³. 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

² As stated in the Report Convening a Meeting of the Company dated June 16, 2019 (Reference No. 2019-01-059392), which is presented by way of incorporation by reference.

³ With regard to this estimated range: the retirement pay component is included in the fixed component.

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components and determined that the Company's policy is that the aforesaid 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.

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)⁴;
- 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 experience⁵;
- 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 to other companies, however, in any event, not beyond the maximum salary as set forth in section 4.4 below;

⁴ 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 determination of this Compensation policy is that the Officers of the Company (with the exception of the Company's CEO as of the date of the determination of this Policy) will not receive compensation from companies held by the Company in respect of their serving in office thereat, with the exception of Equity base Compensation in Acquired Companies, as set forth in section 9.7 below, insofar as granted.

⁵ 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 Officers⁶.

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 by 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, 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 leave, provisions and deposits to pension funds/ senior employees' insurance plans, a continuing education fund, incapacity to work insurance, 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 year⁷.

⁶ The above-mentioned amounts have been determined, *inter alia*, taking into consideration the fact that Officers are additionally entitled to a "13th salary" as part of their terms of office and employment.

⁷ 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.

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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 by 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 objectives⁸.

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 notice⁹:

6.2.1 **Advance notice:** as part of the terms of office and employment of the Officers, the Officers of the Company shall be entitled to an advance notice period in any event of termination of their office, except in cases where severance pay may be denied pursuant by 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.

⁸ 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.

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

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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 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 to 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

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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 to 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 an additional 10%, taking into consideration the period in office served by the CEO, his 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 only to the five senior Officers.

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 and with the goals from its strategic plan, 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 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.

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

7.2.2 The annual bonus for the Officers will be based on measurable criteria, which are derived from the Company's actual performance during the relevant calendar year with respect to the targets that were set in the work plan, in advance, with respect to the said year (hereinafter: the "**Target-Based Bonus Component**"), with the exception of an immaterial part of the bonus which will be based on discretion (hereinafter: the "**Discretionary Bonus Component**"). Notwithstanding the foregoing, with respect to Officers who are subordinate to the CEO (VPs), the Compensation Committee and the Board of Directors of the Company may determine that the annual bonus, in whole or a material part thereof, will be based on discretion, as will be determined by them (and it will not be subject to the terms and conditions as stated in section 7.2.3 below), provided that it will not exceed the ceiling as stated in section 7.2.1 above. With respect to the CEO, the Discretionary Bonus Component will not exceed three monthly salaries.

7.2.3 It should be emphasized that a threshold condition for the granting of a bonus in respect of a Target-Based Bonus Component for a certain calendar year is the existence of a Net Profit of no less than \$70 million according to the Company's annual financial reports for that year (hereinafter: the "**Minimum Profit**").¹⁰

7.2.4 In the framework of the Target-Based Bonus Component, the Compensation Committee and the Board of Directors of the Company will choose between two and six targets, which will be measurable performance targets or measurable financial targets, out of the following targets: meeting the budget, net profit, net debt, milestones in the making of investments in accordance with the Company's strategy, the disposal of assets, financial costs, return to shareholders, cash flow, debt raising (including issues/debt refinancing), the making of a strategic transaction (including restructuring) in the Company's holdings in the companies held by it (both present and future), the achievement of targets from the strategic plan that will be determined by the Company, savings in costs and expenses, regulatory

¹⁰ It is hereby clarified that the granting of the Discretionary Bonus Component will not be subject to the Minimum Profit.

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targets¹¹; and they will also determine the *pro rata* weight for each target, which will be not less than 15% with respect to each target.

7.2.5 The selection of the structure of the Target-Based Bonus Component, the targets and the weighting for the bonus will be determined by the Compensation Committee and the Board of Directors, as set forth above, each year in advance, no later than by the end of March of the said year, and it will be examined in a detailed manner.¹²

7.2.6 When the Compensation Committee and the Board of Directors of the Company come to determine the structure of the Target-Based Bonus Component, it will be decided, for each target, whether it will be measured in accordance with one of the following two alternatives:

- (a) The designated target alternative – in accordance with this alternative, a measurable target threshold will be determined with respect to each target that will be derived from the work plan (budget) or directly from a parameter that needs to be modified or achieved (hereinafter: the “**Designated Target Threshold**”). If the Officer complied with the Designated Target Threshold, he will be entitled to the full compensation in respect of the said target; however, if the Officer failed to comply with the Designated Target Threshold, he will not be entitled to any compensation at all in respect of the said target;
- (b) The linear alternative – the Compensation Committee and the Board of Directors of the Company will make use of the rules as set forth below:
 - (i) For each target, a quantitative Designated Target Threshold will be determined, as defined in Section 7.2.6(a) above.
 - (ii) For each target, a quantitative lower threshold will also be determined, and it will be not less than 80% of the Designated Target Threshold. In the event of failure to comply with the lower threshold, no bonus whatsoever will be paid in respect of the specific target.

¹¹ Naturally, the Company’s work plan and its strategic plan contain confidential, private and sensitive information, disclosure of which could harm the Company’s best interests.

¹² It should be noted that the amount of the annual bonus for the VPs in respect of 2019 will be calculated in accordance with the bonus formula that is set forth in the Company’s previous compensation policy; however, upon the determination of the Compensation Policy, the payment of the bonus in respect of 2019 will not be subject to the annual bonus payment schedule provisions of the Current Compensation Policy, and it will be paid in full, upon and subject to the approval thereof. The annual bonus formula that is set forth in this Compensation Policy will be in effect commencing from the bonus in respect of 2020.

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- (iii) Compliance with the lower threshold will enable the granting of the bonus at a certain percentage of the bonus in respect of the specific target, and compliance with the Designated Target Threshold (100%) will enable the granting of the full compensation with respect to that target. Compliance at a rate ranging between the lower threshold and the Designated Target Threshold will enable the granting of a bonus that will be calculated in a linear manner (with respect to the difference between the lower threshold and the Designated Target Threshold).

7.2.7 The “exclusion” of exceptional events – exceptional events and/or events that are not related to the current activities of the Company and/or of companies held by the Company, as stated below, will be excluded from the cancellation of the performance for the purpose of the Target-Based Bonus Component, so that they will not affect the eligibility to the annual bonus and the calculation thereof during the Bonus Year in which the said events occurred, provided that their impact was not taken into account in the Company’s budget for the Bonus Year:

- (a) Exclusions that were made in respect of the said fiscal year by Israel Chemicals Ltd., Oil Refineries Ltd. and another company in which the Company has a material impact in connection with annual bonuses to the Officer at these companies.
- (b) Effects of investment accounting on the Company, which were not budgeted for, such as: changes in the accounting treatment as a result of going into consolidation or coming out of consolidation, an increase/decrease of control, any other change in the manner of the accounting treatment of an investment (for example, a transition from equity to assets designated for sale, etc.), disposals, amortizations, revaluations.
- (c) The exclusion of the effect of accounting results, which were not budgeted for, in respect of mergers, acquisitions or disposals.
- (d) The exclusion of accounting profit or loss, which was not budgeted for, arising from an event that is not backed by the receipt or withdrawal of cash flow, such as: the effect of expenses or income as a consequence of previous claims, deferred taxes.
- (e) The exclusion of the effect of financial and capital transactions, which were not budgeted for, such as: derivatives, COLLAR, the replacement

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and revenue of financial assets, the issue of securities with a discount/premium.

- (f) The exclusion of the effect of changes in accounting standardization, which were not budgeted for.

For the purpose of the provisions of this section, the "Company" means the Company and the Company's Corporate Headquarter Companies, as defined in the section of definitions in the Chapter of the Corporation's Business in the Company's Periodic Report for 2018.¹³ It should be clarified that notwithstanding the foregoing, the Compensation Committee and the Board of Directors will be entitled to determine that they will not make such an exclusion or that they will make an exclusion of an exceptional event that has not been included above, provided that with respect to the CEO only, the supplement, as a consequence of the non-making of such exclusion or the making of another exclusion, together with the Discretionary Bonus Component, will not exceed the maximum Discretionary Bonus Component as stated in section 7.2.2 above.

- 7.3 Upon the determination of this Policy, the Compensation Committee may determine that amounts that were scheduled in respect of the annual bonus for 2018, in accordance with the provisions of the Company's previous compensation policy, will be paid to the Officers on the date of the payment of the annual bonus for 2019.¹⁴

7.4 **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, including, and without derogating from the generality of the foregoing, in the event of a significant deviation from the Company's risk management policy.

7.5 **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 reports on the basis of which the bonus is given. Without derogating from the said commitment, the Company

¹³ Which was published on March 19, 2019, and which is presented by way of incorporation by reference (Reference No.: 2019-01-024244).

¹⁴ For additional details regarding the Company's former compensation policy see company's reports from 28.6.2018 and from 9.7.2018 (Reference No.: 2018-01-057546 and 2018-01-062016) (hereinafter and foregoing: "the Previous Compensation Policy").

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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.

7.6 As stated above, in the event of the termination of employment during a Bonus Year, an Officer will be entitled to a *pro rata* bonus in respect of the period during the said Bonus Year in which the Officer continued to actually serve in his position (including during the advance notice period), subject to the terms of eligibility to an annual bonus in respect of the said Bonus Year, and it will be paid on the date of the payment of the annual bonuses to the Officers who will be serving at the Company at that time (as stated in sections 7.2.1 to 7.2.7 above). The Officer will not be entitled to an annual bonus (or to a *pro rata* share thereof) in the event of the termination of his office under circumstances in which severance pay can be denied by law.

8. **Special Bonus**

8.1 The Compensation Committee and the Board of Directors of the Company see the importance in 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 restructuring, spin-off, sale of holdings/activities or merger) of exceptional significance and complexity 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, to officers who are VPs, a special bonus of up to three monthly salaries, only once during the period of this Compensation Policy, taking into consideration the VP's contribution to the advancement of the transaction and completion thereof, the special efforts that were devoted by him beyond the usual scope of his position, 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 he is entitled after completion of the transaction.

