



# Azrieli Group Ltd.

(the "Company")

Date: March 22, 2017

To:  
Israel Securities Authority

To:  
Tel Aviv Stock Exchange Ltd.

Via Magna

Via Magna

**Re: An immediate report concerning the convening of an annual and special general meeting of the Company in accordance with the Companies Law, 5759-1999 (the "Companies Law"), the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "Reports Regulations") and the Securities Regulations (Transaction between a Company and a Controlling Shareholder thereof), 5761-2001 (the "Controlling Shareholder Regulations").**

Notice is hereby given with respect to the convening of an annual and special general meeting of the shareholders of the Company (the "**Meeting**"), which shall convene on Thursday, April 27<sup>th</sup>, 2017, at 16:00 (Israel time), at the Company's offices at the Azrieli Center, Tel Aviv (Round Tower – Floor 33) for the purpose of adopting resolutions regarding the issues on the agenda, as follows.

## **Part A – General Meeting**

### **The issues on the agenda and summary of the proposed resolutions:**

1. **Reappointment of the directors presently serving as directors of the Company (other than outside directors) until the end of the Company's next annual general meeting**

Approval of the reappointment of the directors presently serving on the Company's board of directors (other than outside directors) for an additional term of office until the end of the Company's next annual meeting of the Company's shareholders, unless the office shall have been previously terminated in accordance with the provisions of the Companies Law or the Company's articles of association (the "**Articles**") (an "**Additional Term of Office**"):

- 1.1. Ms. Danna Azrieli (Chairman of the board).

**Proposed language of the resolution:** To approve the reappointment of Ms. Danna Azrieli as a director of the Company for an Additional Term of Office.

- 1.2. Ms. Sharon Azrieli.

**Proposed language of the resolution:** To approve the reappointment of Ms. Sharon Azrieli as a director of the Company for an Additional Term of Office.

- 1.3. Ms. Naomi Azrieli.

**Proposed language of the resolution:** To approve the reappointment of Ms. Naomi Azrieli as a director of the Company for an Additional Term of Office.

- 1.4. Mr. Menachem Einan.

**Proposed language of the resolution:** To approve the reappointment of Mr. Menachem Einan as a director of the Company for an Additional Term of Office.

- 1.5. Mr. Joseph Ciechanover (independent director).

**Proposed language of the resolution:** To approve the reappointment of Mr. Joseph Ciechanover as a director of the Company for an Additional Term of Office.

- 1.6. Ms. Tzipora Carmon (independent director).

**Proposed language of the resolution:** To approve the reappointment of Ms. Tzipora Carmon as a director of the Company for an Additional Term of Office.

- 1.7. Mr. Oran Dror (independent director).

**Proposed language of the resolution:** To approve the reappointment of Mr. Oran Dror as a director of the Company for an Additional Term of Office.

Each one of the aforesaid directors has signed a statement as required under Section 224B(a) of the Companies Law, and in such context the independent directors declared that they qualify under paragraphs (1) and (2) of the definition "Independent Director" in Section 1 of the Companies Law. The directors' statements are attached hereto as **Annex A**, and they may be further inspected at the Company's registered office.

Details regarding the directors whose office is submitted for renewal as aforesaid in Sections 1.1-1.7 above are incorporated herein by reference to the details provided according to Regulation 26 and Regulation 36B(a)(10) of the

Reports Regulations in Part D of the periodic report for 2016, as released on March 22, 2017, close to the release date hereof (the "**Company's Periodic Report for 2016**").<sup>1</sup>

2. **Reappointment of the accounting firm Deloitte - Brightman, Almagor, Zohar & Co. as the Company's auditors until the end of the Company's next annual general meeting**

In accordance with the Company's Articles, the Company's board of directors has been authorized, after receipt of the recommendation of the Company's audit committee, to determine the auditor's fee for audit functions and for additional services according to the nature and scope of the services provided and to be provided to the Company. For details regarding the fee paid to the auditor for 2015, see Section 7 of the corporate governance report within the Company's periodic report as of December 31, 2015.

**Proposed language of the resolution:** Approval of the reappointment of the accounting firm Deloitte - Brightman, Almagor, Zohar & Co. as the Company's auditors until the end of the Company's next annual general meeting.

