

Oil Refineries Ltd. (the "Company")

March 23, 2011

To:
The Securities Authority
Through the Magna Reporting System

To:
The Tel Aviv Securities Exchange Ltd.
Through the Magna Reporting System

Dear Madam/Sir,

Re: Immediate Amending Report Regarding the Adopting of the Benefits Plan

The Company is pleased to publish an immediate amending report to the report of March 1, 2001 (Reference 2011-01-066543) and hereby files notice of the resolutions of the Company's audit committee and Board of Directors to adopt the Benefits Plan, as detailed below:

It was resolved to adopt the Company's Benefits Plan ("**the Benefits Plan**" or the "**Plan**"), by the audit committee of the Company on February 27th, 2001 and by the Board of Directors of the Company on March 1, 2011.

In addition to the approval of the Benefits Plan, the Company's Board of Directors resolved that it views the Company's employees as partners to the Company's performance and success and believes that they are worthy of compensation derived from the results of its activities; and that in any case where grants are given to the Company's directors in accordance with the annual Benefits Plan, the Company will also provide annual grants to employees who are not entitled to reward under the annual Benefits Plan, in the format and scope to be agreed upon with the Company's employees, on the basis of collective agreements between the Company and the representatives of the workers and subject to the prior approval of the Company's Board of Directors.

Preamble

- 1.1 The aim of the Plan is to advance the Company's goals and to encourage consideration of the risks accompanying its activities and compliance with the provisions of law by compensating those entitled to such under the law, in accordance with their contribution and efforts in developing the business of the Company and advancing its goals in the medium and long term and to increase their identity with the Company, by compensation derived from the Company's operating results and compliance with the Company's goals and personal goals which are to be set for the entitled parties.
- 1.2 The Benefits Plan includes only monetary grants, and does not include a capital reward component.
- 1.3 The Benefits Plan is made up of two accumulative and independent parts, as follows:
 - (a) The current annual Benefits Plan (the "**Annual Benefits Plan**") - under which the entitled parties will be granted annual grants are

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office holders in the Company, including the chairman of the Board of Directors, the deputy chairman of the Board of Directors and the company CEO, and his subordinate managers, and office holders and employees in subsidiaries of the Company. The entitlement to the Annual Grants and the rate thereof will be determined in accordance with compliance with the Company and personal goals to be defined annually in advance with respect of each entitled party (excepting with respect of the chairman of the Board of Directors and the deputy chairman of the Board of Directors for whom compensation will be determined for compliance with the Company's goals only), but in any event will not be greater than a fixed amount/number of salaries to be determined in the Plan with respect of each rank. Furthermore, the total of all the grants of the entitled parties under the Plan for a certain year, plus additional annual grants, if paid to additional workers for that year, will not be greater than 5% of the actual EBITDA of the Company in that year.

- (b) A multi-year Benefits Plan in connection with the project for the establishment of the Clean Fuels Manufacturing Plant, the project for the utilization of CCR gases for the increasing of propylene manufacture and the updating of the FCC plant, under execution during 2010-2012 (the "**Multi-Year Benefits Plan**") - under which one-off grants will be provided to all the Company's employees for meeting the timetable goal and/or the budgetary goal in connection with the above-said projects. The entitled parties under the Plan are all the Company's employees, including office holders in the Company who are not directors, including the CEO of the Company and the Company's chairman of Board of Directors and the deputy chairman of the Board of Directors.
- 1.4 The granting of the compensation under the Plan and the determining of its various parameters (including: the identity of the entitled parties, the determining of the entitlement to compensation, the determining of the goals for compensation, etc.), are subject to the obtaining of the approval of the Company's organs, in accordance with the relevant rank, in accordance with the provisions of law.
 - 1.5 The approval of the Benefits Plan and the grants to be provided under it with respect of the chairman of the Board of Directors and his deputy are subject to the approval of the general meeting of the Company which will be convened shortly after the publication of this report.
 - 1.6 The Benefits Plan shall be valid starting from the date of its approval by the Company's Board of Directors and until the resolution of the Company's Board of Directors to cancel it, except with respect of the entitled parties who are controlling interests in the Company and/or where the controlling interests in the Company have a personal interest in the approval of the Benefits Plan with respect of them, for whom the Plan will be valid for a period of five years from the date of its approval by the general meeting.

