

**Paz Oil Company Ltd (the "Company")**

December 26, 2017

Israel Securities Authority  
22 Canfei Nesharim Street  
Jerusalem 95464

Tel Aviv Stock Exchange LTD  
2 Ahuzat Bayit Street  
Tel Aviv  
(through Magna)

Dear Sirs,

**Re: Report on Special General Meeting**

**1. The matters on the agenda**

The meeting's agenda shall include the following resolution:

- 1.1 The election and appointment of an external director, for a term of office of three years commencing on March 11, 2018, in accordance with section 239 or 245 of the Companies Law, as the case may be.

The election in this matter on the agenda is of one external director from amongst two candidates proposed by the appointments committee, which is made up of three external directors of the Company (Messrs Efraim Sadka, Shaul Tzemach and Amikam Shafran - for this meeting) (hereinafter - the "**appointments committee**"), in accordance with section 20.4 of the Company's articles of association and the control, permit as defined below.

The candidates are:

- 1.1.1 Ms Meira Git, who is currently an external director of the Company and a candidate for second term of office;
- 1.1.2 Ms Naomi Sandhaus.

In accordance with sections 115(a) and 118A(b) of the Companies Law, the candidate for external director elected by the general meeting as aforesaid shall serve as a member of the finance and audit committee and of the compensation committee of the Company.

For further details of the appointment of directors to the Company's board of directors, including proposed resolutions - see paragraph 4 below.

## **2. Further details of the matters on the agenda**

### **2.1 Further details of the appointment of directors to the Company's board of directors**

2.1.1 In accordance with the provisions of the Company's articles of association (as amended on November 27, 2016 - for further details see immediate report of November 27, 2016 (reference no. 2016-01-082347), the appointments committee is required to propose several candidates to the general meeting, which is double the number of vacant positions. Accordingly, at this meeting two candidates for the position of external director were proposed by the appointments committee.

2.1.2 The declarations of the candidates (in accordance with section 241 of the Companies Law) are annexed as **appendix "A"** to this report. The Company's board of directors found that both the external director candidates have accounting and financial expertise as defined in the Companies (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications) Regulations, 57656-2005.

2.1.3 For further details regarding the employment terms of directors of the Company, see the Company's immediate report of November 25, 2009 (reference no. 2009-01-296340), and section 21 of Chapter D. of the Company's periodic report for 2016 that was published on March 20, 2017 (reference no. 2017-01-022780).

2.1.4 In accordance with the provisions of the Company's articles, voting at the general meeting on the appointment of external directors shall take place in accordance with the following provisions:

2.1.4.1 Voting shall take place in respect of each candidate separately. Those participating in the vote may vote for each one of the candidate directors.

2.1.4.2 Subject to any law, the resolution shall be passed by a majority of votes of those participating in the vote; the count of participants' votes shall not include the votes of those abstaining.

2.1.4.3 If the number of candidate directors, who won a majority of the participants' votes in a vote at the general meeting,

exceeds the number of vacant director's offices as aforesaid, the candidates who won the highest number of supporters at the general meeting shall be elected.

2.1.4.4 In the event that a decision is required between candidates who receive an equal number of votes, and these candidates include a director who is up for election for an additional term of office, he shall be deemed to have won the highest number of supporters at the general meeting. In the event that the votes are tied between two directors who are up for election for the first time, or have been serving for identical terms, the board of directors shall determine which of them shall be elected or how he shall be elected.

2.1.4.5 In accordance with the permit for the control and holding of the means of control in Paz Oil Refinery (Ashdod) Ltd of August 23, 2016, which entered into force on September 18, 2016 (hereinafter - the "**control permit**" - for further details, see the immediate report of November 16, 2016 (reference no. 2016-01-079287) and the Company's articles of association, all the Company's directors shall be Israeli citizens and residents with security clearance and security compatibility for the position, as determined by the General Security Service, unless the General Security Service has agreed in writing and in advance to deviate from this on such terms and conditions as determined. If the General Security Service decides that a director or candidate for the position does not have security clearance and security compatibility for the position, he shall not serve in such position, and his term of office shall come to an end on the said date. The board of directors may determine if instead of a director or candidate director, in respect of whom it has been decided that he does not have security clearance and security compatibility for the position as aforesaid, a candidate shall be elected who was up for election and won the next number of votes or if a director shall be elected in his stead in another way provided in the Company's articles.