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<sup>1</sup> According to the Company's approved compensation policy, the compensation of outside directors and other directors of the Company who are not controlling shareholders thereof and who receive no salary or management fees, as being from time to time, shall be the maximum compensation set forth under the Companies Regulations (Rules regarding Compensation and Expenses for Outside Directors), 5760-2000) (the "**Compensation Regulations**"), as updated from time to time and according to the Company's grade, as it shall be from time to time. For that purpose, it shall be taken into account whether or not the director is an expert, according to the definition of an expert outside director by the Compensation Regulations. Furthermore, the said directors shall be entitled to reimbursement of expenses according to the Compensation Regulations. The Compensation of Ms. Naomi Azrieli and Ms. Sharon Azrieli, who are among the Company's controlling shareholders, is the compensation that was approved by the Company's Compensation Committee and Board of Directors in May 2016. For details, see immediate report dated May 25, 2016 (Ref.: 2016-01-033138) which is incorporated herein by way of reference. The Compensation of Ms. Danna Azrieli, the Company's Chairman of the Board and one of its controlling shareholders, was last approved by the Company's shareholders meeting that was held on October 6, 2016. For details with respect to Ms. Danna Azrieli's compensation, see Section 5 of the notice report for a meeting of the Company dated August 28, 2016 (Ref.: 2016-01-111643), which is included herein by way of reference.

With respect to Mr. Menachem Einan, a director of the Company, it is clarified that during the period beginning on March 1, 2015 and ending on February 28, 2017 (the "**Term of the Agreement**"), Mr. Menachem Einan provided consultancy services to the Company under a consultancy agreement with a company owned by him (the "**Consultancy Agreement**"). For details with respect to the Consultancy Agreement, see the Company's immediate report dated March 18, 2015 (Ref.: 2015-01-053536), which is included herein by way of reference. Pursuant to the terms and conditions of the Consultancy Agreement, during the Term of the Agreement, Mr. Einan received no compensation for his office as a director of the Company, beyond the compensation paid to him according to the terms and conditions of the Consultancy Agreement. Beginning on March 1, 2017, Mr. Einan shall receive for his office as a director of the Company compensation and reimbursement of expenses according to the compensation policy and the Compensation Regulations, under the terms specified above in this footnote with respect to a director who is not a controlling shareholder of the Company. The Company's Compensation Committee and Board of Directors approved, at their meetings dated March 19, 2017 and March 21, 2017, respectively, the said compensation according to the provisions of Regulation 1A(2) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000.

In addition to the aforesaid directors' compensation, the Company's directors are included in a D&O insurance policy and the Company extends indemnification and exemption letters to them, all subject to the provisions of the Companies Law and the Company's Articles.

3. **Discussion of the audited financial statements and the board of directors' report on the state of the Company's affairs for the year ended on December 31, 2015**

Discussion of the audited annual financial statements of the Company for the year ended on December 31, 2015, and of the board of directors' report on the state of the Company's affairs for the year ended on December 31, 2015. Inspection is possible of the said reports, which are included in the Company's 2015 Periodic Report that was released on March 23 (Ref.: 2016-01-012174), and are included herein by way of reference, and were published on the ISA distribution site at: <http://www.magna.isa.gov.il> (the "ISA Site") and on the website of the Tel Aviv Stock Exchange Ltd. at: <http://maya.tase.co.il>. (the "TASE Site").

No vote shall be held regarding this issue, but only a discussion.

4. **Discussion of the audited financial statements and the board of directors' report on the state of the Company's affairs for the year ended on December 31, 2016**

Discussion of the audited annual financial statements of the Company for the year ended on December 31, 2016, and of the board of directors' report on the state of the Company's affairs for the year ended on December 31, 2016. Inspection is available of the said reports, which are included in the Company's 2016 Periodic Report that was published on the ISA Site and the TASE Site.

No vote shall be held regarding this issue, but only a discussion.

5. **Amendment and extension of indemnification letters granted to directors who are controlling shareholders, and grant of exemption from liability to directors who are controlling shareholders**

**Proposed language of the resolution:** Amendment and extension of the indemnification letters granted to Ms. Danna Azrieli, Ms. Sharon Azrieli and Ms. Naomi Azrieli, who are indirect controlling shareholders of the Company ("**Controlling Directors**"), for an additional three-year period, and granting exemption from liability to the Controlling Directors, for a period of three years, beginning on the date of the approval by the Meeting convened hereunder, and as specified in Part B hereof.

6. **Grant of updated indemnification and exemption letters to directors of the Company, as being from time to time, excluding Controlling Directors and/or their relatives**

It is proposed to update the language of the indemnification and exemption letter which the Company grants to its serving officers and directors as being from time to time, excluding directors who are controlling shareholders of the Company and/or their relatives, pursuant to the changes in statutory provisions that were made since the indemnification and exemption letters were last amended by the Company's General Meeting on August 15, 2011.