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- 1.7 Notwithstanding the provisions of the Plan detailed below, the Company's Board of Directors may, at any time, alter, suspend or cancel the Plan and its conditions, fully or partially. Moreover, it is clarified that the providing of any grant to any entitled party is under the absolute discretion of the Company and its approval constitutes permission to make the grant. Nothing in the Plan shall obligate the Company to pay any of the entitled parties any payment thereunder.
- 1.8 The grants under the Plan will not considered as any wage for which the Company must make provisions for social welfare benefit rights of the entitled parties, and the grant does not constitute payment of wages, salary or equivalent wages.

2. The Main Points of the Plan

Below is a brief description of the main points of the Annual Benefits Plan (hereinafter in this Section 2: the "**Plan**") as follows:

2.1 The Annual Benefits Plan

2.1.1 General

2.1.1.1 Subject to the terms of the Plan and subject to compliance with the threshold conditions for the Current Annual Compensation (as detailed below), for every calendar year starting from 2001, the entitled parties will be granted Current Annual Compensation, which will be made up of two parts, as follows:

2.1.1.1.1 Part of the grant is allocated on the basis of the Company's performance - this part will be granted to entitled parties in accordance with the general performance of the Company in comparison with the annual budget for the relevant year of the grant, as determined by the Company's Board of Directors, by the end of January of that year, and if altered - if altered by the end of the first quarter of that year, on the basis of the EBITDA indices, as measured by the Company's management and entities in the capital market, including material lenders of the Company, and as reported by the Company in its public reports. The EBITDA indices in the Company's budget, so far as they relate to the annual grant for the Company's chairman and his deputy will also be approved by the audit committee and the Company's balance sheet immediately after approval of the

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budget by the Company's Board of Directors.

2.1.1.1.2 Part of the grant is allocated on the basis of personal goals - this part will be granted to every entitled party in accordance with his compliance with his personal goals as determined in advance by the Company's Board of Directors and/or the Company's management, according to the identity of the entitled party.

2.1.2 Identity of Entitled Parties to Current Annual Compensation

The entitled parties under the Annual Benefits Plan are the chairman of the Board of Directors, the deputy chairman of the Board of Directors, the Company's CEO, that rank reporting to the CEO who will serve in these positions during the relevant period, and the rank reporting to the vice presidents and the sector CEOs¹ and the office holders and employees in subsidiary companies of the Company, whose identity will be determined, from time to time, by the Compensation Committee in accordance with the recommendation of the Company's CEO. The Company's Board of Directors or the Compensation Committee (according to the identity of the entitled party) may determine, with respect of an entitled party terminating or starting his employment in the Company during the course of the relevant compensation year, that he will be entitled to receive the proportionate part of the Current Annual Compensation. Notwithstanding the above said in this Section, should the tenure of the Company's chairman of the Board of Directors or his deputy end during the course of the calendar year, they will be entitled to the proportionate part of the current compensation for that part of the year in which they served in the Company, as stated above, save for the case of the termination of their tenure under circumstances in which, had they been employees, the Company would have been entitled to dismiss them without payment of severance pay compensation.

2.1.3 Threshold Conditions for Current Annual Compensation

2.1.3.1 Entitlement to part of the Current Annual Compensation is determined on the basis of the

¹ **"The Rank Reporting to the CEO"**: The Vice President of Special Projects; the CEO of the industrial sector, the CEO of the petrochemical sector, the CEO of the trade and marketing sector, the CFO, the Vice President of Business Development and Supply Chain, the Vice President of Technology and Projects, the Vice President of Human Resources, the Vice President of Staff and Teleprocessing, legal advisor. **"Rank Reporting to the Sector Vice Presidents and CEOs"** - The managers in the Company who work directly subject to the CEO reporting rank.

