

01 January 2019 Application No.: 20181308

To:

Somekh Chaikin, CPAs

17 HaArba'ah Street,

Millennium Tower

Tel Aviv, 61006

Dear Sir/Madam,

Subject: **Israel Chemicals Ltd. - Withholding Tax on Dividend Payments for Stock Traded in a Stock Exchange Outside Israel**

(Ref: Your request from 14 October 2018)

1. The facts, as provided to us by you:

- 1.1. Israel Chemicals Ltd., File No. 520027830, Withholding File 941084683 (hereinafter: **“the Company”**), is a company resident in Israel, which was incorporated in Israel in 1968 according to internal Israeli law. In 1992, as part of the Company's privatization process, its stock was registered for trading at the Tel Aviv Stock Exchange (hereinafter: **“The Tel Aviv Stock Exchange”**). On 24 September 2014, the Company registered its stock on the New York Stock Exchange (hereinafter: **“the New York Stock Exchange”**) and from this point onwards its stock has been traded at the New York Stock Exchange.
- 1.2. The Company heads a multinational group operating in the fertilizers and specialty chemicals industry (hereinafter: **“the Group”**). The Group owns approved, beneficiary and preferred factories as per their definition in the Encouragement of Capital Investments Law, 5719-1959 (hereinafter: **“the Encouragement Law”**).
- 1.3. As of 8 October 2018, the Company's capital issued and redeemed includes 1,282,967,279 regular stock, 1 NIS each, at face value.
- 1.4. The Company stock is owned by all the stockholders (hereinafter: **“the Stockholders”**) as follows:
 - 1.4.1. 65,074 shares owned by the Stockholders (excluding those directly registered, rather than via a nominee company of any kind in the Company's the Stockholders register (hereinafter: **“Registered Stock”**, **“Owner of Registered Stock”**, respectively). **Attached as Appendix A** in which the registered stockholders and the rest of the Company stakeholders are detailed.
 - 1.4.2. 1,214,502,911 shares traded at the Tel Aviv Stock Exchange and which are held through the members of the Tel Aviv Stock Exchange.
 - 1.4.3. **68,399,294** shares registered for trading on the New York Stock Exchange (hereinafter: **“the Stock Registered on the New York Stock Exchange”**). The Stock Registered for trading on the New York Stock Exchange are held through the American Stock Transfer & Trust Company, LLC (hereinafter: **“the Stock Registrar”**). The owners of the stock registered for trading on the New York Stock Exchange (hereinafter: **“the Stockholders on the New York Stock Exchange”**) own the the Stock Registered on the New York Stock Exchange through the Stock Registrar.

- 1.5. The company identifies the substantial stockholders in the Company according to regulations in Israel, in the United States and according to other regulations.
- 1.6. In accordance with the distribution policy in the Company, the Company distributes a dividend each quarter from the surpluses in the Company capital, which are distributable profits as per their definition in Clause 94B (hereinafter: **“the Distributed Dividend”**).
- 1.7. The Distributed Dividend shall be paid to the Stockholders on a payment day which shall be specified at the time of the declaration (hereinafter: **“the Payment Day”**).
- 1.8. According to the Company declaration, part of the Dividend is a Dividend which will be distributed out of the revenues which were eligible for the tax benefits under the Encouragement Law (hereinafter: **“Dividend at Reduced Tax Rate”**).
- 1.9. In order to withhold taxes and to transfer it to the Tax Authority in Israel, the Company appointed IBI Capital Compensation And Trusts (2004) Ltd., P.C. 513540070, which is a company resident in Israel, as the fiduciary for tax purposes (hereinafter: **“the Tax Fiduciary”**).
- 1.10. As stated above, the Stockholders on the New York Stock Exchange hold the stock through the Stock Registrar. As a rule, the Company cannot directly obtain the identity of the owners of the Stock Registered on the New York Stock Exchange when the dividend is distributed in order to classify them for tax withholding according to the tax rate applicable to them.
- 1.11. At the time of the Dividend distribution, the Distributed Dividend will be paid after withholding the tax, to the Stock Registrar. The Stock Registrar has delegated the payment of the balance of the Dividend to brokers that own stock in the Company in the New York Stock Exchange and from there the balance of the Dividend will be transferred to the bank account or to the broker account of the Stockholder on the New York Stock Exchange.