The update includes expansion of the liabilities and/or expenses for which the Company is entitled to grant indemnification to officers and directors, pursuant, *inter alia*, to the Antitrust Law, 5748-1988, as well as expansion of the definition of the term "Party Injured by a Breach" such that this definition shall apply to any legislation for which an administrative proceeding may be held and is in accordance with the amendment of the Company's Articles, as approved by the General Meeting in August 2016.

Furthermore, the update includes, pursuant to the amendment of the Company's Articles as approved by the General Meeting in October 2016, an addition of an exception to the cases in which the Company is entitled to grant to its officers and directors an exemption from liability, namely that the said exemption undertaking shall not apply to a decision or a transaction in which the Company's controlling shareholder or officer have a personal interest, and all subject to the provisions of the Companies Law and the Company's Articles.

The amendment to the indemnification and exemption letter as aforesaid in this Section is identical, in terms of its conditions and provisions, to the indemnification letter that is proposed for amendment, extension and granting to the Controlling Directors.

The Compensation Committee and the Board of Directors unanimously approved the amendment proposed in this Section on March 19 and 21, 2017, respectively, and the granting of the updated indemnification and exemption letter to officers who are not directors of the Company.

The language of the updated indemnification and exemption letter is attached as **Annex B** hereto.

**Proposed language of the resolution:** granting updated indemnification and exemption letters to directors of the Company, as being from time to time, other than Controlling Directors and/or their relatives.

**Part B – Amendment and extension of indemnification letters granted to Controlling Directors, and grant of exemption from liability to Controlling Directors**

7. Below is a summary of the details required in respect of the proposed resolution for the amendment and extension of indemnification letters granted to Controlling Directors of the Company, and grant of exemption from liability to Controlling Directors, as required by the Controlling Shareholders Regulations.

7.1. **Summary description of the main parts of the engagement**

7.1.1. The granting of the indemnification and exemption letter to the Controlling Directors was approved by the Company's general meeting in August 2011 with respect to all of the Company's directors (including Controlling Directors, as they shall serve in the Company from time to time).

7.1.2. Pursuant to the provisions of the law, the indemnification and exemption letter in respect of Controlling Directors was submitted for re-approval by the general meeting of the Company's shareholders in December 2014 for an additional period of three years beginning on August 15, 2014. At that time, the exemption from liability component with respect to the duty of care, which was included in the indemnification letter that was approved by the Company's general meeting in August 2011, and which was included in the indemnification letter that is granted to the other officers of the Company, was not included in the language of the indemnification letter that was approved for Controlling Directors at the Company's general meeting on December 28, 2014.

7.1.3. Pursuant to the Company's approved compensation policy,<sup>2</sup> the Company is entitled to grant to its officers (including Controlling Directors) exemption from liability, subject to the said exemption undertaking shall not apply to a decision or a transaction in which the Company's controlling shareholder or officer have a personal interest, and all subject to the provisions of the Companies Law and the Company's Articles.

7.1.4. On October 6, 2016, the Company's shareholders approved the amendment of Article 30 of the Company's Articles, such that after the amendment of the Articles the Company may exempt, in advance and in retrospect, an officer thereof from his liability, in whole or in part, due to damage resulting from breach of a duty of care towards it, to the maximum extent permitted under any law, subject to the exemption not

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<sup>2</sup> For details regarding the Company's approved compensation policy, see notice report dated August 28, 2016 (Ref.: 2016-01-111642), which is included herein by way of reference.

applying to a decision or a transaction in which the Company's controlling shareholder or officer have a personal interest.

7.1.5. Furthermore, in August 2016, the Company's Articles were amended in respect of the indemnification that the Company may grant to its officers according to changed legislation provisions, the expansion of liabilities and/or expenses for which the Company may grant indemnification to directors, pursuant to, *inter alia*, the Antitrust Law, 5748-1988, and the expansion of the definition of the term " Party Injured by a Breach " such that this definition shall apply to any legislation for which an administrative proceeding may be held.

7.1.6. Pursuant to the last amendments to the Company's Articles, it is proposed to grant an indemnification and exemption letter to Controlling Directors.

The language of the proposed amended indemnification letter that is offered to Controlling Directors of the Company (the "**indemnification and exemption letter**") is attached as **Annex C** hereto.