9. **Equity Base Compensation**

9.1 **Objective**

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Equity base compensation is intended to create an alignment between the shareholders' interests and the Officers' compensation, thereby creating appropriate incentives for the Officers to maximize the Company's value for the long-term.

- 9.2 Accordingly, the Company may adopt a equity base compensation plan at the Company, which is based on granting units of restricted shares and/or restricted shares (whether or not performance-dependent) and/or option warrants convertible into shares of the Company, or a combination of them, the allocation and vesting of which will be in accordance with what is set forth below (hereinafter: "**Equity Base Compensation at the Company**") and the "**Equity Base Compensation Plan**," as applicable). The granting of the Equity Base Compensation at the Company to the Officers may be executed in the format of an annual grant (i.e., the allocation of equity base compensation units each year) or in the format of a periodic grant (such as the granting of equity base compensation units once every three/four years).

Within this Compensation Policy, the possibility is formalized of granting Equity Base Compensation at the Company to the VPs and to the directors (as stated in section 10 below) only, and all as set forth below.

- 9.3 In addition, in accordance with the Company's updated business strategy, as reported by the Company on March 13, 2019 (Reference No. 2019-01-021592), the Company will also aspire to maximize the value for its shareholders from new investments, in a format that is similar to the private equity format. Therefore, subject to completion of the Company's engagement in a new investment¹⁵ (hereinafter: the "**Investment Transaction**" and the "**Acquired Company**," respectively), should it be implemented, the Officers are likely to receive, without consideration, equity base compensation that will consist of option warrants convertible into shares of the Acquired Company (hereinafter: the "**Options in Acquired Companies**" or the "**Equity Base Compensation in Acquired Companies**") in accordance with the principles set forth in this section below.¹⁶

¹⁵ The Compensation Committee and the Board of Directors may approve the receipt of shares by the Company as a result of a spin-off proceedings, merger or restructuring of the companies held by the Company being deemed to be an investment transaction for the purpose of the granting of equity base compensation, as stated below.

¹⁶ It is clarified that the Company's incumbent CEO as of the date of the determination of this Compensation Policy is entitled to Equity Base Compensation in Acquired Companies.

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9.4 With respect to an Officer who is a VP – the maximum fair value¹⁷ of the Equity Base Compensation at the Company will not exceed nine times the monthly salary of the Officer for any year (it will be calculated in accordance with the result that is obtained by dividing the fair value of the equity base compensation on the date of the grant thereof by the number of vesting years, and in such a manner that is not necessarily in accordance with the accounting entry of the expense) (hereinafter: the “**Fair Value Ceiling at the Company**”). The maximum fair value per year of the Equity Base Compensation in Acquired Companies will not exceed the difference between the Fair Value Ceiling at the Company and the fair value of the Capital Compensation at the Company that was actually granted to the Officer, when this difference is multiplied by 1.33¹⁸ (hereinafter: the “**Fair Value Ceiling at Acquired Companies**”). It is clarified that in accordance with this Policy, equity base compensation will not be granted to a VP only at the Acquired Companies.

9.5 The granting of equity base compensation to Officers of the Company by virtue of a Equity Base Compensation Plan and Options in Acquired Companies will be subject to obtaining the approval of the Compensation Committee and the Board of Directors of the Company. The scope of the equity base compensation and the concrete terms and conditions for the allocation to each one of the Officers, including the mix of the equity base compensation that may include Equity Base Compensation at the Company or a combination of Equity Base Compensation at the Company and Options in Acquired Companies, will be determined in accordance with the provisions of the Compensation Policy, as set forth below, and also in accordance with his position, the actions and the contribution of each one of the Officers to the Company’s performance, in accordance with the assessment by the Compensation Committee and the Board of Directors of the Officer’s ability to contribute to the achievement of the Company’s goals in the long-term, and the Company’s aspiration to retain the Officer at the Company for the long-term.

9.6 Principles of the Equity Base Compensation at the Company

9.6.1 At the time of the determination of a Equity Base Compensation Plan at the Company, as stated above, this Plan, as well as the Equity Base Compensation

¹⁷ The value as of the date of the grant, when the economic value will be determined in accordance with the Black-Scholes model or with the binomial model or with any other generally accepted economic model for the performance of valuations, as will be determined by the Compensation Committee.

¹⁸ For example, in the event that Equity Base Compensation at the Company was granted to an officer in the value of six salaries per year, then the Fair Value Ceiling at Acquired Companies will equate to four salaries per year.

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at the Company and the allocation thereof to the Officers, will be brought for approval by the Compensation Committee and the Board of Directors of the Company. It should be clarified that the Compensation Committee and the Board of Directors of the Company may determine additional provisions regarding the Equity Base Compensation Plan for the Officers of the Company, and they may also update, from time to time, the terms, conditions and provisions thereof, provided that the said modification or update will not contradict the provisions that have been set forth in the Compensation Policy.

- 9.6.2 The vesting period of the equity base compensation will be at least three years from the date of the allocation, and each year, the *pro rata* share of the amount of the securities that was allocated to the Officer will vest (hereinafter: the “**Vesting Period**”).

The Vesting Period is intended to serve as an incentive from a long-term perspective. Nevertheless, the Company may determine provisions in the Capital Compensation Plan with respect to the acceleration of the Vesting Period, such as in the event of the termination of employment, retirement, restructuring, a change of control in the Company or other events, in accordance with the discretion of the Compensation Committee and the Board of Directors.

- 9.6.3 In the event of the allocation of options, the options may be exercised during the exercise period. Options that have not been exercised will expire at the expiration of the exercise period, as will be determined by the Compensation Committee and the Board of Directors, and it will not exceed seven years from the date of the grant. After the expiration of the options, they will be devoid of any value whatsoever.

- 9.6.4 In the event of the allocation of options to Officers, the options will be exercisable at a price that will be, at the very least, the average share price of the Company's share during the 30 Stock Exchange trading days that preceded the resolution of the Company's Board of Directors on the allocation or the Company's share price on the Stock Exchange at the end of the trading day that preceded the date of the allocation, whichever is the higher of the two, plus a premium of 5% above the said price. In the event of restricted shares, they will be granted without an exercise price.

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- 9.6.5 The Company may determine, in the Equity Base Compensation Plan, provisions with respect to a cashless exercise mechanism, so that at the time of the exercise of options, the Officer will be entitled to such number of exercise shares that will reflect the benefit component only, as well as provisions with respect to the Company's right to purchase the shares from the Company's employees.
- 9.6.6 In addition, the terms and conditions of the Equity Base Compensation at the Company will include adjustments, in keeping with standard practice, to protect the offeree, such as in events of the distribution of a dividend at the Company, the distribution of bonus shares, the issue of rights, a merger, the purchase or sale of assets, a restructuring, the alteration of capital, and so on and so forth.
- 9.6.7 The equity base compensation may be granted in accordance with the provisions of Section 102 of the Income Tax Ordinance (New Version) 5721-1961 (hereinafter: the "**Ordinance**"), or any provision that will replace or modify same, and it may be done in accordance with another tax track that is optimal as far as the Officers are concerned, as will be determined from time to time.
- 9.6.8 On the date of the approval of the Equity Base Compensation Plan, the Company's shares that may arise from any Equity Base Compensation Plan for all of the Officers who are VPs, which is in effect at the said time, will not constitute more than one percent of the Company's paid-up and issued share capital (after the allocation and on a fully diluted basis).
- 9.6.9 The Equity Base Compensation Plan will include terms and conditions with respect to the vesting and/or exercise of the equity base compensation by the Officer in the event of the termination of office under different circumstances.
- 9.6.10 As aforesaid, the principles as set forth above reflect the main terms and conditions of the Capital Compensation at the Company for the Officers of the Company. The rest of the provisions that pertain to the allocation of the Equity Base Compensation at the Company will be determined in the Equity Base Compensation Plan, and, *inter alia*, provisions with respect to the rights of the Officers in connection with the units of restricted shares and/or restricted shares and/or options to shares; tax aspects; the manner of exercise, etc. The

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Compensation Committee and the Board of Directors will be able to determine additional provisions in connection with the Equity Base Compensation at the Company and they will also be able to update, from time to time, the terms, conditions and provisions thereof, provided that the said modification or update will not deviate from the ceilings for the equity base compensation as set forth above.

9.7 Principles of the Equity Base Compensation in Acquired Companies

9.7.1 Subject to the making of investment transactions, the Options in Acquired Companies will be granted to Officers in such a manner that the Acquired Company will allocate to the Officer the Options in the Acquired Company (in the framework of the investment transaction or as an undertaking to make the allocation on a future date, around the time of the investment transaction). The Compensation Committee and the Board of Directors of the Company will approve the scope of the Equity Base Compensation in Acquired Companies that will be allocated to the Officers who are VPs out of the Fair Value Ceiling at Acquired Companies. It should be clarified that the Officer will be entitled to one grant only of equity base compensation at each Acquired Company.

9.7.2 If, at the time of the making of an investment transaction, an additional investment transaction is expected in the very same year, the Compensation Committee will determine the value of the equity base compensation that will be granted to the Officer in respect of each investment transaction out of the Fair Value Ceiling at Acquired Companies.

9.7.3 In the event of the completion of an additional investment transaction during the last three months of the year after the entirety of the Fair Value Ceiling at Acquired Companies was allocated for the year, to any Officer, the Compensation Committee and the Board of Directors may approve bringing forward equity base compensation in respect of the additional investment, out of and on account of part of the Fair Value Ceiling at Acquired Companies for the following year for the said Officer, in a scope that will not exceed 33.33% of the Fair Value Ceiling at Acquired Companies for the following year. In the event that equity base compensation is brought forward, as aforesaid, the period between the allocation date and up until the commencement of the following year will be added to the vesting period for the first tranche of the equity base compensation in the additional investment.