2. The Request:

A tax withholding arrangement due to the payment of the Distributed Dividend to the Stockholders on the New York Stock Exchange, which are holding them through the Stock Registrar (hereinafter: **“New York Dividend”**).

3. The Tax Withholding Arrangement:

Subject to the correctness of the facts presented to us and which are detailed in Section 1 above and in your referenced communication, I hereby inform you as follows:

- 3.1. The Company will withhold tax on the Payment Day of the New York Dividend, through its Tax Fiduciary from the New York Dividend, which is distributed to the Stockholders at the rate specified for an individual residing in Israel, according to the specifications of the Income Tax Regulations (Withholdings from interest, dividend and certain profits), 5766-2005 (Hereinafter: **“Regulations on Withholding from Dividend”**), and subject to the Income Tax Ordinance (New version) 5721-1961 (hereinafter: **“the**

Ordinance"), the Encouragement Law and the instructions of this permit (hereinafter: "**Tax Withholding from New York Dividend**").

- 3.2. The balance of the New York Dividend after Tax Withholding from New York Dividend will be paid to the Stock Registrar that shall, through the brokers, pay the Stockholders on the New York Stock Exchange (hereinafter: "**Payment Day**").
- 3.3. The Company will transfer the Tax Withholding from New York Dividend as per section 3.1, to the Tax Fiduciary. The Tax Fiduciary will withhold the tax and transfer the report as required concerning the Distributed Dividend to the Stockholders on the New York Stock Exchange, according to instructions of this permit as detailed below.
- 3.4. The stockholders owning the Company's stock that are residents of a reciprocating state as per its definition in Clause 196 of the Income Tax Ordinance (hereinafter: "**residents of a reciprocating state**"), that have an equitable right to the Distributed Dividend, and also to the Stockholders that are foreign residents in a non-reciprocating state for the Distributed Dividend, shall be able to submit an application to reduce the tax withholding rate from the Dividend. The application shall be submitted to the Tax Fiduciary within the timeframe between the Payment Day to the day specified in the Regulations on Withholding from Dividend, at which the amount payable due to the withholding from the Dividend must be remitted to the tax assessor (16th of the month following the Payment Day) (hereinafter: "**Withholding Correction Period**").
Reduction of the withholding rates shall be done for the following rates:
 - a. For a resident in a reciprocating state according to tax withholding rates from the Dividend as specified in the treaties, and/or to the tax rate applicable to the Dividend at Reduced Tax Rate - as the case may be.
 - b. For a resident in a non-reciprocating state according to the tax rates applicable to the Dividend, and/or to the tax rate applicable to the Dividend at Reduced Tax Rate - as the case may be.
- 3.5. Companies resident in Israel, which are entitled to a Reduced Withholding Rate including an exemption, will be able to submit an application to the fiduciary to have their tax rate reduced to the reduced rate within the Withholding Correction Period.
- 3.6. A recipient of a New York Dividend (individual or body of persons) to whom Section 3.4 above applies, and from whose Dividend a tax rate exceeding the relevant tax rate specified in Section 3.4 above was withheld (hereinafter: "**the Surplus Withholding**"), and who has the equitable entitlement to the Distributed Dividend, shall be able to apply to the Tax Fiduciary and request as a refund the Surplus Withholding subject to the attachment of all of the following documents to the application:
 - 3.6.1. The bank account page to which the Dividend is or is supposed to be paid, is up-to-date to the Payment Day in which the following details are provided: Bank details, branch, account number, account owner name and amount of stock registered on the foreign stock exchange held in the bank account and the sum of the Distributed Dividend received.

