

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

Israel Corporation Ltd.

October 30, 2011

Ref. no.: 2011-01-310548

To: The Securities Authority
www.isa.gov.il

To: The Tel Aviv Stock Exchange
www.tase.co.il

Dear Sir/ Madam,

Re: **Immediate Report - Compensation for a director who is considered as Controlling Person**

Further to the Israel Corporation Ltd. (the "**Company**") immediate report dated October 3, 2011 (ref. no.: 2011-01-290205), and in accordance with the Companies Regulations (Easements in Transactions with an Interested Party), 2000 ("**Easements Regulations**"), and the Securities Law Regulations (Periodic and Immediate Statements), 1970, the Company hereby reports, as follows:

1. **Introduction**

- a. On October 24, 2010 the Company's Audit Committee and Board of Directors approved Mr. Idan Ofer's entitlement to Compensation for his tenure as a director in the Company, equivalent to the customary compensation applied to other directors serving in the Company (excluding the Company's Chairman of the Board whose compensation is in accordance with his employment agreement), as set forth in the immediate report published by the company in accordance with the Easements Regulations dated March 22, 2001(ref. no.: 2010-01-716655).
- b. As set forth in the Company's immediate report dated October 3, 2011 (ref. no.: 2011-01-290205) Mr. Idan Ofer is a nominee, alongside with the rest of the directors currently serving in the Company (excluding the external directors), for an additional tenure as a director in the Company. The directors' nomination for an additional tenure is subject to the Company's general meeting approval, which is scheduled to November 8, 2011 (for further details in regard to the above said general meeting see the abovementioned immediate report).
- c. In view of the above, the Company's Audit Committee and Board of Directors approved Mr. Idan Ofer's entitlement to Compensation for his tenure as a director in the Company as set forth in section 2 below.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

2. **Compensation to Mr. Idan Ofer for his tenure as a director in the Company**

- a. On 26.10.2011 and 27.10.2011 the Company's Audit Committee and Board of Directors (respectively) approved that Mr. Idan Ofer will be entitled to compensation for his tenure as a director in the Company equivalent to the customary compensation applied to other directors serving in the Company (excluding the Company's Chairman of the Board whose compensation is in accordance with his employment agreement), for as long as he serves as a director in the company and up to 3 years from his reappointment as a director by the general meeting scheduled to November 8, 2011.
- b. In accordance with the Company's Audit Committee and Board of Directors aforementioned resolutions Mr. Idan Ofer shall be entitled to the maximum possible amount for annual remuneration and participation remuneration as prescribed in the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 2000 (the "**Compensation Regulations**"), considering the Company's rank, as it may be from time to time, and considering that the Company's Audit Committee and Board of Directors ratified the classification of Mr. Idan Ofer as an "Expert Director", as the term "Expert Outside Director" is defined in the Compensation Regulations (*mutatis mutandis*) and his entitlement to the expertise supplement set forth in the Compensation Regulations in respect thereof (hereinafter: "**Expertise Supplement**").
- c. In their resolutions the members of the Company's Audit Committee and Board of Directors approved that the provisions detailed in regulation 1(c) of the Easements Regulations were fulfilled.

3. **The principal considerations of the Audit Committee and Board of Directors**

The Company's Audit Committee and Board of Directors approval of Mr. Idan Ofer's entitlement to compensation for his tenure as a director in the Company was based *inter alia* on the following considerations:

- a. The compensation of Mr. Idan Ofer does not fall from the lowest compensation paid to any other director in the Company and does not exceed the maximum amount prescribed in the Companies Regulations (Rules Regarding Remuneration and Expenses for an External Director), 2000, considering the Expertise Supplement.

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

- b. The compensation of Mr. Idan Ofer is equivalent to the customary compensation applied to other directors serving in the Company (excluding the Company's Chairman of the Board whose compensation is in accordance with his employment agreement).
- c. The Company's policy is that in general all Company's directors will be entitled to uniform compensation and terms.
- d. The Audit Committee and Board of Director highly appreciate the contribution of Mr. Idan Ofer as a director in the Company and his expertise in the Company's business activities.
- e. Considering all of the above, the members of the Company's Audit Committee and Board of Directors considers it fully justified to approve the compensation of Mr. Idan Ofer, which is identical to the customary terms of tenure applied to the other Company's directors, and which is proper and reasonable and for the benefit of the Company.

The resolution was approved unanimously by all of the directors who participated in the Company's Audit Committee and Board of Directors meetings.

4. **The right of the Company's Shareholders to object to the Easement as detailed in regulation 1(c) of the Easements Regulations**

In accordance with Regulation 1.c of the Easements Regulations the Easement pursuant to regulation 1 of the Easements Regulations will not apply to the Company if one or more shareholders holding at least one percent of the issued capital or of the voting rights in the Company, has given notice of its objection to the granting of such Easement, provided that the objection was submitted to the Company, in writing, no later than fourteen days from the date on which this report was filed or from the date on which an amended report hereto was filed, if and to the extent filed. In the event that such objection was filed the contemplated engagement will require an approval in accordance with the provisions of section 275 of the Companies Law, 1999, as the case may be.

Sincerely yours,

Israel Corp. Ltd.