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It is clarified that the provisions of this section 9.7.3 above will apply with respect to Equity Base Compensation in Acquired Companies for all of the Officers (who are not directors), including the Company's incumbent CEO as of the date of the determination of this Policy.¹⁹

- 9.7.4 The Equity Base Compensation in each Acquired Company which is granted to all of the Officers who are VPs of the Company will not exceed 3% of the issued capital/ the rights of the said Acquired Company (assuming the full exercise of the Options in the Acquired Company).
- 9.7.5 The Vesting Period of the equity base compensation will be at least three years from the date of the allocation, and each year, the *pro rata* share of the amount of the securities that was allocated the Officer will vest.
- 9.7.6 The Options in Acquired Companies will be exercisable up until the expiration of a period that will not exceed seven years from the date of the grant.
- 9.7.7 The exercise price of the options in Acquired Companies will be the price at which the Company made the preliminary investment (including capital investments and shareholders' loans) in the Acquired Company (hereinafter: the "**Company's Investment Price**"). Notwithstanding the foregoing, should the Acquired Company be a public company whose shares are traded on the Stock Exchange, the exercise price will be the Company's Investment Price or the price of the Acquired Company's share according to the closing price on the last trading day that preceded the date of the completion of the investment transaction, whichever is the higher of the two.
- 9.7.8 The mechanism for the exercise of the Options in Acquired Companies will be a cashless option exercise mechanism, unless the Officer chooses exercise for consideration.
- 9.7.9 The terms and conditions of the Options in Acquired Companies will include adjustments, in keeping with standard practice, to protect the offeree, such as in events of the distribution of a dividend at the Company, the distribution of bonus shares, the issue of rights, a merger, the purchase or sale of assets, a restructuring, the alteration of capital, etc., as well as adjustments in respect of payments that will be received by the Company and that were included in the

¹⁹ And this is without derogating from the rest of the terms and conditions for the granting of the Capital Compensation in Acquired Companies.

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value of the preliminary investment (such as the repayment of shareholders' loans, the payment of capital notes, the redemption of redeemable securities, etc.).

9.7.10 The terms and conditions of the Options in Acquired Companies will include the full acceleration of the Vesting Periods in cases that arise from a change of control in the Acquired Company, from exit events at the Acquired Company, such as an issue, merger (including a reverse triangular merger), a transaction for the sale of all or most of the Acquired Company's assets, in the event that the Company sells most of its holding in the Acquired Company (directly or indirectly), or any other event whose outcome shall be similar, in nature, to the aforesaid events.

9.7.11 In any event of the termination of office of an Officer (hereinafter: the "**Termination of Office**"), the terms and conditions as set forth below will apply to the Capital Compensation in Acquired Companies:

(a) The day of the Termination of Office will be the day on which notice of the Termination of Office was received or given (hereinafter: the "**Day of the Termination of Office**").

(b) On the Day of the Termination of Office, all of the Equity Base Compensation in Acquired Companies whose Vesting Period has not yet ended will expire, and it will be devoid of all validity.

(c) The Options in Acquired Companies that were allocated and whose Vesting Period has ended by the Day of the Termination of Office will be exercisable by the Officer, by the expiration of the exercise period or up until the expiration of 12 months from the Day of the Termination of Office, whichever is the earlier of the two dates. For the avoidance of doubt, it is hereby clarified that the 12-month period (which commences on the Day of the Termination of Office) during which time the Officer is entitled to exercise the Options in Acquired Companies will not form part of the Vesting Period.

9.7.12 It should be clarified that the aforesaid provisions will be subject to the making of taxation decisions, should such decisions need to be made, and to the content of such decisions, and they will also be subject to the provisions of the

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Equity Base Compensation Plan, if any, and to the provisions of any other relevant law.

9.7.13 Upon the actual allocation of the Options in Acquired Companies, written notice will be given to the Officer with respect to the allocation of the Options in the Acquired Company (hereinafter: the “**Allocation Document**”). The Allocation Document will specify, *inter alia*, the terms and conditions of the Equity Base Compensation in the Acquired Company (for example, the number of options, the exercise price, the vesting period, the expiration date, the tax track that applies to the options, the manner of exercise, transferability, and any other term or condition that is related to the granting of the Capital Compensation in the Acquired Company), provided that the terms and conditions are in accordance with the Company’s Compensation Policy and with the applicable law.

9.7.14 The Officer will be given the possibility of choosing the taxation track for the Equity Base Compensation in the Acquired Company, including options that will be held through a trustee pursuant to the provisions of section 102 of the Ordinance. The Officer will sign any declaration or document as required for the purpose of the allocation, including a declaration that he is aware of the provisions of the tax track that is applicable to him and, insofar as required, also that he agrees to what is stated in the Deed of Trust that will be signed between the Company or the Acquired Company and a trustee in connection with the options in the Acquired Company.

9.7.15 Should there be any tax liability or any other compulsory payment (National Insurance contributions, national health tax, etc.) in respect of and/or following the allocation of the Equity Base Compensation in Acquired Companies to the Officer, an exercise into shares, the sale of the exercise shares, the receipt of a dividend or any other benefit in respect of the Equity Base Compensation in Acquired Companies or the exercise shares, the Officer will solely bear the said charge.

9.7.16 The terms and conditions of the Options in Acquired Companies may include provisions pursuant to which at the time of the exercise in a particular Acquired Company, the exercise amount that will be transferred to the Officer following the exercise will take into consideration the amount of the gross aggregate profit that is attributed to the Company from all of the investments

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in the Acquired Companies at the time of the exercise. Should amounts remain that were not transferred to the Officer due to the foregoing, these will be kept and transferred to the Officer while taking into consideration the increase in the aggregate profit in the coming years.

10. **Compensation of Directors**

10.1 **Objective**

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

10.2 **The Compensation for the Directors**

10.2.1 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 time²⁰.

²⁰ 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.

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10.2.2 Furthermore, in addition to the compensation as stated in section 10.2.1 above, and with the objective of strengthening the connection between the directors' compensation and the interests of the Company's shareholders, the Company may, subject to the approvals as required pursuant to law, grant to the directors (including outside directors in accordance with the Remuneration Regulations) Equity Base Compensation at the Company only, in accordance with the provisions of the Remuneration Regulations and with the Equity Base Compensation Plan that will be determined by the Company, and in accordance with what is set forth below:

(a) The annual fair value of the equity base compensation for directors will not exceed NIS 100,000 per year or 50% of the maximum amount in accordance with the Remuneration Regulations, whichever is the lower of the two said amounts.

(b) It will be possible to allocate Equity Base Compensation at the Company to the directors each year, for a period of three years, which will vest, in full, at the expiration of one year from the allocation date, and it will be exercisable during a period of one year from the aforesaid vesting date, or, in the alternative, it will be possible to make the allocation in the format of a periodic grant for three years, when the *pro rata* share of the grant will vest each year, and each tranche that has vested will be exercisable during a period of one year from the vesting date. A director who has completed his term in office will be entitled to the vesting of a *pro rata* share of the equity base compensation as of the date of the termination of his office (without full acceleration of the entire allocated quantity).

(c) In the event of allocation of options to the directors, the options will be exercisable at a price that will be not less than the average share price of the Company's share during the 30 Stock Exchange trading days that preceded the resolution of the Company's Board of Directors on the allocation or the Company's share price on the Stock Exchange at the end of the trading day that preceded the date of the allocation, whichever is the higher of the two.

10.2.3 In addition, all the directors (as well as the other officers) shall be entitled to such terms of

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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 organs²¹, 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.

10.2.4 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.

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

11. **Other Issues and Aspects**

11.1 The Company's policy is that the Company's Officers (including Officers who are not directors) shall be entitled to such indemnity and insurance arrangements as permitted pursuant to law, the Company's Articles and the resolutions of the competent organs, including the arrangements of letters of indemnity for the Officers of the Company and insurance coverage, as have been and shall be approved at the Company's general meetings²², 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. In the framework of part of the existing letters of indemnification for current Officers of the Company, an instruction is included according to which the Company exempt in advance an officer from his liability for damage caused and/or to be caused in the future by him to the Company as a result of a violation of his duty of care towards the Company. In the framework of the Company's compensation policy, the officers, as aforesaid, who are serving at the Company as of the date of approving this compensation policy shall continue to be entitled for indemnification letter that includes the abovementioned exempt in

²¹ 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, 27.12.2017, 13.9.2018, 4.10.2018, 30.1.2019, 19.2.2019, 16.6.2019 and 27.6.2019).

²² As stated in footnote 13, *supra*.

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advance. However, new Officers who do not hold a position in the Company as of the date of approving this policy shall be entitled for an indemnification letter without the mentioned instruction concerning exempt in advance from liability.

11.2 Officers' insurance

11.2.1 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 future²³.

11.2.2 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, will not materially effect the Company's profitability, assets or liabilities, and consistent with the principles of the framework set out in the Compensation Policy.

11.2.3 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;

²³All 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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(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.

11.2.4 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.

11.3 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 employees²⁴, including the ratio to the average salary and to the median salary of such employees²⁵, 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*²⁶, are not relevant to the

²⁴ As of the present time, no contractor's employees are employed at the Company.

²⁵ 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.

²⁶ For details regarding the ratio between the cost of employment of the Company's incumbent CEO (who assumed office on July 1, 2019) as of the date of the approval of this Policy and the average and median cost of employment of the Company's other employees in accordance with the salary data at the Company for 2018, see Footnote No. 18 of the Company's Immediate Report of the Convening of a General Meeting dated June 16, 2019 (Reference No.: 2019-01-059392).

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

12. **General**

- 12.1 The Company's engagement in employment agreements with the Officers and/or any grant of compensation to the Officers may be made through the Company directly or through a wholly-owned subsidiary of the Company and with regard to Equity Base Compensation in an Acquired Company, it may be given through receipt of the Equity Base Compensation in the Acquired Company directly from the Acquired Company.
- 12.2 The engagement with an Officer in connection with his terms of employment and office may be done with a company wholly controlled by the Officer (*mutatis mutandis*, with the objective of maintaining the equivalent amount of compensation), provided that the engagement will include terms and conditions, to the satisfaction of the Compensation Committee and the Board of Directors of the Company, pursuant to which the undertakings and the services to be provided to the Company shall be performed personally by the Officer.
- 12.3 The Company's engagement with the Officers may be done for a specified period of time or for an unspecified period of time.
- 12.4 The Compensation Committee and the Board of Directors of the Company shall examine from time to time the need to update the Compensation Policy in accordance with the circumstances of the matter and subject to the law.
- 12.5 Subject to the provisions of any law, the Compensation Policy shall not derogate from existing agreements, and it shall not derogate from the terms of office and employment or compensation which had been approved prior to the determination of the Compensation Policy.
- 12.6 The Compensation Policy contains general principles for the compensation of Officers of the Company as of the date of approval of the Policy, whilst the actual compensation and the terms entailed in the application of the said principles shall be determined by the Compensation Committee and/or the Board of Directors of the Company, in accordance with the purpose thereof and the Company's best interests. The actual compensation, in accordance with the foregoing, shall be submitted for obtaining the requisite approvals.