## 7.2. Details regarding the Company's controlling shareholders

Azrieli Holdings Inc. ("**Azrieli Holdings**") is a private company incorporated pursuant to Canadian Law. As the Company has been informed, Azrieli Holdings is controlled by Ms. Danna Azrieli, Ms. Naomi Azrieli, and Ms. Sharon Azrieli, either directly or through Canadian holding corporations. As of the date hereof, Azrieli Holdings holds, directly and indirectly, approx. 55.62% of the Company's shares through its holding of the entire share capital of Nadav Investments Inc. ("**Nadav Investments**"), which is the direct controlling shareholder of the Company, and approx. 61.31% of the voting rights in the Company.

Until his demise in July 2014, Mr. David Azrieli OBM held, directly and indirectly, approx. 44.77% of the shares of Azrieli Holdings' capital, and all of the voting rights in Azrieli Holdings (including the voting rights in his children's shares that were held by him in trust).

Following the demise of Mr. David Azrieli OBM, the shares of Azrieli Holdings previously held by him and his shares in David Holding Corporation were transferred to his estate, and Ms. Danna Azrieli, Ms. Naomi Azrieli and Ms. Sharon Azrieli were appointed as the 3 directors of Azrieli Holdings and of Nadav Investments.

As the Company has been informed, on April 13, 2015, a distribution was made from the estate of Mr. Azrieli OBM of his shares in Azrieli Holdings and in a Canadian holding corporation controlled by him ("**David Holding Corporation**"). Pursuant to the aforesaid distribution, each of Sharon Azrieli, Naomi Azrieli and Danna Azrieli holds, directly and through David Holding Corporation, approx.

27.24% of the capital rights in Azrieli Holdings and approx. 33.13% of the voting rights in Azrieli Holdings, and together they hold approx. 81.73% of the capital rights in Azrieli Holdings and approx. 99.39% of the voting rights therein. The remaining shares of Azrieli Holdings are held mainly by the Azrieli Foundation of Canada (an interested party in the Company) which pursuant to the distribution of the estate holds (indirectly, through the holding of the shares of David Holding Corporation), 15.93% of the shares of Azrieli Holdings, with no voting rights (a holding which constitutes, indirectly, a holding of approx. 8.86% of the capital rights in the Company), in addition to and separately from its direct holding of 8.55% of the capital and voting rights in the Company.

As the Company has been informed, all of the shareholders of Azrieli Holdings are tied up in a shareholder agreement among them (for further details see Section 3.5 of the Company's shelf prospectus dated May 13, 2013) which, *inter alia*, confers upon each of Sharon Azrieli, Naomi Azrieli and Danna Azrieli the right to nominate one of the three directors to the boards of directors of Azrieli Holdings and of Nadav Investments.

In view of the aforesaid, as of the report date, Sharon Azrieli, Naomi Azrieli and Danna Azrieli are the controlling shareholders of the Company.

7.3. The nature of the personal interest

The Controlling Directors have a personal interest in the approval of the indemnification and exemption letter due to their being the beneficiaries of the said resolutions which are being submitted for the approval of the Company's shareholders meeting.

7.4. The manner of approval of the indemnification and exemption letters (the manner in which the consideration was determined)

The indemnification and exemption letter is granted to the Controlling Directors as part of the terms and conditions in consideration for their services as directors of the Company, and are consistent with the Company's compensation policy. On its meeting dated March 19, 2017, the Compensation Committee (also in its capacity as the Company's Audit Committee) resolved, for purposes of Section 117(1B) of the Companies Law, that there is no room to hold a competitive proceeding prior to the granting of the indemnification and exemption letter, in view of the personal nature of the transaction, and that holding a competitive proceeding under the circumstances of the matter is insubstantial. The Committee determined, in accordance with the Company's procedures, that the compliance of the said transactions with the Company's compensation policy and the bringing of the transaction for the triple approval that is required by the Companies Law constitutes "another proceeding" within the meaning thereof in Section 117(1B) of the Companies Law.

7.5. The required approvals

The Compensation Committee and the Board of Directors unanimously approved the indemnification and exemption letter on March 19 and 21, 2017, respectively. The indemnification and exemption letter is subject to the approval of the Company's shareholders meeting.

7.6. Similar transactions during the past two years or transactions still in effect

The indemnification and exemption letter pertains to the compensation of officers.

7.6.1. For details regarding the approval of the extension of the existing management agreement between the Company and a company controlled by the Active Chairman of the Board, Ms. Danna Azrieli, who is one of the Controlling Directors, see an immediate report dated August 28, 2016 (Ref.: 2016-01-111643), which is included herein by way of reference.