- 3.6.2. Copy of ID as detailed below:
 - 3.6.2.1. Individual: passport or ID card of the foreign country.
 - 3.6.2.2. Body of persons: Certificate of incorporation of the foreign country.
- 3.6.3. Certificate confirming that the applicant is a resident of the foreign country of or a reciprocating state for the purpose of the treaty, signed by the tax authorities of the foreign country.
- 3.6.4. A stockholder as above shall declare on a form, as detailed in Appendix B / inter alia, as follows:
 - 3.6.4.1. That he is a foreign resident.
 - 3.6.4.2. That he is the owner of the equitable right to the Dividend and to the yields from the investment in the stock.
 - 3.6.4.3. That his investment in the Company stock is not via his place of activity in Israel.
 - 3.6.4.4. That he is not a holder of stock for another, neither directly nor indirectly.
 - 3.6.4.5. The income is not paid to his permanent institution outside his country of residence.
- 3.6.5. A company, resident of a foreign country (with the exception of a company as per section 3.6.6) shall attach the register of its stockholders, updated to the deciding day and shall attach an affidavit confirming that over 75% of the Stockholders in the Company as above, whether directly or indirectly - are individuals who are residents of that country.
- 3.6.6. A Public company whose stock is traded on a stock exchange outside Israel, or a direct or indirect subsidiary of such a public company, which is resident in a reciprocating state, shall attach an affidavit confirming that it is a resident of that reciprocating state or other foreign state as the case may be.
- 3.7. A company resident in the State of Israel - shall submit to the Fiduciary an Israeli certificate of incorporation as well as the documents specified in the mutatis mutandis.
- 3.8. The Tax Fiduciary shall receive the required references and affidavits as detailed above, as well as additional documents as needed to satisfy him that the Stockholders on the New York Stock Exchange is a foreign resident and/or that he is entitled to a reduced rate or withholding. Such documents shall be kept by the Tax Fiduciary throughout the period the accounting documents of the Tax Fiduciary must be held for the tax year in which the Dividend was paid, and these shall be submitted to the tax assessor and/or to the tax assessor for withholdings, upon demand.
- 3.9. It is hereby made clear that the tax rates specified in the treaty or in this taxation decision are for tax withholding purposes only through the Tax Fiduciary. An applicant for a reduced withholding, who does not fulfill the conditions specified in sections 3.6 or 3.7 above, shall submit his application to the Tax Fiduciary together with documents as required and in this case the Tax Fiduciary shall contact the Professional Division at the Tax Authority within the withholding change period for inspection and for receiving instructions.

- 3.10. Should anyone of the Stockholders present to the Tax Fiduciary a valid certificate from the income tax assessor, the Tax Fiduciary shall proceed according to this certificate.
- 3.11. Refunding of the Surplus Withholding to the Stockholders owning more than 5% shall be according to the valid certificate from the Tax Assessor or according to the instructions of the Capital Market Department.
- 3.12. Transfer of the tax withholding funds to the Tax Authority, withholding the Surplus Withholding, which shall be refunded to the Stockholders as per the above, shall be done through the Tax Fiduciary. He shall be the “Liable party”, as per the definition of this term in the Regulations on Withholding from Dividend, for the matter of the tax withholding amounts from the Distributed Dividend, and he shall bear sole responsibility, regarding these amounts, for the tax withholding and for its transfer to the income tax assessor where his withholdings file is managed (hereinafter: “the Tax Assessor for Withholdings”), on the dates specified in the Regulations on Withholding from Dividend and all subject to the instructions of this certificate.
- 3.13. It is made clear that tax withholding payments shall bear linkage differentials and interest from the end of the period specified in Regulation 13 of the Regulations on Withholding from Dividend and until the day of its actual remittance to the Income Tax Assessor. This being said, the Tax Fiduciary will be able to submit a detailed calculation report as per regulation 14(A) up to 30 days after the date specified in the regulation and, until this date, no penalties shall be incurred due to failure to report in time.
- 3.14. The Tax Fiduciary shall return the Surplus Withholding to the bank account of the requestor of the reduction of withholding, to whom the Dividend was paid as per Section 3.6.1 above, out of the Dividend withholding amount, up to 30 days after the date of remittance of payment to the Income Tax Assessor.
- 3.15. It is hereby emphasized that subject to the remittance of the withholding amount by the Company to the Tax Fiduciary, the Tax Fiduciary shall bear full responsibility for exercising the tax withholding, in accordance with this certificate, and its remittance to the Tax Assessor for Withholdings - all subject to and in accordance with the instructions of this certificate.
- 3.16. The Company shall publish, via the New York Stock Exchange’s Public Notifications System, the summary of the forms attached as Appendix B and a summary of the instructions for filling the forms.