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- 12.7 Wherever the Compensation Policy determines that the Compensation Committee or the Board of Directors has the authority to approve a particular action, the authority shall be conferred on the Compensation Committee or the Board of Directors (as the case may be) to do so in their discretion, without requiring additional approval (subject to the provisions of mandatory law).
- 12.8 The amounts paid to the Officers shall be gross, and subject to deduction as required by law.
- 12.9 It is clarified that the Officers may, in their discretion, waive any compensation component to which they will be entitled, on a one-time basis or for a period, without derogating from their eligibility to the rest of the terms and conditions of office and employment (and without derogating from the Officer's eligibility to receipt of the compensation that he waived).
- 12.10 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. In addition, any modification of the terms of office whose effect on the total annual cost of the relevant officer is not greater than 10% will not constitute a deviation from the provisions of this Compensation Policy (including in the event of a deviation from the ceilings of the components that have been determined in the Compensation Policy).
- 12.11 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.

12.12 Wherever the provisions of the law, as will be in effect from time to time, allow the granting of concessions pertaining to the manner of compensation of Officers and/or pertaining to the manner of the proceedings for the approval of compensation for Officers, subject to the approval of the Compensation Committee and the Board of Directors of the Company, these provisions will apply to the Company and they will form part of this Compensation Policy.

12.13 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

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 a holding company.
- 1.2. In the determination of the Compensation Policy for the officers, various considerations were taken into account, *inter alia*, the position of the officers, the current terms and conditions of office at the Company, the managerial inputs required in the management of a company of this sort, the areas of responsibility of the officers and the officers’ contribution to the achievement of the Company’s objectives and to maximizing the Company’s profits and for the benefit of its shareholders, with a long-term perspective.
- 1.3. The objectives of this Compensation Policy are, *inter alia*, as set forth below:
 - 1.3.1. To retain the officers serving at the Company, who possess the skills and qualifications as required, and who also possess experience and knowledge of the Company, its characteristics and its various investments and the needs and requirements thereof;
 - 1.3.2. To advance the Company’s ability to recruit to its ranks, in accordance with its needs, new officers, with the appropriate experience and qualifications;
 - 1.3.3. To create the appropriate incentives for the officers of the Company to act to maximize the Company’s value and to advance its objectives in the long-term, taking into consideration, *inter alia*, the Company’s risk management policy;
 - 1.3.4. To provide a basis for compensating the officers, by incorporating fixed components and variable components, in such a manner so as to tie a part of

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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, and while taking into consideration the Company's objective to strengthen the alignment of the directors' interests with all of the shareholders' interest in maximizing the Company's value.

1.5-1.4. **Definitions:**

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

“**Annual Financial Reports**” – the audited and consolidated annual financial reports 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 Law¹;

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

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

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

“**Compensation Regulations**” – Companies Regulations (Rules Regarding Compensation and Expenses for Outside Directors), 5760-2000 (or any provisions of the law which shall replace and/or amend same).

¹ Notwithstanding the foregoing, with regard to the terms of compensation for directors (including outside directors), see section 9-10 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, unless stated otherwise.

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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~~ special bonuses;
- 2.5 Equity base 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.

During the period of the Compensation Policy, no more than five VPs will serve in office at the Company.

It should be emphasized that the terms and conditions of office and employment of the Company's incumbent CEO, as of the date of the determination of this Compensation Policy, were approved by the General Meeting of the Company's shareholders that was held on June 27, 2019,² and this Compensation Policy does not derogate from the terms and conditions of office that were approved by the aforesaid General Meeting.

It should be noted that there has been no change to the terms and conditions of the Company's incumbent CEO, and with respect to the provisions regarding the Capital Compensation in Acquired Companies, see section 9.7.3 below.

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%~~ ~~30% - 55%~~ (in accordance with the position of the Officer, and the terms of his employment)³. 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.

² As stated in the Report Convening a Meeting of the Company dated June 16, 2019 (Reference No. 2019-01-059392), which is presented by way of incorporation by reference.

³ With regard to this estimated range: (a) the retirement pay 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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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.

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)⁴;

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 experience⁵;

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 to other companies, however,

⁴ 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 determination of this Compensation policy is that the Officers of the Company (with the exception of the Company's CEO as of the date of the determination of this Policy) will not receive compensation from companies held by the Company in respect of their serving in office thereat, with the exception of Equity base Compensation in Acquired Companies, as set forth in section 9.7 below, insofar as granted.

⁵ 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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in any event, not beyond the maximum salary as set forth in section 4.4 below;

4.3 The Salary shall be linked to the Consumer Price Index, and the index known on the date of determination of the Salary shall serve as the base index.

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

4.4.1 CEO of the Company: a monthly salary of up to NIS 135,000;

4.4.2 VP: a monthly salary of up to NIS 90,000;

It shall be noted that the maximum amounts, as set forth above, are deemed to be the upper salary threshold limit, and therefore, they are not intended to reflect the current salary of any of the Officers⁶.

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 by 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, 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 leave, provisions and deposits to pension funds/ senior employees' insurance plans, a continuing education fund, incapacity to work insurance, 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 year⁷.

⁶ The above-mentioned amounts have been determined, *inter alia*, taking into consideration the fact that Officers are additionally entitled to a "13th 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 by 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 objectives⁸.

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 notice⁹:

6.2.1 **Advance notice:** as part of the terms of office and employment of the Officers, the Officers of the Company shall be entitled to an advance notice period in any event of termination of their office, except in cases where severance pay may be denied pursuant by 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

⁷ 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.

⁸ 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.

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

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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 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 to the adjustment period.

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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 to 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 an additional 10%, taking into consideration the period in office served by the CEO, his 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 only to the five senior Officers.

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 **and with the goals from its strategic plan**, 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 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.

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

7.2.2 The annual bonus for the Officers will be based on measurable criteria, which are derived from the Company's actual performance during the relevant calendar year with respect to the targets that were set in the work plan, in advance, with respect to the said year (hereinafter: the "Target-Based Bonus Component"), with the exception of an immaterial part of the bonus which will be based on discretion (hereinafter: the "Discretionary Bonus Component"). Notwithstanding the foregoing, with respect to Officers who are subordinate to the CEO (VPs), the Compensation Committee and the Board of Directors of the Company may determine that the annual bonus, in whole or a material part thereof, will be based on discretion, as will be determined by them (and it will not be subject to the terms and conditions as stated in section 7.2.3 below), provided that it will not exceed the ceiling as stated in section 7.2.1 above. With respect to the CEO, the Discretionary Bonus Component will not exceed three monthly salaries.

~~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 in respect of a Target-Based Bonus Component for a certain calendar year is the existence of a Net Profit of no less than \$~~65-70~~ million according to the Company's annual financial reports for that year (hereinafter: the "**Minimum Profit**").¹⁰

~~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.~~

¹⁰ It is hereby clarified that the granting of the Discretionary Bonus Component will not be subject to the Minimum Profit.

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~~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 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	65	0	0	0	0
65	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.

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

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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 Year¹¹ 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:~~

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

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

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

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~~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.~~

~~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~~

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~~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.~~

~~7.2.4 In the framework of the Target-Based Bonus Component, the Compensation Committee and the Board of Directors of the Company will choose between two and six targets, which will be measurable performance targets or measurable financial targets, out of the following targets: meeting the budget, net profit, net debt, milestones in the making of investments in accordance with the Company's strategy, the disposal of assets, financial costs, return to shareholders, cash flow, debt raising (including issues/debt refinancing), the making of a strategic transaction (including restructuring) in the Company's holdings in the companies held by it (both present and future), the achievement of targets from the strategic plan that will be determined by the Company, savings in costs and expenses, regulatory targets¹²; and they will also determine the *pro rata* weight for each target, which will be not less than 15% with respect to each target.~~

~~7.2.5 The selection of the structure of the Target-Based Bonus Component, the targets and the weighting for the bonus will be determined by the Compensation Committee and the Board of Directors, as set forth above,~~

¹² [Naturally, the Company's work plan and its strategic plan contain confidential, private and sensitive information, disclosure of which could harm the Company's best interests.](#)

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each year in advance, no later than by the end of March of the said year, and it will be examined in a detailed manner.¹³

7.2.6 When the Compensation Committee and the Board of Directors of the Company come to determine the structure of the Target-Based Bonus Component, it will be decided, for each target, whether it will be measured in accordance with one of the following two alternatives:

(a) The designated target alternative – in accordance with this alternative, a measurable target threshold will be determined with respect to each target that will be derived from the work plan (budget) or directly from a parameter that needs to be modified or achieved (hereinafter: the “Designated Target Threshold”). If the Officer complied with the Designated Target Threshold, he will be entitled to the full compensation in respect of the said target; however, if the Officer failed to comply with the Designated Target Threshold, he will not be entitled to any compensation at all in respect of the said target;

(b) The linear alternative – the Compensation Committee and the Board of Directors of the Company will make use of the rules as set forth below:

(i) For each target, a quantitative Designated Target Threshold will be determined, as defined in Section 7.2.6(a) above.

(ii) For each target, a quantitative lower threshold will also be determined, and it will be not less than 80% of the Designated Target Threshold. In the event of failure to comply with the lower threshold, no bonus whatsoever will be paid in respect of the specific target.