7.6.2. For details regarding: (1) approval of transactions for the payment of annual compensation and participation fee to Ms. Naomi Azrieli and Ms. Sharon Azrieli, who serve as directors of the Company; and (2) approval of transactions for the extension of granting indemnification letters to Controlling Directors and the inclusion of the Company's controlling shareholders in a D&O insurance policy, see immediate reports dated May 25, 2016 with respect to the compensation and the insurance (Ref.: 2016-01-033138, 2016-01-033144) and December 23, 2014 (Ref.: 2014-01-228996), with respect to the indemnification, all included herein by way of reference.

7.7. The information provided to the organs that approved the indemnification and exemption letter

For the purpose of reviewing and approving the indemnification and exemption letters, members of the Compensation Committee and the Board of Directors were provided with information regarding: (a) the essence of the indemnification and exemption letters; (b) the compliance of the indemnification and exemption Letters with the provisions of the Company's compensation policy; (c) indemnification and exemption letters that were granted to controlling shareholders of public companies similar to the Company in size and type.

7.8. Identity of the directors who participated in the meetings of the Compensation Committee and the Board of Directors in which the indemnification and exemption letters were discussed

The Company's Compensation Committee and Board of Directors convened on March 19, 2017 and March 21, 2017, respectively.

Messrs. Ephraim Halevy (outside director), Chairman of the Compensation Committee, Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director), Tzipora Carmon (independent director) and Oran Dror (independent director) participated in the discussion of the Compensation Committee. All of the Company's directors: Messrs. Danna Azrieli, Naomi Azrieli, Sharon Azrieli, Mencahem Einan, Ephraim Halevy (outside director), Prof. Niv Ahituv (outside director), Joseph Ciechanover (independent director), Tzipora Carmon (independent director) and Oran Dror (independent director) have a personal interest in the approval of the resolution due to their being among the beneficiaries of the indemnification and exemption letter. The indemnification and exemption letter was unanimously approved by the Compensation Committee and Board of Directors of the Company.

7.9. Summary of the reasons of the Compensation Committee and the Board of Directors to the indemnification and exemption letter

7.9.1. Granting indemnification and exemption letters to directors (including controlling directors) is common practice in companies of the type and size of the Company, and is intended to enable such officers to act freely and for the best interest of the Company as all other officers of the Company, based on an understanding that there is no room for distinction in this respect between officers related to the controlling shareholder and all other officers.

7.9.2. Approval of the language of the indemnification and exemption letter to the Controlling Directors does not constitute a special benefit for them.

7.9.3. The indemnification and exemption letter is consistent with the Company's compensation policy and Articles, and subject to the approval of resolution no. 6 on the agenda, is identical in terms of its conditions and provisions to the indemnification and exemption letter that is granted to all of the Company's directors.

7.9.4. Approval of the indemnification and exemption letter does not constitute a distribution, as this term is defined in Section 1 of the Companies Law.

In view of all of the above, the members of the Compensation Committee and the Board of Directors are of the opinion that under the circumstances of the matter, the indemnification and exemption letter is reasonable, fair and in the best interest of the Company.

7.10. Names of directors who have a personal interest in the approval of the transaction, and the nature of their personal interest

All of the Company's directors, including the Controlling Directors, have a personal interest in the approval of the indemnification and exemption letter due to their being among the beneficiaries thereof.

## **Part C – Additional details regarding the general meeting**

### **8. The required majority**

The majority required at the Meeting for adopting the resolutions specified in Sections 1.1-2 and 6 on the aforesaid agenda is a simple majority of all of the votes of the shareholders who are entitled to vote at the Meeting and who voted therein. It is noted that as of the date hereof, Azrieli Holdings is directly holding approx. 61% of the Company's voting rights, a rate that confers the majority required to adopt the proposed resolution on issues 1.1-2 and 6 on the aforesaid agenda. As aforesaid, no vote shall be held regarding issues 3-4 on the agenda, but only a discussion.

In accordance with the provisions of Section 275(a)(3) of the Companies Law, the majority required for adopting the resolution specified in Section 5 on the aforesaid agenda is a majority of all of the votes of the shareholders present at the Meeting, provided that one of the following is also met:

- 8.1. The majority vote count in the general meeting shall include a majority of all of the votes of shareholders who do not hold a personal interest in approving the transaction, who participated in the vote; the count of votes of all of the votes of the aforesaid shareholders shall exclude the abstaining votes;
- 8.2. All of the dissenting votes among the shareholders mentioned in subsection 8.1 above shall not exceed a rate of two percent of all of the voting rights in the Company.