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Company's performance and will only crystallize if the following three conditions are fulfilled accumulatively:

- (a) The actual EBITDA² in accordance with the financial statements in a certain year (the "**Actual EBITDA**"³) is more than 70% of the EBITDA goal as determined in advance by the Company's Board of Directors in the annual budget for that year ("**the EBITDA Goal**");
- (b) The profit for the period attributed to the shareholders as presented in the annual financial statements for the end of the relevant year (the "**Profit**") is positive;
- (c) The Company's compliance on financial conditions as has been determined and/or as shall be determined, from time to time, between the Company and its creditors, and which will be valid at the end of the year for which the compensation is given and at the date of the approval of the compensation.

2.1.3.2 The entitlement to part of the Current Annual Compensation and determined on the basis of personal parameters has crystallized subject to there being a positive profit in the financial statements for the relevant year.

2.1.4 The Powers of the Board of Directors

Notwithstanding the above said, should any of the threshold conditions, fully or partially, not be fulfilled, the Board of Directors may grant the entitled parties (except with respect of the chairman of the Board of Directors, the deputy of the

² "**EBITDA**" - The consolidated neutralized EBITDA as calculated by the Company for the purpose of the Company's annual and interim directors reports as follows: the net profit less sales, management and general expenses plus depreciation and deductions, as appears in the consolidated financial statements of the Company, with neutralization of profit (loss), from the timing differentials between the purchase price and the sales price of unprotected stocks in derivatives, cancellation of the difference for fall in value of stocks (net), loss (profit) from fluctuation influences to the fair value of derivatives of the main commodity prices due to the way they are handled in accordance with the International Financial Reporting Standards (IFRS), and after neutralization of the annual current grant and the multi-year grant in accordance with the Benefits Plan and other grants recorded in the financial statements and not included in the EBITDA goals for that year, if and when they are to be paid to other employees.

³ In calculating the Actual EBITDA, financial performance of operations or of companies acquired during the course of the year and which were not taken into account in the determining of the EBITDA goals will not be included, and the financial performance of activities or companies to be sold during the year and for whom the sale was not taken into account in determining the EBITDA goal (in accordance with the contribution of that EBITDA activity during the period up until the sale, in annual terms), will not be included.

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chairman of the Board of Directors, and any other entitled party for whom the approval of compensation under this Section requires the approval of the general meeting under the provisions of any law) the Current Annual Compensation, where, in the opinion of the Board of Directors, non-compliance with the said threshold conditions is due to circumstances which are not under the control of the Company and/or the entitled parties, or for other reasons to be specified by the Company's Board of Directors.

Notwithstanding anything stipulated in the Plan, the Board of Directors may reduce the Current Annual Compensation if, in its view, safety or environmental events have occurred in the Company which do not justify the payment of the full current compensation or if the Company's net profits in the year for which the compensation are paid do not justify the payment of the full current compensation.

2.1.5 The Ceiling for the Current Annual Compensation

2.1.5.1 Subject to compliance with the threshold conditions for the Current Annual Compensation or one of its parts, the amount of the current annual grant with respect of each one of the entitled parties will not be greater than: 2 million NIS with respect of the chairman of the Board of Directors, 1.5 million NIS with respect of the deputy chairman of the Board of Directors, and 3 million NIS with respect of the Company's CEO; the number of basic salaries⁴ as has been determined in the Plan with respect of the reporting rank to the CEO. Regarding the rank reporting to the vice presidents - the ceiling will be determined in accordance with the decision of the Compensation Committee in accordance with the recommendation of the Company's CEO.

2.1.5.2 The total Current Annual Compensation for all the entitled parties in a certain year, plus the grant, if and when paid to other employees for that year (the "**Combined Annual Grant**") will not be greater than 5% of the Actual EBITDA for that year (the "**Total Annual Compensation Ceiling**").

2.1.5.3 The Annual Compensation Ceiling for each entitled party shall be divided into two parts, as follows:

⁴ "**Basic Salary**" is defined as the basic salary of the entitled party (gross) for the month of December of the relevant year, not including alternating salary components such as overtime, various grants, car, telephone, reimbursement of expenses, etc., and social welfare benefit rights accompanying the salary (including: provisions for executive insurance policies and/or pension funds, study funds, vacation, convalescence payments, sick leave, etc.).