General Guidelines

- 3.17. This tax arrangement is for the purpose of determining the method of tax withholding from the Dividend Distribution as per the above to the Company Stockholders only. It is hereby emphasized that this taxation decision does not constitute an assessment and/or confirmation of the facts presented by you. The facts shall be examined by the Tax Assessor in the course of the assessment discussions, including in the Company’s portfolio and/or in the Stockholders’ portfolios, as the case may be.

- 3.18. It is hereby emphasized that the classification of the income from which the Dividend is being distributed, including for the matter of determining the distribution as a Dividend at Reduced Tax Rate is the Company's sole responsibility. As a rule, and if in the assessment stage it will be decided that the income classification is different and that the tax withholding percentages will be higher, then the Company commits to making up the tax balance, which was not withheld, according to the new classification determined in the assessment.
- 3.19. As a rule, this tax decision is not sufficient for determining the classification of the tax event and/or the classification of the income and/or the amount of income and its nature by all of the Dividend-receiving stockholders.
- 3.20. It is hereby emphasized that the tax arrangement detailed above is for tax withholding only and does not extract the final tax liability of the Stockholders. This tax decision does not detract from the entitlement of a stockholder, who considers himself entitled to a tax rebate as per the above, to contact the tax assessor directly in order to receive the tax amount which has been withheld and which has been transferred to the Tax Assessor for Withholdings. It is made clear that the above will be done exclusively through submission of a report, as per its meaning in Clause 131 of the Ordinance, to the Tax Assessor. It is made clear that the above does not detract from the authority vested by the Ordinance to the Tax Assessor.
- 3.21. It is emphasized that this tax decision does not determine the method of handling the company books for tax purposes. Nothing in this taxation decision constitutes an assessment for the Company and what has been said in this taxation decision does not restrict the Tax Assessor in his preparation of the assessment, with the exception of issues of withholding taxes, which have been settled in this taxation decision, and which are subject to it.
- 3.22. This taxation decision has been given subject to the correctness of the facts which have been provided to us by you and subject to all the full and relevant details having been submitted to us, including those which appear in this taxation decision. The Tax Authority is permitted to cancel this taxation decision, fully or partially, with immediate effect or retroactively, if it transpires that the details provided are incorrect and/or if it transpires that substantial details were totally omitted.
- 3.23. **This taxation decision is valid regarding Dividend Distributions which will be paid until the 31/12/2020.**
- 3.24. The Company and the Tax Fiduciary commit to submit to the Professional Division in the Tax Authority and to the Tax Assessor, within 30 days from the day this taxation decision is issued, a letter in which they confirm acceptance of all the terms of the confirmation as is and without reservation. If such a letter is not received from the Company and from the Fiduciary within the specified time, this tax decision shall be regarded as void retroactively.

Asi Mazouz, CPA

Manager, State Companies
Supervisor

Copies:

Mr. Roland Am-Shalem, CPA (legal practitioner) - SVP Professional Issues

Mr. Aharon Eliahu, CPA - Income Tax Assessor Jerusalem 1 (P.C. 520027830)

Ms. Naama Shuan, CPA (Adv.) - Senior Sector Manager (Capital Market)

Ms. Daniella Shani, Adv. - Legal Counsel, Capital Market Department

Appendix A - Details of Registered Stockholders and the rest of the Company stakeholders