### **9. Procedures of the Meeting and the Vote**

#### **9.1. Voting Method**

A shareholder who is registered as a shareholder in the Company's shareholder register (a "**Registered Shareholder**") is entitled to vote at the meeting either personally (participation at the meeting), through an attorney, through a voting card within the meaning thereof in Section 87 of the Companies Law, the form of which is attached hereto ("**Voting Card**"). A shareholder pursuant to Section 177(1) of the Companies Law (i.e.: a shareholder to whose credit a share is registered with a TASE member, which share is included among the shares registered in the registry in the name of the nominee company) ("**Unregistered Shareholder**"), may vote in the methods specified above, as well as through an electronic voting card that will be delivered to the Company via the electronic voting system which is operated in accordance with Title B of Chapter G2 of the Securities Law, 5728-1968 ("**Electronic Vote**", "**Electronic Voting System**" and "**Electronic Voting Card**", respectively).

## 9.2. Meeting Time; Adjourned Meeting; Record Date

The General Meeting shall convene on Thursday, April 27, 2017, at 16:00, at the Company's Offices at the Azrieli Center, Tel Aviv (Round Tower – Floor 33).

The discussion at the General Meeting may be opened only if a legal quorum is present at the opening of the meeting.

The legal quorum for opening the discussion at the meeting shall consist of one or more shareholders, who is/are present in person or by proxy or via voting card (including an electronic voting card), and holding or representing at least fifty one percent (51%) of the voting rights in the Company. If two hours shall have elapsed from the time scheduled for the meeting and no legal quorum is present, the meeting shall be adjourned to the third business day after the date of the meeting, at the same time and place, or to a later day and time or a different place, as shall be determined by the Company's board of directors in a notice to the shareholders. The Company shall give notice of the adjournment of the meeting and the date of the holding of the adjourned meeting through an immediate report. If no legal quorum is present at the adjourned meeting as aforesaid, legal quorum shall consist of one or more shareholders, who is/are present in person or by proxy or via voting card (including an electronic voting card), and holding or representing at least forty percent (40%) of the voting rights in the Company, unless the general meeting shall have been convened pursuant to the demand of shareholders as per the provisions of the Companies Law. If no legal quorum is present at the adjourned meeting convened pursuant to the demand of shareholders as aforesaid, legal quorum shall consist of at least one shareholder, who is present at the adjourned meeting in person or by proxy or via voting card (including an electronic voting card).

The record date for the determination of the entitlement of a shareholder to vote at the General Meeting as provided in Section 182(b) of the Companies Law and in Regulation 3 of the Written Voting Regulations, is the end of the trading day at the TASE on Thursday, March 30, 2017 (the "**Record Date**").

## 9.3. Attorney for the Vote

A shareholder may appoint an attorney to participate and vote in his stead, who need not be a shareholder of the Company.

The appointment of a representative or attorney to participate and vote at the meeting on behalf of the shareholder shall be made in writing, signed by the shareholder or by his legal attorney authorized therefor in writing, and if the appointing shareholder is a corporation, the power of attorney shall be signed in the same method by which such corporation signs documents which bind it. If the appointing party is a corporation, a lawyer certification whereby the power of attorney was

signed in accordance with the articles of association of such corporation, shall be attached to the power of attorney. Voting according to the terms of the power of attorney shall be legal notwithstanding the prior demise of the appointing shareholder or him being declared bankrupt or incompetent or his cancellation of the letter of appointment or transfer of the share in respect of which it was issued, or, if it is a corporation, a liquidator or receiver were appointed therefor, unless a written notice (certified to the satisfaction of the Company's directors) regarding said change shall have been received at the Company's Offices at the Azrieli Center, Tel Aviv (Floor 33, Round Tower) (the "**Company's Offices**") at least one hour prior to the time scheduled for the general meeting. However, the Chairman of the General Meeting will be entitled to accept such written notice also in the course of the General Meeting, provided that according to his discretion, there is an adequate reason for the delay in delivering such notice. A letter of appointment of attorney and power of attorney or another certificate (if any) or a copy certified by a notary, shall be deposited at the Company's Offices with the Company's secretariat up to forty-eight (48) hours prior to the time scheduled for the General Meeting, i.e. until Tuesday, April 25, 2017 at 16:00. Such a deposit, referring to the time specified for the convening of the meeting, shall be valid also for the purpose of the adjourned meeting.