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2.1.5.3.1 The ceiling for the part of the compensation granted to an entitled party in accordance with the Company's performances, which will constitute 50% of the Annual Compensation Ceiling, except with respect of the Company's chairman of the Board of Directors and his deputy for whom the ceiling for the performance part of the Company will constitute 100% of their annual compensation ceiling (that is to say - they will not be entitled to compensation for compliance with personal goals), and except with respect of the Company's CEO for whom the ceiling for the compensation part for the Company's performance will constitute 60% of the his annual compensation ceiling (the "**Compensation for the Company's Performances**");

2.1.5.3.2 The ceiling for the compensation part granted to an entitled party in accordance with compliance with personal goals, which is at a supplementary rate to the ceiling part for the Company's performance (the "**Compensation for Personal Goals**").

2.1.6 Determining of the Compensation for the Performance Part of the Company

The extent of the compensation for every entitled party for the performance part of the Company will be determined, in accordance with the proportionate rate between the Actual EBITDA amount in a certain year and the EBITDA Goal which was determined for that year. Should the Actual EBITDA be equivalent or lower than 70% of the EBITDA Goal, the entitled parties will not be paid the compensation amount for the Company's performance, and should the Actual EBITDA be at a rate of 110% and more than the EBITDA Goal, the full part of the compensation will be paid to the entitled parties for the Company's performance. Should the actual EBITDA range between 70% to 110% of the EBITDA Goal, the proportionate part of the compensation part for the Company's performance, which has been determined in accordance with the provisions of the Plan, will be paid.

2.1.7 Determining the Compensation for the Personal Parameters Portion

The extent of the compensation for each entitled party for the personal parameters portion, will be determined in accordance

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with his compliance with the personal quantitative and qualitative goals, as shall be determined in advance by the relevant organs of the companies, and in any event not greater than the ceiling for the personal parameters.

2.2 The Multi-Year Benefits Plan

In light of the challenges facing the Company for the establishment of the clean fuels production plant project, the project for the utilization of CCR gases, for the increase of propylene production and the updating of the FCC plant (jointly: the "**Project**"), the Company's Board of Directors views with great importance the giving of a one-off long-term compensation for employees and managers of the Company, for their contribution to the Project over a period of approximately three years, conditional on the establishment of the Projects within the timetable and budget defined by the Company in the decision of the Board of Directors adopted in June of 2009. Below is a brief description of the main points of the Multi-Year Benefits Plan to be granted to the Company's management and employees and subsidiaries for meeting the goals set out in connection with the Project (hereinafter in this Section 2.2: the "**Plan**"):

2.2.1 General

Subject to the terms of the Plan and subject to compliance with the threshold conditions in connection with the timetables and budget of the Project, the Company will grant the entitled parties a one-off compensation which will be made up of two accumulative parts, as follows: the compensation part allocated on a basis of compliance with the timetables determined for the Project (50%) and the compensation part allocated on a basis of compliance with the budget goal determined for the Project (50%), as detailed below.

2.2.2 The Parties Entitled to Multi-Year Compensation

The parties entitled to multi-year compensation are the office holders, including the chairman of the Board of Directors, the deputy chairman of the Board of Directors, and the Company's CEO, and the workers employed by the Company and its subsidiaries on January 1, 2011 and who will continue to be employed by the Company up until June 30, 2012 (the "**Entitlement Period**") (subject to the powers of the Company's organs to approve the granting of compensation to someone employed by the Company during part of the Entitlement Period). Notwithstanding that stated in this Section above, should the tenure of the chairman of the Company's Board of Directors or his deputy, serving at the time of the approval of this Plan, end during the course of the Entitlement Period, they will be entitled to the full multi-year compensation, as if their tenure continued until the end of the Entitlement Period, save for the case of the termination of the tenure under circumstances which, had they been employees,

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the Company would have been entitled to dismiss them without payment of severance pay compensation.

2.2.3 The Powers of the Board of Directors

Notwithstanding the above said, should the threshold conditions for the multi-year compensation, fully or partially, not be fulfilled, the Board of Directors may grant the entitled parties (excepting for entitled parties for whom the compensation approval requires the approval of the general meeting in accordance with law) the multi-year grant, subject to the reasoned discretion of the Company's Board of Directors.

