Convenience translation
In any case of inconsistency, the immediate report in Hebrew shall prevail

Discount Investment Corporation Ltd. ("The Company")

Immediate report on a transaction with a controlling shareholder or with a director, which does not require the approval of the general meeting

Regulation 57A(5) of the Securities Regulations (Periodic and Immediate Reports), 5730 - 1970

Immediate report dated August 16, 2020 - reference number: 2020-01-089013

1. **A report is submitted hereby on the approval of a transaction pursuant to Regulation 1(4) and 1.B.1 of the Companies Regulations (Reliefs on transactions with interested parties), 5760 – 2000 ("The Relief Regulations").**

2. **The timing of the approval of the transaction by the Board of Directors: August 13, 2020.**

3. **Abbreviated details of the main points of the transaction and the Board of Directors', the Audit Committee's and the Remuneration Committee's abbreviated reasoning for the approval of the transaction:**

3.1 The main points of the commitment

3.1.1 On March 19, 2019 and on April 24, 2019, (after the receipt of approval for this from the Company's Remuneration Committee and its Audit Committee), pursuant to the provisions of the Reliefs Regulations, the Company's Board of Directors approved the Company's commitment under a officers' liability insurance policy with Clal Insurance Company Ltd. ("**Clal Insurance**"), a company that was under IDB Development's (indirect) control at the time of the commitment[1], with the support of reinsurers at a rate of 100%[2], for a period from April 1, 2019 and up to and including July 31, 2020 ("**The insurance period**"), as follows: (1) a basic insurance policy for the Company and its wholly owned companies ("**The Company Division**"), where the limit of the insurer's liability is 50 million US Dollars ("**Dollar**") per claim and cumulatively pursuant to the policy ("**The basic policy**"). The basic policy was arranged in parallel to basic policies that were arranged by IDB Development Corporation Ltd. (a company that is controlled by the controlling shareholder in the Company ("**IDBD**") and companies that are wholly owned by it ("**The IDBD Division**") and by other companies that are part of the group, which includes IDBD and companies that are wholly owned and/or controlled by it and which are not wholly owned by IDBD or the Company ("**The Others Division**"), as detailed in sub-section (2) below; (2) a collective insurance policy for the Company Division, the IDBD Division and the Others Division (which includes, as of the time of this report, the Property & Building Corporation Ltd. Division ("**PBC**") (PBC and certain of its investee companies, "**The PBC Division**") and the Shufersal Division ("**Shufersal**") (Shufersal and its investee companies), where the limit of liability is 90 million dollars per claim and cumulatively pursuant to the policy ("**The collective policy**"); and (3) additional insurance cover up to an overall amount of 90 million dollars per claim and cumulatively pursuant to the policy to supplement the limit of liability under the abovementioned collective policy insofar as the limit of liability pursuant to it is exhausted partially or fully ("**The additional insurance cover**").

[1] To the best of the Company's knowledge, IDBD holds approximately 8.5% of the issued capital of Cal Insurance Enterprises Holdings Ltd., the parent company of Clal Insurance, as of the time of this immediate report.

[2] Clal Insurance was entitled to 10% of the insurance premiums that were paid by the Company Division, the IDBD Division and by the Others Division (as set forth in Section 3.1.1 above) for handling fees (fronting fees).

The basic policy, the collective policy and the additional insurance cover will hereinafter be called, together – "**The existing policies**". The self-deductible in respect of each claim within the framework of the existing policies is 50,000 dollars (except in the case of a claim that is submitted in the United States or in Canada, on any matter that is connected to securities law, in which case the amount of the self-deductible is 350,000 dollars; or 100,000 dollars, insofar as it is another claim that is submitted in the United States or in Canada).

The insurance premiums that were approved and also the rest of the terms that are set forth above, are in accordance with the terms that were set in the facility transaction as approved by a meeting of the Company's shareholders on May 4, 2017, and all of which as set forth in the Company's immediate report of March 29, 2017, regarding the convening of the said meeting of the Company's shareholders (Document number: 2017-01-032865) and in the Company's immediate report of April 25, 2019 (Document number: 2019-01-040162, which are included in this report by way of the referral.

On August 13, 2020, (after the receipt of the approval of the Company's Remuneration Committee and Audit Committee had been received for this), the Company's Board of Directors approved the following decisions:

3.1.2 To approve (and to ratify) the extension of the existing policies (as detailed in Section 3.1.1 above) for an additional 14 days until August 14, 2020 (instead of July 31, 2020), without any change in the terms of the policy and in a proportionate additional premium (according to the premium that is set in the existing policies), in an amount of approximately 22.7 thousand dollars ("**The extension of the existing policy**"). This is in order to enable the Company's management to take action to complete the process of the purchase of a new basic directors' and officers' insurance policy as set forth in Section 3.1.4 below.