2.1.5 Details of the candidates to hold office as external directors of the Company

**Below are details of the two candidates to hold office as external directors of the Company's board of directors (of whom shall be elected, as aforesaid, the person who wins the highest number of**

supporters at the general meeting) pursuant to sections 26 and 36B(a)(10) of the Immediate Reports Regulations:

2.1.5.1 With regard to paragraph 3.1.1 on the agenda - the election of Ms Meira Git

<b>Director's name</b>	<b>Meira Git</b>
<b>Identity no.</b>	04052841
<b>Date of birth</b>	July 11, 1946
<b>Address for the service of process</b>	46 Chen Boulevard, Tel Aviv
<b>Nationality</b>	Israeli
<b>Member of committees of the Company's board of directors</b>	Member of the finance and audit committee, member of the compensation committee, member of the appointments committee (save in connection with the proposal of candidates for appointment as external directors at this meeting).
<b>External director</b>	Yes
<b>Has accounting and financial expertise</b>	Yes
<b>Employee of the Company, a subsidiary, a related company or an interested party therein</b>	No
<b>Date of commencing term of office</b>	March 11, 2015
<b>Education</b>	Bachelor's degree (B.A.) in economics and political science, Hebrew University; directors' course, Lahav
<b>Engagement in the last five years</b>	Director of the Company
<b>Other corporations in which she holds office as director</b>	Director of the Company
<b>Relative of an interested party in the Company</b>	No
<b>Director whom the Company considers to have accounting and financial expertise for the purpose of compliance with the minimum number determined by the board of directors pursuant to section 92(a)(12) of the Companies Law</b>	Yes

**Proposed resolution:**

To appoint Ms Meira Git as an external director of the Company for a second term of office of three years, commencing on March 11, 2018, in accordance with section 245 of the Companies Law.

**2.1.5.2 With regard to paragraph 3.1.2 on the agenda - the election of Ms Naomi Sandhaus**

<b>Director's name</b>	<b>Naomi Sandhaus</b>
<b>Identity no.</b>	054761101
<b>Date of birth</b>	June 20, 1957
<b>Address for the service of process</b>	7 Alexandroni, Ramat Gan 5222541
<b>Nationality</b>	Israeli
<b>Member of committees of the Company's board of directors</b>	Member of finance and audit committee, compensation committee
<b>External director</b>	Yes
<b>Has accounting and financial expertise</b>	Yes
<b>Employee of the Company, a subsidiary, a related company or an interested party therein</b>	No
<b>Date of commencing term of office</b>	March 11, 2018
<b>Education</b>	Bachelor's degree in law from Tel Aviv University, license to practice law
<b>Engagement in the last five years</b>	From 2015 to 2017 deputy CEO for legal advice, regulation and company secretary of Partner Communications Ltd.  From 2009 to 2014 chief legal counsel, head of legal advice division and legal risks administration of Bank Leumi Le-Israel Ltd.
<b>Other corporations in which she holds office as director</b>	External director of the Tel Aviv Stock Exchange Ltd and TASE's clearing houses (TASE-CH and the Maof (Derivatives) Clearing House - subsidiaries of TASE)
<b>Relative of an interested party in the Company</b>	No
<b>Director whom the Company considers to have accounting and financial expertise for the purpose of compliance with the minimum number determined by the board of directors pursuant to section 92(a)(12) of the Companies Law</b>	Yes

**Proposed resolution:**

To appoint Ms Naomi Sandhaus as an external director of the Company for a term of office of three years, commencing on March 11, 2018, in accordance with section 239 of the Companies Law.

It is noted that pursuant to the control permit and the Company's articles of association, Ms Naomi Sandhaus' term of office as an external director of the Company is subject to the approval of the General Security Service regarding security clearance and security compatibility for the position.

The Company's audit committee found that the business relations between the Company and the group's companies, on the one hand, and Partner Communications Ltd (hereinafter - "**Partner**"), on the other hand, the former employer of the candidate, which includes the purchase of products from Partner by the group's companies in the ordinary course of business, are negligible relations both from the aspect of the Company and from the aspect of the candidate, in accordance with section 5(a) of the Companies (Matters that do not constitute an Interest) Regulations, 5767-2006.