2.2.4 Compensation for Compliance with Timetable Goals

2.2.4.1 Should the timetable goal, set for the completion of the Project, be obtained by June 30, 2012, each one of the entitled parties will be granted part of the grant for compliance with the timetable in accordance with the rank of each entitled party, as follows: the chairman of the Board of Directors - 0.5 million dollars; the deputy chairman of the Board of Directors - 0.5 million dollars; the CEO - 1 million dollars; the rank reporting to the CEO, the rank reporting to the vice presidents and employees - the number of basic salaries as determined in the Plan (in this Section 2.2.5 (sic) the "**Grant Amount to the Entitled Party**").

2.2.4.2 Regarding the rank reporting to the CEO and the rank reporting to the vice presidents, the compensation amount for every entitled party will be determined as the Grant Amount for the Entitled Party of that rank, with an addition or deduction of up to 50% of the Grant Amount for the Entitled Party with respect of each one of the entitled parties, in accordance with the personal performances of the entitled party in connection with the Project, subject to the total amount of the compensation part for compliance with the timetable goal with respect of each entitled party for that rank not deviating from the grant ceiling for that rank (calculated as the accumulative amount of grants for all entitled parties of that rank).

2.2.4.3 Should the Company meet both its timetable goal and its budget goal (as detailed below), for every month prior to the timetable goal, the entitled parties will be granted an addition to the multi-year grant in an amount of 10% of the compensation amount determined with respect of each entitled

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party, up to a ceiling of three months early completion (and in the case of early completion of part of a month - the proportionate part of the said amount). The compensation for compliance with the budget goal:

- 2.2.4.4 Should the budget goal be achieved, each one of the entitled parties will be granted part of the grant for compliance with the budget goal in accordance with the rank of each entitled party which will be equivalent to the amounts as stipulated in Section 2.2.4.1 above (in this Section 2.2.5 (sic), the "**Grant Amount to the Entitled Party**").
- 2.2.4.5 With respect of the rank reporting to the CEO and the rank reporting to the vice presidents, the compensation amount with respect of every entitled party will be determined as the Grant Amount for the Entitled Party of that rank, which is subject to the addition or deduction of up to 50% of the Grant Amount for the Entitled Party in accordance with the mechanism as detailed in Section 2.2.4.2 above.
- 2.2.4.6 Should the Company comply both with the budget goal and with the timetable goal (as detailed above), for the saving of at least 10 million dollars in the cost of the Project (with respect of the budget goal), the entitled parties will be granted an addition of the multi-year grant at a rate of 10% of the total amount saved, up to a ceiling of 3 million dollars for all the entitled parties, which will be distributed proportionately amongst the entitled parties.

2.2.5 Payment of the Multi-Year Compensation

Subject to that stated below, the multi-year grant will be paid to the entitled parties, subject to two quarters having elapsed from the date of the operating of the Project, during which the Project's plants have been continuously and reasonably operated and in accordance with the criteria determined for the Multi-Year Benefits Plan (the "**Effective Date**").

Notwithstanding that stated in the Plan, the Company's Board of Directors has the discretion to make the payment of the multi-year grant in installments for a period of up to two years with respect of the employees and up to three years with respect of the chairman of the Board of Directors, his deputy, the Company's CEO and the executive rank, at its exclusive discretion, considering the profitability data of the Company, its cash flow and other relevant considerations.

The Company's evaluations regarding the expected date of the

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completion of the Project and the scope of the investment in it falls under the ambit of information anticipating the future. These evaluations are based on plans which were drawn up by the Company's management and on data received from provisional entities external of the Company. There is no certainty that these evaluations shall be realized, because this is a very complex project, the execution of which is conditional, *inter alia*, on entities outside of the Company, and on obtaining various regulatory approvals and on completing the raising of the finance required for its establishment, factors which may change in accordance with the developments in the relevant markets.