(iii) Compliance with the lower threshold will enable the granting of the bonus at a certain percentage of the bonus in respect of the specific target, and compliance with the Designated Target Threshold (100%) will enable the granting of the full compensation with respect to that target. Compliance at a rate ranging between the lower threshold and the Designated Target Threshold will enable the granting of a bonus that will be

¹³ It should be noted that the amount of the annual bonus for the VPs in respect of 2019 will be calculated in accordance with the bonus formula that is set forth in the Company’s previous compensation policy; however, upon the determination of the Compensation Policy, the payment of the bonus in respect of 2019 will not be subject to the annual bonus payment schedule provisions of the Current Compensation Policy, and it will be paid in full, upon and subject to the approval thereof. The annual bonus formula that is set forth in this Compensation Policy will be in effect commencing from the bonus in respect of 2020.

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calculated in a linear manner (with respect to the difference between the lower threshold and the Designated Target Threshold).

7.2.7 The “exclusion” of exceptional events – exceptional events and/or events that are not related to the current activities of the Company and/or of companies held by the Company, as stated below, will be excluded from the cancellation of the performance for the purpose of the Target-Based Bonus Component, so that they will not affect the eligibility to the annual bonus and the calculation thereof during the Bonus Year in which the said events occurred, provided that their impact was not taken into account in the Company’s budget for the Bonus Year:

- (a) Exclusions that were made in respect of the said fiscal year by Israel Chemicals Ltd., Oil Refineries Ltd. and another company in which the Company has a material impact in connection with annual bonuses to the Officer at these companies.
- (b) Effects of investment accounting on the Company, which were not budgeted for, such as: changes in the accounting treatment as a result of going into consolidation or coming out of consolidation, an increase/decrease of control, any other change in the manner of the accounting treatment of an investment (for example, a transition from equity to assets designated for sale, etc.), disposals, amortizations, revaluations.
- (c) The exclusion of the effect of accounting results, which were not budgeted for, in respect of mergers, acquisitions or disposals.
- (d) The exclusion of accounting profit or loss, which was not budgeted for, arising from an event that is not backed by the receipt or withdrawal of cash flow, such as: the effect of expenses or income as a consequence of previous claims, deferred taxes.
- (e) The exclusion of the effect of financial and capital transactions, which were not budgeted for, such as: derivatives, COLLAR, the replacement and revenue of financial assets, the issue of securities with a discount/premium.
- (f) The exclusion of the effect of changes in accounting standardization, which were not budgeted for.

For the purpose of the provisions of this section, the “Company” means the Company and the Company’s Corporate Headquarter Companies, as defined in the section of definitions in the Chapter of the Corporation’s Business in

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~~the Company's Periodic Report for 2018.¹⁴ It should be clarified that notwithstanding the foregoing, the Compensation Committee and the Board of Directors will be entitled to determine that they will not make such an exclusion or that they will make an exclusion of an exceptional event that has not been included above, provided that with respect to the CEO only, the supplement, as a consequence of the non-making of such exclusion or the making of another exclusion, together with the Discretionary Bonus Component, will not exceed the maximum Discretionary Bonus Component as stated in section 7.2.2 above.~~

~~7.3 Upon the determination of this Policy, the Compensation Committee may determine that amounts that were scheduled in respect of the annual bonus for 2018, in accordance with the provisions of the Company's previous compensation policy, will be paid to the Officers on the date of the payment of the annual bonus for 2019.¹⁵~~

~~7.4~~ ~~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 7.4 – 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:~~

¹⁴ ~~Which was published on March 19, 2019, and which is presented by way of incorporation by reference (Reference No.: 2019-01-024244).~~

¹⁵ ~~For additional details regarding the Company's former compensation policy see company's reports from 28.6.2018 and from 9.7.2018 (Reference No.: 2018-01-057546 and 2018-01-062016) (hereinafter and foregoing: "the Previous Compensation Policy").~~

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~~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.~~

~~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).~~

7.85 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

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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 reports 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.

7.6 As stated above, in the event of the termination of employment during a Bonus Year, an Officer will be entitled to a *pro rata* bonus in respect of the period during the said Bonus Year in which the Officer continued to actually serve in his position (including during the advance notice period), subject to the terms of eligibility to an annual bonus in respect of the said Bonus Year, and it will be paid on the date of the payment of the annual bonuses to the Officers who will be serving at the Company at that time (as stated in sections 7.2.1 to 7.2.7 above). The Officer will not be entitled to an annual bonus (or to a *pro rata* share thereof) in the event of the termination of his office under circumstances in which severance pay can be denied by law.

8. **Special Bonus**

8.1 The Compensation Committee and the Board of Directors of the Company see the importance in 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 restructuring, spin-off, ~~split~~, sale of holdings/activities or merger) of exceptional significance and complexity 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),~~ to officers who are VPs, a special bonus to any of the Officers of up to three monthly salaries, only once during the period of this Compensation Policy, taking into consideration the ~~said Officer's~~ VP's contribution to the advancement of the transaction and completion thereof, the special efforts that were devoted by him beyond the usual scope of his position, 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~~ he is entitled after

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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. Equity Base Compensation

9.1 Objective

Equity base compensation is intended to create an alignment between the shareholders' interests and the Officers' compensation, thereby creating appropriate incentives for the Officers to maximize the Company's value for the long-term.

9.2 Accordingly, the Company may adopt a equity base compensation plan at the Company, which is based on granting units of restricted shares and/or restricted shares (whether or not performance-dependent) and/or option warrants convertible into shares of the Company, or a combination of them, the allocation and vesting of which will be in accordance with what is set forth below (hereinafter: "Equity Base Compensation at the Company" and the "Equity Base Compensation Plan," as applicable). The granting of the Equity Base Compensation at the Company to the Officers may be ~~done~~executed in the format of an annual grant (i.e., the allocation of equity base compensation units each year) or in the format of a periodic grant (such as the granting of equity base compensation units once every three/four years).

Within this Compensation Policy, the possibility is formalized of granting Equity Base Compensation at the Company to the VPs and to the directors (as stated in section 10 below) only, and all as set forth below.

9.3 In addition, in accordance with the Company's updated business strategy, as reported by the Company on March 13, 2019 (Reference No. 2019-01-021592), the Company will also aspire to maximize the value for its shareholders from new investments, in a format that is similar to the private equity format. Therefore, subject to completion of the Company's engagement in a new investment¹⁶ (hereinafter: the "Investment Transaction" and the "Acquired Company," respectively), should it be implemented, the Officers are likely to receive, without consideration, equity base compensation that will consist of option warrants convertible into shares of the Acquired Company (hereinafter: the "Options in Acquired Companies" or the "Equity Base

¹⁶ The Compensation Committee and the Board of Directors may approve the receipt of shares by the Company as a result of a spin-off proceedings, merger or restructuring of the companies held by the Company being deemed to be an investment transaction for the purpose of the granting of equity base compensation, as stated below.

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Compensation in Acquired Companies”) in accordance with the principles set forth in this section below.¹⁷

9.4 With respect to an Officer who is a VP – the maximum fair value¹⁸ of the Equity Base Compensation at the Company will not exceed nine times the monthly salary of the Officer for any year (it will be calculated in accordance with the result that is obtained by dividing the fair value of the equity base compensation on the date of the grant thereof by the number of vesting years, and in such a manner that is not necessarily in accordance with the accounting entry of the expense) (hereinafter: the “Fair Value Ceiling at the Company”). The maximum fair value per year of the Equity Base Compensation in Acquired Companies will not exceed the difference between the Fair Value Ceiling at the Company and the fair value of the Capital Compensation at the Company that was actually granted to the Officer, when this difference is multiplied by 1.33¹⁹ (hereinafter: the “Fair Value Ceiling at Acquired Companies”). It is clarified that in accordance with this Policy, equity base compensation will not be granted to a VP only at the Acquired Companies.

9.5 The granting of equity base compensation to Officers of the Company by virtue of a Equity Base Compensation Plan and Options in Acquired Companies will be subject to obtaining the approval of the Compensation Committee and the Board of Directors of the Company. The scope of the equity base compensation and the concrete terms and conditions for the allocation to each one of the Officers, including the mix of the equity base compensation that may include Equity Base Compensation at the Company or a combination of Equity Base Compensation at the Company and Options in Acquired Companies, will be determined in accordance with the provisions of the Compensation Policy, as set forth below, and also in accordance with his position, the actions and the contribution of each one of the Officers to the Company’s performance, in accordance with the assessment by the Compensation Committee and the Board of Directors of the Officer’s ability to contribute to the achievement of the Company’s goals in the long-term, and the Company’s aspiration to retain the Officer at the Company for the long-term.

¹⁷ It is clarified that the Company’s incumbent CEO as of the date of the determination of this Compensation Policy is entitled to Equity Base Compensation in Acquired Companies.

¹⁸ The value as of the date of the grant, when the economic value will be determined in accordance with the Black-Scholes model or with the binomial model or with any other generally accepted economic model for the performance of valuations, as will be determined by the Compensation Committee.

¹⁹ For example, in the event that Equity Base Compensation at the Company was granted to an officer in the value of six salaries per year, then the Fair Value Ceiling at Acquired Companies will equate to four salaries per year.

9.6 Principles of the Equity Base Compensation at the Company

9.6.1 At the time of the determination of a Equity Base Compensation Plan at the Company, as stated above, this Plan, as well as the Equity Base Compensation at -the Company and the allocation thereof to the Officers, will be brought for approval by the Compensation Committee and the Board of Directors of the Company. It should be clarified that the Compensation Committee and the Board of Directors of the Company may determine additional provisions regarding the Equity Base Compensation Plan for the Officers of the Company, and they may also update, from time to time, the terms, conditions and provisions thereof, provided that the said modification or update will not contradict the provisions that have been set forth in the Compensation Policy.

9.6.2 The vesting period of the equity base compensation will be at least three years from the date of the allocation, and each year, the *pro rata* share of the amount of the securities that was allocated to the Officer will vest (hereinafter: the “**Vesting Period**”).