As of 8 October 2018

A. Stockholders register

Registered stockholder name	Type of ID No.	ID No.	Citizenship / country of incorporation or registration	Country of citizenship / incorporation or registration	Address	Stock type	No. of shares	Fiduciary stockholder?
<u>I.D.E. Technologies Ltd.</u>	Number at the Registrar of Companies in Israel -	51-0453582	Incorporated in Israel		Industrial Park, HaMatechet Street, Kadima 60920 (POB 5016)	Regular	205.00	No
<u>Aharon David</u>	ID No.	011765848	Private person with Israeli citizenship		Hanassi Blvd. 124, Haifa 34633	Regular	1,000.00	No
<u>Aharon Sandra</u>	ID No.	011765880	Private person with Israeli citizenship		Hanassi Blvd. 124, Haifa 34633	Regular	1,000.00	No
<u>Bar Lev Yehuda</u>	ID No.	64837123	Private person with Israeli citizenship		Yehuda Leib Tversky Str. 6, Tel Aviv 69080	Regular	10.00	No
<u>Bar Shani Alon</u>	ID No.	54906409	Private person with Israeli citizenship		Maccabim-Reut 369	Regular	1.00	No
<u>Braz Raoul</u>	ID No.	16754616	Private person with Israeli citizenship		Rudolph Bloch Str. 7, Beer Sheva	Regular	1.00	No
<u>Broyer Aliza</u>	ID No.	5419781	Private person with Israeli citizenship		Arkin Eliezer 20, POB 490, Mazkeret Batya	Regular	1,900.00	No
<u>Golis Avraham</u>	ID No.	1760114	Private person with Israeli citizenship		Giborey Israel Str. 3/7, Kfar Sava 44227	Regular	100.00	No
<u>Omer Mordechai Globus</u>	ID No.	023734007	Private person with Israeli citizenship		Sasha Argov 4, Tel Aviv (69620)	Regular	667	No
<u>Uri Globus</u>	ID No.	029623386	Private person with Israeli citizenship		Dizengoff 328 Apt. 8 Tel Aviv (6311827)	Regular	667	No
<u>David Friedman</u>	ID No.		Private person with Israeli citizenship		Ramat Gan	Regular	16.00	No
<u>Israel Corporation Ltd.</u>	Number at the Registrar of Companies in Israel	520028010	Incorporated in Israel		Millennium Tower, Aranya Str. 23, Tel Aviv	Regular	1	No

<u>Bank Hapoalim Ltd. nominee company</u>	Number at the Registrar of Companies in Israel	510356603	Incorporated in Israel		Yehuda Halevy Str. 62, Tel Aviv	Regular	1,214,502,911	No
<u>American Stock Transfer & Trust Company. LLC</u>			Incorporated in the USA		6201 15 th Avenue, Brooklyn, New York 11219	Regular	68,399,294	No
<u>Umbrella Company for export Companies Ltd.</u>	Number at the Registrar of Companies in Israel	510242142			Umbrella Company for export Companies Ltd. via the Ministry of Industry and Trade, Agron 30 Jerusalem	Regular	205.00	No
<u>Israel Electric Corporation Ltd.</u>	Number at the Registrar of Companies in Israel	520000472	Incorporated in Israel		Haganah Str. 2, Haifa	Regular	205.00	No
<u>Tal Erez</u>	ID No.	32227241	Private person with Israeli citizenship		Tagore Str. 12, Ramat Aviv, Tel Aviv 96302	Regular	1.00	No
<u>Kahane Hagay</u>	ID No.	43021823	Private person with Israeli citizenship		Hoofien Str. 61, Ramat Aviv, Tel Aviv	Regular	200.00	No
<u>ICL Slovakia</u>	License No.	50371509	Slovakia		Dvorakovo nabrezie 4, Bratislava 811 02, Slovakia	Regular, treasury	21,823,500 (blocked)	No
<u>State of Israel Ministry of Finance - Accountant General Repository</u>					Kaplan Str. 1, Jerusalem	Regular	205.00	No
<u>State of Israel (Bank of Israel)</u>					POB 780 Jerusalem 91007	Special	1.00	No
<u>Monique Davidan</u>	ID No.	68711555	Private person with Israeli citizenship		Tachkemoni 6/11, Ramat HaSharon 47821	Regular	1,194.00	No
<u>Negev Industrial Minerals Ltd.</u>	Number at the Registrar of Companies in Israel	52-0019654	Incorporated in Israel		POB 1584, Omer 84965	Regular	205.00	No
<u>Neuman David</u>	ID No.	8332884	Private person with Israeli citizenship		Moshe Kol 9, Jerusalem 9371515	Regular	100.00	No

