



**Convenience translation from Hebrew -
The binding version is the Hebrew version only**

Immediate report on an engagement pursuant to the Companies Regulations (Relief in Transactions with Interested Parties) – 2000

Pursuant to the provisions of Regulation 37A (5) of the Israeli Securities Regulations (Periodic and Immediate Reports) – 1970 and pursuant to the Company's Regulations (Relief in Transactions with Interested Parties) 2000 (hereinafter: "**the Relief Transactions**"), the Company is pleased to report as follows:

On October 30, 2011, pursuant to Regulation 1A (2) of the Relief Regulations, and after receiving the approval of the Audit Committee on October 9, 2011, the Company's Board of Directors approved the updating of compensation that will be paid to directors of the Company, who are not external directors or independent directors, and meet the expertise requirement set forth in the definition "External Expert Director" in the Company's Regulations (Rules regarding Compensation and Expenses of an External Director) – 2000 ("**the Compensation Regulations**"), as follows:

- a. A director who is not an external or an independent director who meets the expertise requirements set forth in the definition of "an External Expert Director," according to the Compensation Regulations, will be entitled to payment for the maximum amount permitted to be paid to an external expert director – as set forth in the Compensation Regulations.
- b. The Resolution will not apply to a director who has a special compensation arrangement or another arrangement with the Company, and will not apply to a director who is a controlling shareholder in the Company, or their relations, or those employed by a controlling shareholder in the Company.
- c. The update will be in force from January 1, 2011.

Correct as of the date of this Report, the sole director who is entitled to such an update of compensation is Prof. Arie Ovadia.

Reasons for the decision of the Audit Committee and Board of Directors

- a. The annual compensation and participation compensation up to the maximum amount permitted for an expert director is reasonable and suitable, and in view of the contribution of the expert directors to the Company and in view of the time and efforts invested by them and in view of the Company's complexity, the scope of the business managed by it and the complex subjects brought to the Board of Directors – and in this matter there is no difference between an expert director who is external or independent, to whom the Company pays, by virtue of previous resolutions, the maximum amount permitted to be to be paid to an external expert director, and another expert director.

- b. The Audit Committee and Board of Directors consider as extremely important the serving of directors with expertise in the Company and think that these directors should, in particular, be compensated in accordance with the levels set forth in the Compensation Regulations for an external expert director.

According to Regulation 1C of the Relief Regulations, one shareholder or more who holds at least 1% of the issued capital or the voting rights in the Company may inform the Company of his/her opposition to granting the relief mentioned in the Relief Regulations, provided that his/her objection will be submitted in writing to the Company not later than 14 days from the date of publishing this Immediate Report. Should the Company receive such a notice, the transaction will be brought for the approval of the General Meeting of the Company's shareholders, pursuant to the provisions of Section 273 of the Companies Law – 1999.

Oil Refineries Ltd.
By Adv. Eli Mordoch
Company Secretary