3. **Further Particulars Regarding the Terms of Employment of the Chairman of the Board of Directors of the Company, His Deputy and the Company's CEO**

For the terms of compensation of the chairman of the Board of Directors, his deputy and the CEO of the Company, see Article 21 of Chapter D of the Company's periodical report for 2009 published on the 21st of March, 2010 (Reference No. 2010-01-421269), cited here by way of reference. It is to be clarified that the existing compensation conditions of the chairman of the Board of Directors, his deputy and the CEO of the Company, were approved in the past by the competent organs of the Company and will not be put forward for further approval.

4. **Simulation for the Implementation of the Plan**

Below is a simulation of the scope of the maximum compensation to be paid in accordance with the Annual Benefits Plan on the assumptions as based below.

- 4.1 On the assumption that the salaries of all senior employees and office holders of the Company, as of the date of the report, and the provisions of the above-described Benefits Plan, and on the assumption that all managers meet the personal parameter goals and are entitled to the full Current Annual Compensation for the personal parameters, the Current Annual Compensation will be in the amounts as detailed below, as a function of the Actual EBITDA from the EBITDA Goal for that year (the "**EBITDA Ratio**").

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The EBITDA Ratio (In %)	Annual Current Grant (in thousands of NIS) ⁽¹⁾				
	Chairman	Deputy Chairman	CEO	Managers ⁽³⁾	Total
70 (or less) ⁽²⁾	0	0	1,200	7,590	8,790
110 (or less)	2,000	1,500	3,000	15,180	21,680 ⁽⁴⁾

(1) The data in this table does not include a reference to annual grants for workers in a collective agreement.

(2) In such a case only part of the Current Annual Compensation will be paid for personal performance, constituting 40% of the grant ceiling of the Company's CE, 50% of the grant ceiling of the other managers and does not exist vis-à-vis the chairman of the Board of Directors and his deputy.

(3) The Current Annual Grant ceiling for managers who are not office holders will be determined annually by the Compensation Committee of the Company's Board of Directors in accordance with the recommendations of the Company's CEO.

(4) On the assumption that this amount, plus the additional annual grants for employees, if paid, is not higher than 50% of the Actual EBITDA.

Below are the details of the total multi - year compensation on the assumption that it will be for the maximum amount (not including additional grants for the early completion of the time table or a saving of the projects budgets) (in thousands of NIS)¹:

	Compensation for Compliance with Time Table Goals	Compensation for Compliance with Budgetary Goals	Total Multi – Year Compensation
Chairman of the Board of Directors	2,700	2,700	5,400
Deputy Chairman of the Board of Directors	1,800	1,800	3,600
CEO	3,600	3,600	7,200
Managers	16,920	16,920	33,840
Employees	18,000	18,000	36,000
Total	43,020	43,020	86,040

5. The Manner of Adopting the Benefits Plan and the Information Brought Before the Entities Who Approved the Plan

The Benefits Plan was drafted by the Compensation Committee and the Audit Committee of the Company, who worked on the policy outlines and the compensation structure over the period of a number of months. For the formulating of the Benefits Plan, the Company hired the services of PwC, as the external professional consultants, and also the services of Meitar, Liqovnik, Geva and Leshem, Brandwein, as legal advisors.

In the meetings of the Audit Committee, the following data was reviewed and

¹ All the data has been calculated according to the exchange rate of NIS 3.6 per 1 US dollar.

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examined by it, including through means of external experts:

- 5.1 A comparative research according to the external review prepared by PwC regarding accepted compensation packages for senior office holders, in accordance with various ranks in companies of a size similar to that of the Company.
- 5.2 Calculations and data regarding the rate of payments which the Company may pay for each one of the Benefits Plan components and the manner of the distribution of the grants for the management and employee ranks, based on a range of assumptions and estimations, and sensitivity analyses for various changes in the parameters determining the rate of compensation.
- 5.3 The review of the legal advisors before the committee regarding the regulatory aspects for adopting the Benefits Plan, including approval processes and reporting duties in accordance with the law relating to the Benefits Plan.

After the Compensation and Audit Committees formulated the Benefits Plan and the Audit Committee resolved to approve it and to recommend the Company's Board of Directors approve it, the Company's Board of Directors held discussions in the matter of the Benefits Plan, *inter alia*, on the basis of data and information detailed in this Section above, and decided to approve the Plan and to recommend before the general meeting to approve the Plan with respect of the chairman of the Board of Directors and his deputy.