The Vesting Period is intended to serve as an incentive from a long-term perspective. Nevertheless, the Company may determine provisions in the Capital Compensation Plan with respect to the acceleration of the Vesting Period, such as in the event of the termination of employment, retirement, restructuring, a change of control in the Company or other events, in accordance with the discretion of the Compensation Committee and the Board of Directors.

9.6.3 In the event of the allocation of options, the options may be exercised during the exercise period. Options that have not been exercised will expire at the expiration of the exercise period, as will be determined by the Compensation Committee and the Board of Directors, and it will not exceed seven years from the date of the grant. After the expiration of the options, they will be devoid of any value whatsoever.

9.6.4 In the event of the allocation of options to Officers, the options will be exercisable at a price that will be, at the very least, the average share price of the Company’s share during the 30 Stock Exchange trading days that preceded the resolution of the Company’s Board of Directors on the allocation or the Company’s share price on the Stock Exchange at the end of the trading day

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that preceded the date of the allocation, whichever is the higher of the two, plus a premium of 5% above the said price. In the event of restricted shares, they will be granted without an exercise price.

9.6.5 The Company may determine, in the Equity Base Compensation Plan, provisions with respect to a cashless exercise mechanism, so that at the time of the exercise of options, the Officer will be entitled to such number of exercise shares that will reflect the benefit component only, as well as provisions with respect to the Company's right to purchase the shares from the Company's employees.

9.6.6 In addition, the terms and conditions of the Equity Base Compensation at the Company will include adjustments, in keeping with standard practice, to protect the offeree, such as in events of the distribution of a dividend at the Company, the distribution of bonus shares, the issue of rights, a merger, the purchase or sale of assets, a restructuring, the alteration of capital, and so on and so forth.

9.6.7 The equity base compensation may be granted in accordance with the provisions of Section 102 of the Income Tax Ordinance (New Version) 5721-1961 (hereinafter: the "Ordinance"), or any provision that will replace or modify same, and it may be done in accordance with another tax track that is optimal as far as the Officers are concerned, as will be determined from time to time.

9.6.8 On the date of the approval of the Equity Base Compensation Plan, the Company's shares that may arise from any Equity Base Compensation Plan for all of the Officers who are VPs, which is in effect at the said time, will not constitute more than one percent of the Company's paid-up and issued share capital (after the allocation and on a fully diluted basis).

9.6.9 The Equity Base Compensation Plan will include terms and conditions with respect to the vesting and/or exercise of the equity base compensation by the Officer in the event of the termination of office under different circumstances.

9.6.10 As aforesaid, the principles as set forth above reflect the main terms and conditions of the Capital Compensation at the Company for the Officers of the Company. The rest of the provisions that pertain to the allocation of the Equity Base Compensation at the Company will be determined in the Equity Base

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Compensation Plan, and, *inter alia*, provisions with respect to the rights of the Officers in connection with the units of restricted shares and/or restricted shares and/or options to shares; tax aspects; the manner of exercise, etc. The Compensation Committee and the Board of Directors will be able to determine additional provisions in connection with the Equity Base Compensation at the Company and they will also be able to update, from time to time, the terms, conditions and provisions thereof, provided that the said modification or update will not deviate from the ceilings for the equity base compensation as set forth above.

9.7 Principles of the Equity Base Compensation in Acquired Companies

9.7.1 Subject to the making of investment transactions, the Options in Acquired Companies will be granted to Officers in such a manner that the Acquired Company will allocate to the Officer the Options in the Acquired Company (in the framework of the investment transaction or as an undertaking to make the allocation on a future date, around the time of the investment transaction). The Compensation Committee and the Board of Directors of the Company will approve the scope of the Equity Base Compensation in Acquired Companies that will be allocated to the Officers who are VPs out of the Fair Value Ceiling at Acquired Companies. It should be clarified that the Officer will be entitled to one grant only of equity base compensation at each Acquired Company.

9.7.2 If, at the time of the making of an investment transaction, an additional investment transaction is expected in the very same year, the Compensation Committee will determine the value of the equity base compensation that will be granted to the Officer in respect of each investment transaction out of the Fair Value Ceiling at Acquired Companies.

9.7.3 In the event of the completion of an additional investment transaction during the last three months of the year after the entirety of the Fair Value Ceiling at Acquired Companies was allocated for the year, to any Officer, the Compensation Committee and the Board of Directors may approve bringing forward equity base compensation in respect of the additional investment, out of and on account of part of the Fair Value Ceiling at Acquired Companies for the following year for the said Officer, in a scope that will not exceed 33.33% of the Fair Value Ceiling at Acquired Companies for the following year. In the event that equity base compensation is brought forward, as aforesaid, the

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period between the allocation date and up until the commencement of the following year will be added to the vesting period for the first tranche of the equity base compensation in the additional investment.

It is clarified that the provisions of this section 9.7.3 above will apply with respect to Equity Base Compensation in Acquired Companies for all of the Officers (who are not directors), including the Company's incumbent CEO as of the date of the determination of this Policy.²⁰

9.7.4 The Equity Base Compensation in each Acquired Company which is granted to all of the Officers who are VPs of the Company will not exceed 3% of the issued capital/ the rights of the said Acquired Company (assuming the full exercise of the Options in the Acquired Company).

9.7.5 The Vesting Period of the equity base compensation will be at least three years from the date of the allocation, and each year, the pro rata share of the amount of the securities that was allocated the Officer will vest.

9.7.6 The Options in Acquired Companies will be exercisable up until the expiration of a period that will not exceed seven years from the date of the grant.

9.7.7 The exercise price of the options in Acquired Companies will be the price at which the Company made the preliminary investment (including capital investments and shareholders' loans) in the Acquired Company (hereinafter: the "Company's Investment Price"). Notwithstanding the foregoing, should the Acquired Company be a public company whose shares are traded on the Stock Exchange, the exercise price will be the Company's Investment Price or the price of the Acquired Company's share according to the closing price on the last trading day that preceded the date of the completion of the investment transaction, whichever is the higher of the two.

9.7.8 The mechanism for the exercise of the Options in Acquired Companies will be a cashless option exercise mechanism, unless the Officer chooses exercise for consideration.

9.7.9 The terms and conditions of the Options in Acquired Companies will include adjustments, in keeping with standard practice, to protect the offeree, such as

²⁰ And this is without derogating from the rest of the terms and conditions for the granting of the Capital Compensation in Acquired Companies.

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in events of the distribution of a dividend at the Company, the distribution of bonus shares, the issue of rights, a merger, the purchase or sale of assets, a restructuring, the alteration of capital, etc., as well as adjustments in respect of payments that will be received by the Company and that were included in the value of the preliminary investment (such as the repayment of shareholders' loans, the payment of capital notes, the redemption of redeemable securities, etc.).

9.7.10 The terms and conditions of the Options in Acquired Companies will include the full acceleration of the Vesting Periods in cases that arise from a change of control in the Acquired Company, from exit events at the Acquired Company, such as an issue, merger (including a reverse triangular merger), a transaction for the sale of all or most of the Acquired Company's assets, in the event that the Company sells most of its holding in the Acquired Company (directly or indirectly), or any other event whose outcome shall be similar, in nature, to the aforesaid events.

9.7.11 In any event of the termination of office of an Officer (hereinafter: the "**Termination of Office**"), the terms and conditions as set forth below will apply to the Capital Compensation in Acquired Companies:

(a) The day of the Termination of Office will be the day on which notice of the Termination of Office was received or given (hereinafter: the "**Day of the Termination of Office**").

(b) On the Day of the Termination of Office, all of the [Equity Base Compensation in Acquired Companies](#) whose Vesting Period has not yet ended will expire, and it will be devoid of all validity.

(c) The Options in Acquired Companies that were allocated and whose Vesting Period has ended by the Day of the Termination of Office will be exercisable by the Officer, by the expiration of the exercise period or up until the expiration of 12 months from the Day of the Termination of Office, whichever is the earlier of the two dates. For the avoidance of doubt, it is hereby clarified that the 12-month period (which commences on the Day of the Termination of Office) during which time the Officer is entitled to exercise the Options in Acquired Companies will not form part of the Vesting Period.

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9.7.12 It should be clarified that the aforesaid provisions will be subject to the making of taxation decisions, should such decisions need to be made, and to the content of such decisions, and they will also be subject to the provisions of the Equity Base Compensation Plan, if any, and to the provisions of any other relevant law.

9.7.13 Upon the actual allocation of the Options in Acquired Companies, written notice will be given to the Officer with respect to the allocation of the Options in the Acquired Company (hereinafter: the "Allocation Document"). The Allocation Document will specify, *inter alia*, the terms and conditions of the Equity Base Compensation in the Acquired Company (for example, the number of options, the exercise price, the vesting period, the expiration date, the tax track that applies to the options, the manner of exercise, transferability, and any other term or condition that is related to the granting of the Capital Compensation in the Acquired Company), provided that the terms and conditions are in accordance with the Company's Compensation Policy and with the applicable law.

9.7.14 The Officer will be given the possibility of choosing the taxation track for the Equity Base Compensation in the Acquired Company, including options that will be held through a trustee pursuant to the provisions of section 102 of the Ordinance. The Officer will sign any declaration or document as required for the purpose of the allocation, including a declaration that he is aware of the provisions of the tax track that is applicable to him and, insofar as required, also that he agrees to what is stated in the Deed of Trust that will be signed between the Company or the Acquired Company and a trustee in connection with the options in the Acquired Company.

9.7.15 Should there be any tax liability or any other compulsory payment (National Insurance contributions, national health tax, etc.) in respect of and/or following the allocation of the Equity Base Compensation in Acquired Companies to the Officer, an exercise into shares, the sale of the exercise shares, the receipt of a dividend or any other benefit in respect of the Equity Base Compensation in Acquired Companies or the exercise shares, the Officer will solely bear the said charge.

9.7.16 The terms and conditions of the Options in Acquired Companies may include provisions pursuant to which at the time of the exercise in a particular

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Acquired Company, the exercise amount that will be transferred to the Officer following the exercise will take into consideration the amount of the gross aggregate profit that is attributed to the Company from all of the investments in the Acquired Companies at the time of the exercise. Should amounts remain that were not transferred to the Officer due to the foregoing, these will be kept and transferred to the Officer while taking into consideration the increase in the aggregate profit in the coming years.