#### 9.4. Written votes; position statements

A shareholder may vote at the General Meeting on approval of the resolutions on the agenda also via a voting card. A written vote will be made via the second part of the voting card, attached hereto.

The voting card and the position statements, within the meaning thereof in Section 88 of the Companies Law, if delivered, are available for inspection on the ISA Site and the TASE Site. Each shareholder is entitled to approach the Company directly and to receive therefrom the language of the voting card and the position statements (if delivered).

A TASE member shall send, free of charge, via e-mail, a link to the language of the voting card and the position statements (if delivered) on the ISA Site to any shareholder of the Company who is not registered in the shareholders' register of the Company and whose shares are registered with such TASE member, unless the shareholder has given notice that he is not interested therein or that he is interested in receiving voting cards by mail in consideration for payment of a delivery fee, provided that the notice is given in respect of a specific securities account and on a date prior to the record date.

The voting card and the documents to be attached thereto, as specified in the voting card, must be delivered to the Company's offices (including via registered mail) together with the Confirmation of Ownership (and with respect to a Registered Shareholder – together with a photocopy of an I.D. card, passport or certificate of incorporation, as the case may be) up to four hours before the time of

convening of the General Meeting. For this purpose, the “delivery date” is the date on which the voting card and the documents attached thereto arrive at the Company’s offices. In addition, a shareholder who is not registered will be entitled to deliver the Confirmation of Ownership via the Electronic Voting System, as stated in this section below.

A voting card to which no Confirmation of Ownership was attached (or alternatively the Confirmation of Ownership was not delivered via the Electronic Voting System), or in relation to a Registered Shareholder, to which a photocopy of an I.D. card, passport or certificate of incorporation, as the case may be, was not attached, will be invalid.

A shareholder may contact the Company’s Offices, up to 24 hours before the time of the convening of the meeting, and after proving his identity to the satisfaction of the Company Secretary or another employee appointed for this purpose, withdraw his Voting Card and his confirmation of ownership.

One of more shareholders holding shares at a rate constituting five percent or more of the sum total of the voting rights in the Company (i.e.: 6,063,638 shares) and any person holding such a rate out of the sum total of the voting rights which are not held by the Company’s controlling shareholder (i.e.: 2,345,902 shares) is entitled, after the convening of the General Meeting, to inspect the voting cards and the voting records via the Electronic Voting System that reached the Company, as specified in Section 10 of the Written Votes Regulations.

The last date for delivery of position statements to the Company by the Company’s shareholders is up to ten days before the date of the general meeting, i.e. by Monday, April 17, 2017. The last date for delivery of the Board of Director’s response to the position statements (if any are provided), if and insofar as the Board of Directors will choose to submit its response to the above position statements, is no later than 5 days prior to the date of the General Meeting, i.e. by Thursday, April 20, 2017. A shareholder may directly contact the Company and receive therefrom, free of charge, the language of the Voting Card and position statements (if any are provided).

#### 9.5. Electronic voting

As aforesaid, an Unregistered Shareholder may vote also via the Electronic Voting System. An Unregistered Shareholder is entitled to receive from the TASE member through which he holds his shares, an I.D. no. and an access code as well as additional information in connection with the general meeting, and after a secure identification process, he may vote on the Electronic Voting System. The address of the Electronic Voting System is: <http://www.votes.isa.gov.il>.

Voting via the Electronic Voting System will be possible from the end of the record date until 6 hours before the time of the convening of the general meeting (i.e. until Thursday, April 27, 2017 at 10:00), or until an earlier date that is determined by the ISA, provided that it is no more than 12 hours before the time of the convening of the general meeting (the “**System Lockdown Time**”), when the Electronic Voting System will be closed. The vote on the Electronic Voting System may be changed or cancelled until the System Lockdown Time and it will not be possible to change it via the Electronic Voting System after such time.

Pursuant to Section 83(d) of the Companies Law, if a shareholder votes via more than one method, his later vote will be counted, while for this purpose, a vote of a shareholder himself or via proxy shall be deemed later than a vote via a voting card or the Electronic Voting System.

9.6. Notice of Personal Interest or a voter being a controlling party

A shareholder who participates in a vote with respect to the resolutions in Section 5 above, shall mark in Part B of the Voting Card, in the place designated therefor, and if the vote is via the Electronic Voting System – shall mark on the Electronic Voting Card, in the place designated therefore, whether or not he is deemed as having a personal interest in the approval of the resolution on the agenda, and whether or not he is a controlling shareholder of the Company, a senior officer of the Company, or an institutional investor (as they are defined in the Regulations). If the shareholder did not notify, as aforesaid, or did not provide a description of his personal interest (if any) his vote will not be counted.