The resolutions of the Audit Committee of the Company and the Company's Board of Directors were passed unanimously.

6. The Reasons of the Audit Committee and the Company's Board of Directors

Reasons for the Approval of the Plan

- 6.1 The aim of the Plan is to advance the Company's goals and to encourage consideration of risks accompanying the activities and compliance with the provisions of the law, through compensating those entitled to such under the Plan in accordance with their contribution and efforts for the development of the Company's business and the promoting of the goals in the medium and long term and to increase their identification with the Company, through compensation derived as a result of the Company's activities and to meet the Company's goals and the personal goals to be determined for them with respect thereof.
- 6.2 The options plan approved by the Company in the past is not effective today, so that in effect today there is no Benefits Plan in the Company. The Company's Board of Directors believes that the giving of compensation on a regular basis and on a long-term basis by means of goal-orientated grants, as has been set out in the Plan, is appropriate and serves the best interests and goals of the Company, as the said compensation creates a direct contact between the Company's achievements and the personal achievements of every entitled party, and the rate of compensation to be granted to him.

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- 6.3 With respect of the Annual Benefits Plan - the Company's Board of Directors believes that a threshold condition for the annual regular compensation, the grant ceiling and the combination of the Company's goals and the personal goals as set out in the Benefits Plan with respect of each rank and with respect of each entitled party, are appropriate and reasonable and serve the goals of the Company in the determining of the Benefits Plan, because the parameters used for determining the entitlement to the grant, the extent and ceiling of the grant are derived, on the one hand, from the scope of the regular compensation of every manager and of every rank, and on the other hand, from parameters of profitability and company performance, such as EBITDA profitability as measured by company management and entities in the capital market, including material lenders of the Company, and as reported by the Company in public reports.
- 6.4 The Company's Board of Directors estimates that compliance with the EBITDA goals (as defined for the purpose of the Plan) is the correct and appropriate index for determining the entitlement and rate of the grant (beyond the existence of the net profit and the other condition set out as the threshold conditions for the payment of the grant), because this index reflects, in the best way possible, the manner in which the Company's management met the goals set for it at the beginning of every year, whilst the other parameters (such as net profit) are influenced by fluctuations of various entities over which the Company has no control nor does it contribute to them (such as crude and refined oil prices in the international commodities markets, changes to taxes, etc.); as the Company's material lenders have set it as the criteria for the performance of the Company and because it constitutes an index for the regularly reviewed results by the main operational decision-makers of the group, in order to pass resolutions regarding resources which are to be allotted to the various operational sectors and in order to evaluate their performances.
- 6.5 In light of the challenges facing the Company for the establishment of the clean fuel production plant project, the CCR gas utilization project for the increase of propylene production and the upgrading of the FCC plant, the great importance and recognition which the Company attributes to the critical contribution of the Company's employees and managers for the establishment of the Project, the Company's Board of Directors believes that there is great importance in giving long-term compensation for the Company's employees and managers, for their contribution to the Project over a period of about three years, conditional on the establishment of the Projects within the timetables and budgets as defined by the Company. Moreover, in the evaluation of the Company the distribution of the addition to the grant, for bringing forward the timetables of the Project and/or for savings in the Project's budget, are reasonable and appropriate in light of the expected contribution of such to the Company.
- 6.6 According to the outline of the Multi-Year Benefits Plan, a considerable part of the multi-year compensation will be distributed to company employees who do not belong to the senior office holders of the

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Company.

- 6.7 After examining all the components of the Benefits Plan and the compensation derived from it, in its entirety, in an overall view of the scope and nature of the Company's activities, and in light of the information presented before the members of the Board of Directors, including comparative research regarding the rate of compensation of the office holders at the various levels in the designated companies, the Company's Board of Directors believes that the compensation which is expected to be given to all the title holders and to every one of them, including with respect of the office holders in the Company, is reasonable, fair and acceptable compensation in companies similar to those of the Company.

Oil Refineries Ltd.