10. **Compensation of Directors**

10.1 **Objective**

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

910.2 **The Compensation for the Directors**

910.2.1 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

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or any other law which shall replace and/or amend same from time to time²¹.

10.2.2 Furthermore, in addition to the compensation as stated in section 10.2.1 above, and with the objective of strengthening the connection between the directors' compensation and the interests of the Company's shareholders, the Company may, subject to the approvals as required pursuant to law, grant to the directors (including outside directors in accordance with the Remuneration Regulations) Equity Base Compensation at the Company only, in accordance with the provisions of the Remuneration Regulations and with the Equity Base Compensation Plan that will be determined by the Company, and in accordance with what is set forth below:

(a) The annual fair value of the equity base compensation for directors will not exceed NIS 100,000 per year or 50% of the maximum amount in accordance with the Remuneration Regulations, whichever is the lower of the two said amounts.

(b) It will be possible to allocate Equity Base Compensation at the Company to the directors each year, for a period of three years, which will vest, in full, at the expiration of one year from the allocation date, and it will be exercisable during a period of one year from the aforesaid vesting date, or, in the alternative, it will be possible to make the allocation in the format of a periodic grant for three years, when the pro rata share of the grant will vest each year, and each tranche that has vested will be exercisable during a period of one year from the vesting date. A director who has completed his term in office will be entitled to the vesting of a pro rata share of the equity base compensation as of the date of the termination of his office (without full acceleration of the entire allocated quantity).

(c) In the event of allocation of options to the directors, the options will be exercisable at a price that will be not less than the average share

²¹ 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.

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price of the Company's share during the 30 Stock Exchange trading days that preceded the resolution of the Company's Board of Directors on the allocation or the Company's share price on the Stock Exchange at the end of the trading day that preceded the date of the allocation, whichever is the higher of the two.

109.2.23 In addition, all 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 organs²², 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.

109.2.34 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.

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

~~1011~~. Other Issues and Aspects

~~1011~~.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 meetings²³, 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. In the framework of part of the

²² 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, 27.12.2017, 13.9.2018, 4.10.2018, 30.1.2019, 19.2.2019, 16.6.2019 and 27.6.2019).

²³ As stated in footnote 13, *supra*.

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existing letters of indemnification ~~letter~~ for current Officers of the Company, an instruction is included according to which the Company exempt in advance an officer from his liability for damage caused and/or to be caused in the future by him to the Company as a result of a violation of his duty of care towards the Company. In the framework of the Company's compensation policy, the officers, as aforesaid, who are serving at the Company as of the date of approving this compensation policy shall continue to be entitled for indemnification letter that includes the abovementioned exempt in advance. However, new Officers who do not hold a position in the Company as of the date of approving this policy shall be entitled for an indemnification letter without the mentioned instruction concerning exempt in advance from liability.

1140.2 Officers' insurance

1140.2.1 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 future²⁴.

1140.2.2 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, will not materially effect the Company's profitability, assets or liabilities, and consistent with the principles of the framework set out in the Compensation Policy.

²⁴All 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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~~1140~~.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.

~~1140~~.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.

~~1140~~.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 employees²⁵, including the ratio to the average salary and to the median salary of such employees²⁶, and they also examined the said ratio based on the cost of the salary of the Officers as compared

²⁵ As of the present time, no contractor's employees are employed at the Company.

²⁶ 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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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*²⁷, 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.

12.12. General

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

²⁷ As of the year 2017, For details regarding the ratio between the cost of employment for of the Company's incumbent CEO (who assumed office on July 1, 2019) as of the date of the approval of this Policy and the average and median cost of employment for of 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) in accordance with the salary data at the Company for 2018, see Footnote No. 18 of the Company's Immediate Report of the Convening of a General Meeting dated June 16, 2019 (Reference No.: 2019-01-059392).

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employment or compensation which had been approved prior to the determination of the Compensation Policy.

~~12.4.6~~ 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.

~~12.4.7~~ 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).

~~12.4.8~~ The amounts paid to the Officers shall be gross, and subject to deduction as required by law.

~~12.4.9~~ Without derogating from the provisions of section 11.5 above, it is hereby clarified It is clarified that the Officers may, in their discretion, waive any compensation component to which they will be entitled, on a one-time basis or for a period, without derogating from their eligibility to the rest of the terms and conditions of office and employment (and without derogating from the Officer's eligibility to receipt of the compensation that he waived).

12.10 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. In addition, any modification of the terms of office whose effect on the total annual cost of the relevant officer is not greater than 10% will not constitute a deviation from the provisions of this

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Compensation Policy (including in the event of a deviation from the ceilings of the components that have been determined in the Compensation Policy).

~~12.11.10~~11 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.

~~12.11.12~~12 Wherever the provisions of the law, as will be in effect from time to time, allow the granting of concessions pertaining to the manner of compensation of Officers and/or pertaining to the manner of the proceedings for the approval of compensation for Officers, subject to the approval of the Compensation Committee and the Board of Directors of the Company, these provisions will apply to the Company and they will form part of this Compensation Policy.

~~12.13~~13 This Compensation Policy has been drafted in the male gender solely for reasons of convenience, and it refers to males and females alike.

APPENDIX D – VOTING FORM

ISRAEL CORPORATION LTD.

VOTING FORM

In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765-2005 (hereinafter: the “Voting Regulations”)

FIRST PART

1. **Name of the Company**

Israel Corporation Ltd. (hereinafter: the “Company”).

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

A special general meeting of the Company’s shareholders, that will be held on Tuesday, October 29, 2019, at 10:00 a.m., at the Company’s offices, at 23 Aranha St., Millennium Tower, Tel Aviv (hereinafter: the “Meeting”).

3. **Details of the Items on the Agenda in respect of which Shareholders can Vote Using a Voting Form**

3.1 The approval of the Updated Compensation Policy for officers of the Company. For further details on this matter, please see Section 2 of the Report Convening the Meeting to which this Voting Form is attached (hereinafter: the “**Report Convening the Meeting**”).

Overview of the Text of the Proposed Resolution: “To approve the Updated Compensation Policy for the officers of the Company, as per the text attached as **Appendix A** to the Report Convening the Meeting, as stated in the Report Convening the Meeting.”

3.2 To approve the granting of a letter of an indemnity undertaking for an officer, to Ms. Tali Bellish.

Text of the Proposed Resolution: “To approve the granting of the Letter of Indemnity Undertaking to Ms. Tali Bellish, as stated in the Report Convening the Meeting.”

3.3 The appointment of Yaakov Amidror as an outside director of the Company for an additional term in office, commencing from the date of the Meeting’s approval. Mr. Amidror will be entitled to his current terms and conditions of office,¹ as stated in the Report Convening the Meeting. The term of office for

¹ For details with regard to Mr. Amidror’s current terms and conditions of office, see the Report Convening a Meeting of the Company dated August 22, 2016 (Reference No. 2016-01-107653), which is presented by way of incorporation by reference.

the outside director, should he be appointed, will be for a period of three years from the date of commencement of the said office.

For details with respect to Mr. Yaakov Amidror, see Article 26 of the Chapter of Additional Details in the Company's Periodic Report for 2018, as published on March 19, 2019 (Reference No.: 2019-01-024244), which is presented by way of incorporation by reference.

Overview of the Text of the Proposed Resolution: "To appoint Mr. Yaakov Amidror as an outside director of the Company for an additional term in office of three years, commencing from the date of the Meeting's approval, and he will be entitled to the terms and conditions of office as stated in the Report Convening the Meeting."

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

The Company's shareholders may inspect the text of the proposed resolutions at the Company's offices, at 23 Aranha St., Millennium Tower, Tel Aviv, on Sundays to Thursdays, from 09:00-16:00, by prior arrangement on Tel: 03-6844500, and also on the websites of the Israel Securities Authority and the Tel Aviv Stock Exchange Ltd., whose addresses are specified in Section 11 below.

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

5.1 The majority that is required at the Meeting, to approve the resolution proposed in Section 3.1 above, is a majority of the shareholders who are present at the Meeting, in person or by proxy, provided that one of the following is satisfied: (1) the count of the votes of the majority at the general meeting will include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or entities with a personal interest in the approval of the Compensation Policy, who are participating in the vote; the count of all the votes of the said shareholders will not take into account the votes of the abstaining shareholders; (2) the total of the votes against, from among the shareholders as stated in paragraph (1) above, will not exceed a rate of two percent (2%) of the total voting rights at the Company.²

A shareholder with a personal interest will be subject to the provisions of Section 276 of the Companies Law, *mutatis mutandis*.

5.2 The majority that is required at the Meeting to approve the resolution proposed in Section 3.2 above is a simple majority of the shareholders who are entitled to participate in the vote and who are present at the Meeting, in person or by proxy, without taking into account the votes of the abstaining shareholders.

² It should be noted that in accordance with Section 267A(c) of the Companies Law, the Board of Directors of the Company, may, except at a public second-tier company, determine the Compensation Policy even if the General Meeting objected to the approval thereof, provided that the Compensation Committee, and subsequently, the Board of Directors, passed a resolution, based on detailed reasons and after reviewing the Compensation Policy, to the effect that the approval of the Compensation Policy, notwithstanding the General Meeting's approval, is in the Company's best interests.

5.3 The majority that is required at the Meeting, to approve the resolution proposed in Section 3.3 above, is a majority of the shareholders who are present at the Meeting, in person or by proxy, provided that one of the following is satisfied: (1) the count of the votes of the majority at the general meeting will include a majority of all the votes of the shareholders who are not controlling shareholders of the Company or entities with a personal interest in the approval of the appointment, with the exception of a personal interest that is not as a consequence of his/her relationship with the controlling shareholder, who are participating in the vote; the count of all the votes of the said shareholders will not take into account the votes of the abstaining shareholders; (2) the total of the votes against, from among the shareholders as stated in paragraph (1) above, will not exceed a rate of two percent (2%) of the total voting rights at the Company.