<u>Nomberg Tom</u>	ID No.	216785048	Private person with Israeli citizenship	Zvi Ganot 4/22, Rishon LeZion	Regular	290.00	No
<u>Savion Tal</u>	ID No.	38506499	Private person with Israeli citizenship	Geulim 44, Zikhron Yaakov	Regular	8,200.00	No
<u>Sorel Roger</u>	ID No.	307232645	Private person with Israeli citizenship	Weizmann 17 Apt. 4, Beer Sheva Postcode 8429292	Regular	200.00	No
<u>Ezer Ezra</u>	ID No.	045718335	Private person with Israeli citizenship	Moshav Gan HaDarom No. 3, Evtach Mobile Post	Regular	35,000.00	No
<u>Pencer Nathan</u>	ID No.	008037392	Private person with Israeli citizenship	Haifa 31042 (POB 4241)	Regular	700.00	No
Citron Yochanan	ID No.	15482201	Private person with Israeli citizenship	Arthur Ruppim 39, Beer Sheva 84780	Regular	1.00	No
Kremer Moshe	ID No.	59761759	Private person with Israeli citizenship	Damesek Eliezer 5, Bnei Brak (POB 432)	Regular	1.00	No
Rotem Amfert Negev Ltd.	Number at the Registrar of Companies in Israel	52-0030883	Incorporated in Israel	Mishor Rotem Factories, Arava, Postcode 86800	Regular	205.00	No
Raz Livnat	ID No.	55088645	Private person with Israeli citizenship	HaCarmel 8, Giat Savyon HaHadasha 55900	Regular	1.00	No
Shenhav Naomi	ID No.	67874008	Private person with Israeli citizenship	Yehuda Hanassi 111, Herzliya 46448	Regular	4,000.00	No
Shatzki Ruth	ID No.	009073123	Private person with Israeli citizenship	Yehoshafat 4, Beer Sheva	Regular	8,592.00	No

* Total treasury stocks 24,589,631. ICL holds approximately 21,823,500 shares. 2,766,131 shares are held by the Bank Hapoalim Ltd. nominee company.

B. Registry of Option Holders

2014 Options

Tamir Fishman	2810307	HaBarzel Str. 38, Ramat HaHayal, Tel Aviv 69710	3,416,645	Update due to employees leaving
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2015 Options

Tamir Fishman	2810307	HaBarzel Str. 38, Ramat HaHayal, Tel Aviv 69710	6,363,823	Update due to employees leaving
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2016 Options

Tamir Fishman	2810307	HaBarzel Str. 38, Ramat HaHayal, Tel Aviv 69710	2,720,378	Update due to employees leaving
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2017 options

Tamir Fishman	2810307	HaBarzel Str. 38, Ramat HaHayal, Tel Aviv 69710	6,932,140	Update due to employees leaving
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2018 options

Tamir Fishman	2810307	HaBarzel Str. 38, Ramat HaHayal, Tel Aviv 69710	7,532,840	Allocation for employees due to 2018
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C. Register of Bond Holders

As of 5 June, 2018

Bank Hapoalim Ltd. nominee company	510356603	Yehuda Halevy Str. 62, Tel Aviv	199,851,236 dollars Series D	2.12.2014
Bank Hapoalim Ltd. nominee company	510356603	Yehuda Halevy Str. 62, Tel Aviv	1,568,662,000 NIS Series E	6.4.2016
Bank Hapoalim Ltd. nominee company	510356603	Yehuda Halevy Str. 62, Tel Aviv	600,000,000 dollars Series F	31.05.2018