If a controlling shareholder, senior officer or institutional investor voted, as aforesaid, via a Voting Card, he will specify, on the Voting Card, the following additional details:

Full name (in Hebrew and English); I.D. no. and type of I.D. no.; place of incorporation (in the case of a corporation); country of passport (if the ID no. is a passport no.).

9.7. Confirmation of ownership

An Unregistered Shareholder will be entitled to participate in the General Meeting only if he delivers to the Company, before the General Meeting, an original certificate from the TASE member with which his right to the share is registered, regarding his ownership of the Company’s shares on the record date, in accordance with the form in the Schedule to the Companies Regulations (Proof of Ownership of a Share for Purposes of Voting at a General Meeting), 5760-2000 (the “**Confirmation of Ownership**”), or alternatively, if he sends to the Company the Confirmation of Ownership via the Electronic Voting System. An Unregistered Shareholder may obtain the Confirmation of Ownership from the TASE member through which he holds his shares

at a branch of the TASE member or by mail to his address in consideration for a delivery fee only, if he so requests, provided that a request in this regard is given in advance for a specific securities account. An Unregistered Shareholder may also instruct that his Confirmation of Ownership be delivered to the Company via the Electronic Voting System.

As aforesaid in Section 9.4 above, the Confirmation of Ownership and the Voting Card must be delivered by shareholders to the Company's offices, such that they reach the Company's Offices no later than four hours before the time of convening of the Meeting, i.e. by Thursday, April 27, 2017 at 12:00.

9.8. Changes to the agenda; the last date for delivery of a request to include an issue on the agenda by a shareholder

After the publication of this Notice Report, there may be changes to the agenda, including the addition of an issue to the agenda, position statements may be published, and the current agenda and the position statements may be perused in the Company's reports that shall be released on the ISA Site and the TASE Site. A request of a shareholder pursuant to Section 66(b) of the Companies Law to include an issue on the agenda of the General Meeting will be delivered to the Company up to seven days after the summoning of the general meeting. If such a request is submitted, the issue may be added to the agenda and the details thereof shall appear on the ISA Site. In such a case, the Company shall publish an amended voting card together with an amended notice report, no later than seven days after the last date for delivery of a request of a shareholder for the inclusion of an issue on the agenda as aforesaid.

**10. The power of the Securities Authority**

Under the provisions of Regulation 10 of the Controlling Shareholder Regulations, within twenty one days from the submission of this report, the Israel Securities Authority or an employee authorized thereby for that purpose ("ISA"), may order the Company to provide, within such time as shall be set thereby, explanations, details, information and documents pertaining to the issues specified in the sections hereinabove, and also to order the Company to amend this Report in such manner and on such time as shall be determined thereby. If an order for the amendment of the report is issued as aforesaid, the ISA may order the postponement of the date of the General Meeting to a date that shall be no less than 3 business days and no more than 35 days from the date of the release of the amendment to this report. The Company shall submit an amendment pursuant to such order, in the manner prescribed by Regulation 2(a)(1) of the Controlling Shareholder Regulations, send it to all of the shareholders to whom this report was sent and shall further publish an announcement in this regard, in the manner prescribed by Regulation 2(a)(2) of the Controlling Shareholder Regulations, all unless the ISA shall have otherwise ordered. If an order for the postponement of the date of convening

of the General Meeting is given, the Company shall give notice of such order via an immediate report.

**11. The Company's representative in charge of the immediate report**

The Company's representative in charge of this immediate report is Adv. Ran Tal, General Counsel and Company Secretary, whose address is at Azrieli Center, Tel Aviv (Floor 33, the Round Tower). Tel. for inquiries: 03-6081383.

**12. Inspection of documents**

A copy of this Report is available for inspection at the Company's Offices, after prior coordination by telephone: 03-6081300, Sundays through Thursdays between 09:00 and 17:00, such until the date of convening of the General Meeting for approval of the resolution on the agenda, and also on the ISA Site.

**Sincerely,**

**The Azrieli Group Ltd.**

Signed on the Report Date by: Ran Tal, Adv.,  
General Counsel and Company Secretary

## **Annex A - Directors' Declarations**

**Annex B – Indemnification and exemption letter for directors of the Company, as being from time to time, excluding directors who are controlling shareholders of the Company and/or their relatives**

**Annex C – Indemnification and exemption letter for Controlling  
Directors**