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

In the Second Part of the Voting Form, space is allocated for marking whether the shareholder does or does not have a connection, as required pursuant to the provisions of the Companies Law, and for giving a description of the nature of the relevant connection. **Should a shareholder fail to mark such a space, or should he fail to describe the nature of the connection, his vote will not be included in the count of the votes.**

7. **Validity of the Voting Form**

7.1 The Voting Form will be valid only if "Confirmation of Ownership" (a power of attorney from the nominee company proving the ownership of the share; hereinafter: "**Confirmation of Ownership**") of the non-registered shareholder (i.e., a shareholder in whose favor shares are registered with a Stock Exchange member and which shares are included amongst the shares registered in the Register of Shareholders, in the name of the nominee company; hereinafter: "**Non-Registered Shareholder**") is attached thereto, or if Confirmation of Ownership was sent to the Company through the Electronic Voting System, as defined below, or a photocopy of an ID card, passport or certificate of incorporation, if the shareholder is registered in the Company's books.

In the alternative, a Non-Registered Shareholder may transfer Confirmation of Ownership to the Company through the Electronic Voting System up until the time of the Closing of the Electronic Voting System (i.e., up to six (6) hours prior to the time for the convening of the Meeting).

7.2 The last time for the submission of the voting forms is up to four (4) hours prior to the time of the general meeting. For this purpose, the time of the submission is the time at which the Voting Form and the documents that need to be attached thereto arrived at the Company's offices, whose address is specified in Section 9 below.

8. **Voting Through the Electronic Voting System**

A Non-Registered Shareholder may vote using a voting form that is transmitted to the Company through the Electronic Voting System (as defined below), all in accordance with and subject to the terms and conditions set forth in the Voting Regulations.

After the Record Date (as this term is defined below), upon receipt of an identification number and an access code from the member of the Stock Exchange, and after a process of identification, a Non-Registered Shareholder may vote through the electronic system, which operates pursuant to Article B of Chapter G2 of the Securities Law, 5728-1968 (hereinafter: the “**Electronic Voting System**” and the “**Securities Law,**” respectively). The address of the Electronic Voting System, as construed in Section 44K2 of the Securities Law, is: <https://votes.isa.gov.il>.

In accordance with and subject to the terms and conditions set forth in the Voting Regulations and the instructions of the Israel Securities Authority in this matter, voting through the Electronic Voting System will be possible for up to six (6) hours prior to the time for the convening of the Meeting or at an earlier time as will be determined by the Israel Securities Authority, provided that it will not exceed 12 hours prior to the time for the convening of the Meeting (hereinafter: the “**System Closing Time**”). It should be clarified that a vote cast through the Electronic Voting System may be modified or cancelled up until the System Closing Time, and it may not be modified through the Electronic Voting System after this time.

If a shareholder voted in more than one of the aforesaid ways, his later vote will be counted, and the vote of a shareholder in person at the Meeting or by proxy will be deemed to be later than a vote using a voting form or a vote using the Electronic Voting System.

9. **The Company’s Address for Delivering Voting Forms and Position Statements**

At the Company’s offices, at 23 Aranha St., Millennium Tower, Tel Aviv.

10. **The Last Date for Delivering Position Statements, the Last Date for Delivering the Board of Directors’ Response to Position Statements and the Record Date for Determining a Shareholder’s Eligibility to Participate in and Vote at the Meeting**

10.1 The last date for the submission of position statements is up to ten (10) days prior to the date of the Meeting, and the last date for the submission of the Board of Directors’ response to a position statement is up to five (5) days prior to the date of the Meeting.

10.2 The record date for determining the eligibility of a shareholder of the Company to vote at the general meeting, as stated in Section 182(c) of the Companies Law and Section 3 of the Voting Regulations, is at the end of the Stock Exchange trading day of Thursday, September 26, 2019, and if no trading is conducted on the Record Date, then on the first trading day prior thereto (hereinafter: the “**Record Date**”).

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

11.1 The address of the Distribution Site of the Israel Securities Authority is: <http://www.magna.isa.gov.il>.

11.2 The address of the website of the Tel Aviv Stock Exchange Ltd. is: <https://maya.tase.co.il>.

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

12.1 A Non-Registered Shareholder may receive the Confirmation of Ownership, as defined in Section 71 of the Companies Law, and as stated in Section 7.1 above, at the branch of the Stock Exchange member or by dispatch by mail, if he so requested, in consideration of mailing costs only. A request in this matter will be given in advance, for a particular securities account. In addition, a Non-Registered Shareholder may instruct that his Confirmation of Ownership be sent to the Company through the Electronic Voting System.

12.2 A Non-Registered Shareholder may receive by email, without charge, a link to the text of the Voting Form and the position statements (if any) on the Distribution Site, from the Stock Exchange member through which he holds his shares, unless he informed the Stock Exchange member that he does not wish to receive such a link or that he wishes to receive voting forms by mail, in consideration of payment. The Non-Registered Shareholder's notice with respect to the voting forms will also apply with respect to the receipt of position statements (if any).

In addition, any shareholder may contact the Company directly to receive from it, without charge, the text of the Voting Form, or, with his consent, a link to the text of the Voting Form on the Distribution Site, and also the position statements that have reached the Company, if any.

12.3 One or more shareholders who hold shares at a rate constituting five percent (5%) or more out of the total voting rights at the Company and also a shareholder who holds such a rate out of all the voting rights which are not held by the controlling shareholder of the Company, as defined in Section 268 of the Companies Law, may, himself or through a representative on his behalf, after the convening of the general meeting, inspect the voting forms and the voting records through the Electronic Voting System, which have reached the Company, as set forth in Regulation 10 of the Voting Regulations.

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

12.3.2 As of the present date, the number of shares which constitute 5% of the total voting rights of the Company that are not held by the controlling shareholder of the Company, as defined in Section 268 of the Companies Law, is: 182,950 ordinary shares having a par value of NIS 1.00 each of the Company.

12.4 After the date of publication of this Voting Form, there may be changes to the agenda of the Meeting which is the subject of this Voting Form (including the addition of an item to the agenda), and position statements may be published in matters pertaining to this voting form. It will be possible to inspect the up-to-date agenda of the Meeting, as aforesaid, and the position papers, if submitted, in the Company's reports on the Distribution Site.

12.5 An amended voting form, insofar as required, as a consequence of changes to the resolutions on the agenda, will be published by the Company on the Distribution Site concurrently with the publication of the changes to the resolutions, as aforesaid, not later than the dates set forth in Regulation 5B of

the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting at a Public Company), 5760-2000.

12.6 The shareholder will specify the manner of his voting with respect to the item on the agenda and in respect of which he can vote using this Voting Form, in the Second Part of this Voting Form.

13. **Cancellation of the Voting Form**

A shareholder may, up to twenty four (24) hours prior to the time of the convening of the general meeting, contact the address for the submission of voting forms, as stated in Section 9 above and, after proving his identity to the satisfaction of the Company's Secretary or another employee who has been appointed for this purpose, withdraw the Voting Form and his Confirmation of Ownership.

APPENDIX D – VOTING FORM

ISRAEL CORPORATION LTD.

VOTING FORM

In accordance with the Companies Regulations (Voting in Writing and Position Statements), 5765-2005 (hereinafter: the “Voting Regulations”)

SECOND PART

Part A:

1. **Name of the Company:** Israel Corporation Ltd. (hereinafter: the “Company”).
2. **Company’s Address (for delivering and sending voting forms):** 23 Aranha St., Millennium Tower, Tel Aviv.
3. **Company’s No.:** 52-002801-0.
4. **Date of the Meeting:** Tuesday, October 29, 2019, at 10:00 a.m., and any adjourned meeting.
5. **Type of the Meeting:** A special general meeting.
6. **Record Date:** At the end of the Stock Exchange trading day of Thursday, September 26, 2019, and if no trading is conducted on the Record Date, then on the first trading day prior thereto

Part B (to be completed by the shareholders):

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

2. Manner of Voting

Item on the Agenda	Manner of Voting ³			Are you a controlling shareholder of the Company/ do you have a personal interest in the approval of the resolution? ⁴		Are you a controlling shareholder of the Company/ do you have a personal interest in the approval of the resolution? ^{4, 5}		Are you a senior officer of the Company? ⁴		Are you an institutional investor? ⁴	
	For	Against	Abstain	No	Yes*	No	Yes*	No	Yes*	No	Yes*
To approve the Updated Compensation Policy for the officers of the Company, as per the text attached as Appendix A to the Report Convening the Meeting, as stated in the Report Convening the Meeting											
To approve the granting of the Letter of Indemnity Undertaking to Ms. Tali Bellish, as stated in the Report Convening the Meeting											
To appoint Mr. Yaakov Amidror as an outside director of the Company for an additional term in office of three years, commencing from the date of the Meeting's approval, and he will be entitled to the terms and conditions of office as stated in the Report Convening the Meeting											

A senior officer of the Company – as defined in Section 37(d) of the Securities Law.

An institutional investor – as defined in Regulation 1 of the Supervision of Financial Services Regulations (Provident Funds) (Participation by a Managing Company in a General Meeting), 5769-2009; and also a Mutual Fund Manager, as construed in the Mutual Funds Law, 5754-1994.

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

3. Comments in Accordance with the Voting Regulations:

- a. With respect to shareholders holding shares through a Stock Exchange member (pursuant to Section 177(1) of the Companies Law) – this Voting Form is valid solely upon the attachment of Confirmation of Ownership, except in cases in which the vote is through the Electronic Voting System.

³ Failure to mark a response will be deemed to be abstaining in the vote on the said matter.

⁴ The vote of a shareholder who fails to complete this column, or who marks "Yes" but fails to give details, will not be included in the count of votes.

⁵ With the exception of a personal interest that is not as a consequence of his/her relationship with the controlling shareholder.

- b. With respect to shareholders registered in the Company's Register of Shareholders – the Voting Form is valid upon the attachment of a photocopy of the ID card/ passport/ certificate of incorporation.

Date: _____

Shareholder's Signature