3.1.3 To approve the exercise of the right that is available to the Company within the framework of the existing policy, and pursuant to the Company's remuneration policy[3], to approve the purchase of insurance cover, pursuant to which, as from the end of the insurance period of the existing officers' liability insurance policies for the Company Division (i.e. – as from August 15, 2020, "**The determining time**"), the said existing insurance policies will be expanded such that they will include a disclosure period and will afford insurance cover for the length of an additional disclosure period of seven (7) years in connection with claims that are initially submitted during the said disclosure period in respect of acts done prior to the determining time. In other words – turning the current policy into a run-off type of quasi policy, with a period of seven (7) years commencing from the time of the operation of the disclosure period ("**The expanded disclosure** period") in respect of events that occurred from December 1, 2013 and up to and including August 14, 2020, and this within the framework of the same limits of liability that applied in the policy that ended on August 14, 2020 (including the disclosure period of 7 years), i.e. an amount of 50 million dollars per claim and cumulatively pursuant to the basic policy; an amount of 90 million dollars per claim and cumulatively pursuant to the collective policy; and additional insurance cover in an overall amount of 90 million dollars per claim and cumulatively pursuant to the additional insurance cover. The premium that will be paid for the expanded disclosure period, as aforesaid, is approximately 1.3 million dollars (non-recurring).

[3] On July 24, 2019, the Company's remuneration policy was approved for a period of three (3) years, commencing on May 30, 2019, as published within the framework of the (supplementary) immediate report on the convening of meeting, dated July 15, 2019 (Document number: 2019-01-072721) ("**The immediate report**").

3.1.4 To approve the Company's commitment under an officers' insurance policy, including officers who controlling shareholders in the Company and/or their relatives (as they may be from time to time) with Clal Insurance Company Ltd.[4] and a group of insurers in the international insurance market ("**The insurers**"), for a period from August 15, 2020 up to and including August 14, 2021 ("**The new insurance period**"), the commitment will be under a basic officer's insurance policy, that is common to the Company and to its wholly owned companies, with a limit of liability of up to 20 million US dollars per claim and cumulatively ("**The new basic policy**"), with the addition of additional reasonable defense expenses even beyond the said limit of liability, if the total loss, including the defense expenses exceeds such limit of liability. The new base policy will be arranged in parallel with basic and separate insurance policies that will be arranged by the IDBD Division and by the PBC Division under similar terms. The basic insurance policy (as well as each of the basic policies of IDBD and PBC) set a condition pursuant to which the insurer's liability in relation to a claim that is common to two or more of the said policies may not exceed the said limit of liability, i.e. in excess of 20 million dollars.

The self-deductible in respect of each claim within the framework of the new basic policy is 150 thousand dollars (except in the case of a claim that is submitted in the United States or in Canada, on any matter that is connected to securities law, in which case the amount of the self-deductible is 500 thousand dollars; or 350 thousand dollars, insofar as it is another claim that is submitted in the United States or in Canada). The insurance premium that will be payable by the Company in respect of the new basic policy for the new insurance period, with a limit of liability of 20 million dollars, is approximately 1.2 million dollars[5,6,7].

3.1.5 To approve the empowering of the Company's Board of Directors to take action to expand the limit of liability in relation to the new basic policy to an extent of up to 50 million Dollars (including the existing 20 million Dollars as set forth in Section 3.1.4 above) in consideration for the payment of an additional premium, such that the overall amount of the annual premium for the new basic policy will stand at an amount of approximately 2.1 million dollars.

3.1.6 It should be mentioned that the controlling shareholder and his relatives are numbered among the directors and/or the officers who are insured under the various policies. The conditions of the insurance in relation to these officers and/or directors are identical to the insurance terms of the other directors and officers in the Others Division, in the IDBD Division and in the Others Division.

---

4 To the best of the Company's knowledge as of the time of this immediate report, IDBD holds approximately 8.5% of the issued share capital of Clal Insurance Enterprises Holdings Ltd., which is Clal Insurance's parent company.

5 Including handling fees (fronting fees) for Clal Insurance at a rate of 10% in relation to 60% of the overall premium.

6 It should be clarified that the insurance fees for the insurance policy for the Company, IDBD and PBC has been determined in accordance with the insurers' opinion, after having examined the risks of each of the divisions.

7 It should be mentioned that the premium and the self-deductible that have been determined in the new basic policy, are higher than the premium and the self-deductible that are determined in the Company's remuneration policy, which is in light of the dramatic changes in the insurance market in recent years, and in particular and all the more so in the light of the Corona crisis.
Accordingly, the approval of a general meeting is required for the approval of updates to the remuneration policy, such that the ceilings that have been set in relation to the premium and the self-deductible will be amended, and the Company’s Remuneration Committee will be empowered to determine the amounts of the insurance premium and the self-deductible in accordance with the conditions in the market as may be at the time of the purchase of the insurance policy in accordance with the update to the Team's legal position No, 101-21: Remuneration policy (Best Practice), dated 1.7.2020, and this in order for the approval of the commitment under the new basic policy to comply with the terms of Relied 1B.1 of the Reliefs Regulations. It should be mentioned in this connection that the Corona crisis has created significant difficulty in closing the terms of the insurance policy, at the time that is required and in due time, however in light of the expiry of the existing policy, considerable importance attaches to the approval of the Company's commitment under the insure policy, as stated above, in order to maintain the continuity of the insurance cover. Accordingly, the Company has made a commitment under the insurance policy, as aforesaid, in accordance with the approval of the Company's Remuneration Committee and Board of Directors and it will operate in tandem in order to progress the convening of a general meeting of the Company's shareholders, on the agenda of which will be the updating of the Company's remuneration policy.

3.2 <u>The Remuneration Committee's the Audit Committee's and the Board of Directors' abbreviated reasoning for the approval of the transaction</u>:

The following are mentioned among the Remuneration Committee's the Audit Committee's and the Board of Directors' reasoning for the approval of the decisions:

3.2.1 The commitment under the officer's insurance policy is for the benefit of the Company and it constitute a generally accepted defense that is provided to officers among public companies in Israel, which is crucial in order to enable the officers of the Company to act for the benefit of the Company, since it enables the officers to fulfill their roles appropriately, whilst reducing the level of their personal exposure, and with the knowledge that even if they make a mistake, they will be afforded protection, all of which is subject to the restrictions in the law.

3.2.2 Importance attaches to a commitment under an officers' liability insurance policy, and in effect the continued existence of continuous insurance cover is crucial for the continued proper functioning of the Company and also to maintain managerial continuity therein.

3.2.3 The amount of the insurance premiums for the purchase of the disclosure period (a run-off policy type of quasi insurance cover, as described in Section 3.1.3 above, is in accordance with the outline that has been proposed, in order to enable the renewal of the officers' liability insurance policy, which will devoid of any connection to past events, and this after the conducting of discussions with the insurances and which also constitutes an additional band of cover in respect of past claims that may arise in the disclosure period.

3.2.4 Regarding the division of the insurance premiums between the Company and IDBD and PBC for the purchase of the expanded disclosure period in the format of the basic policy, the collective policy and the additional insurance cover, the determination of the division is reasonable since it is derived from the amounts of the insurance premiums in respect of the Divisions' basic policies, which have been determined by the insurers in accordance with their assessment of the risks of each of the said divisions at the time of the purchase of the existing policies.[8]

The limit of liability in the new basic insurance policy, as stated in Section 3.1.4 above, is determined, inter alia, taking into account the fact that the optimal proposal that could be purchased in the existing circumstances, taking note of the dramatic adverse changes in the directors' and officer's liability insurance market, which have occurred as aforesaid, and also in light of the risk that is inherent in the activities of the officers in the Company, whilst taking into account the Company's fields of activity and the scope thereof, as well as its status as a public company, on the one hands, opposite the costs that are inherent in the purchase of such insurance, on the other hand.

3.2.5 The insurance premiums in respect of the Company's IDBD's and PBC's new basic insurance policies have been determined in accordance with the insurers' opinion after having examined the risks of each company separately, and accordingly, these payments reflect the appropriate insurance premiums for each of the companies in the payment of the insurance premiums, each according to its share. The insurance premiums that have been determined in respect of the insurance policies, as aforesaid, are reasonable in the circumstances of the case.

[8] It should be mentioned that in respect of the share of Shufersal (which does not participate in the activity in the expanded disclosure period), the Company, IDBD and PBC will pay a relative (pro-rata) premium.

3.2.6 The Company's Remuneration Committee and Board of Directors have confirmed that the following conditions have been met in the above commitments: (1) the insurance terms in respect of the controlling shareholder and his relatives are identical to the insurance terms in respect of the other directors and officers in the Company; (2) the commitments (the extension of the existing policies, the new basic policy and approval of the expanded disclosure period) are at market terms (including the premium in respect of a limit of liability of 50 million dollars, as stated in section 3.1.5 above)and in relation to the extension of the existing policies and the approval of the expanded disclosure period, this is at terms that are even better than the current market terms because of the fact that this is an extension for a short period of time, which is based on the terms of the existing policy, as the case may be; (3) the commitment is not like to have a significant impact on the Company' profitability, its property or its liabilities; (4) The terms of the commitment under the insurance policies that are detailed above in respect of the Company, are not significantly different from the terms in respect of the Company Division, the IDBD Division and the PBC Division, taking note of their relative shares in the transaction, and this taking note that the insurances make a separate assessment of the risks for each company in accordance with its characteristics, where the premium reflects each company's share in accordance with the risks that are relevant to it.

3.2.7 For caution's sake, the Audit Committee and the Board of Directors have also confirmed that the Company's commitment under the officers' insurance policies does not include a "distribution", within the definition of that term in the Companies Law 5759 - 1999, and that no reasonable concern exists that the commitment under the insurance policy will prevent the Company from having the ability to meet is existing and expected obligations, when the time comes to meet them.

3.2.8 Taking the above reasoning into account, including taking account of the insurance premiums that have been determined, the commitment under the insurance policies, which are set forth above is beneficial for the Company.

In light of what is stated above, the Company's Remuneration Committee, Audit Committee and Board of Directors, as the case may be, have confirmed that the conditions in Regulations 1(4) and 1B.1 of the Reliefs Regulations have been complied with in connection with the commitments that are described above.