



## Voting Policy for General Meetings

The following sets out the general voting policy adopted by the Investment Committees of the institutional entities in the Clal Insurance Company Ltd. group (the “Group”), regarding proposed resolutions at general meetings of corporations in which the Group’s institutional entities hold voting rights.

It is clarified that the Investment Committees may amend this policy from time to time.

### Authority and Decision-Making Process

The Investment Committees authorize the Chief Investment Officer for members’ funds, or any person appointed by him, to determine the manner of voting at general meetings. For the purpose of formulating voting decisions, a “General Meetings Forum” will be established, whose purpose is to formulate voting decisions for general meetings. The Forum will include the investment managers of the portfolios at Clal Amitim (where the institutional entities whose investments they manage hold the securities that are the subject of the vote), an equity investment manager / a bond investment manager, the Head of Research, and the Legal Counsel, all as required by the circumstances and the specific case. As detailed below, within the framework of the above Forum, and based on an analysis, a voting recommendation for the meeting will be made.

The convening of the General Meetings Forum will be determined as needed, taking into account the substance of the resolution, its importance, and the relevant circumstances. The General Meetings Forum will advise the Clal Amitim investment manager and the Investment Committee, as needed, in making voting decisions, in accordance with the general voting policy adopted by the Investment Committees. The Investment Committees may amend the policy from time to time. This voting policy will serve as the basis and framework for the Forum’s voting decision. As required, and in accordance with the Forum’s determinations, additional reviews and analyses will be conducted, as detailed below. Notwithstanding the above, in the case of voting at meetings of bondholders, a voting decision may be made by the authorized party, in accordance with the Group’s procedure for troubled debt and its credit policy.

As part of the discussions of the General Meetings Forum, any approach made to “Kanaf” by the corporation that is the subject of the vote and/or by any other external party seeking to influence Kanaf’s voting position at such meetings shall be reported.

Notwithstanding the above, in the cases listed below, voting decisions at general meetings will be made by the Investment Committees by a majority of external representatives:

1. **Where the controlling shareholder of the institutional entity holds at least 5% of any type of control means in the corporation’s securities.** In such case, the decision regarding the manner of voting will be made as determined by the external representatives on the Investment Committee of the institutional entity. In votes relating to such companies, the Investment Committee will be presented with the recommendation of the advisory body.
2. **Where the investment manager or the General Meetings Forum decides to vote contrary to this voting policy.** It is clarified that this refers to a materially exceptional case and not a technical one. In such circumstances, discretion shall be exercised by the Chief Investment Officer for members’ funds.
3. **Voting in relation to a financial corporation, or a corporation controlling a financial corporation, or a banking corporation (as defined in the voting**

- regulations**), where the proposed resolution brought for approval by the general meeting relates to one of the following matters:
- a. Approval of a remuneration policy pursuant to Section 276A of the Companies Law;
  - b. Approval of transactions requiring approval of the general meeting pursuant to Sections 272(c), 272(c)(1), 273(b) and 275 of the Companies Law.
4. **Voting in a company defined as a related party** under the Group's Related Parties Procedure.
  5. **Any case where the investment manager or the General Meetings Forum determines that other circumstances exist** in which they believe it is not appropriate to make a decision regarding the manner of voting at the meeting, including votes that raise issues of conflicts of interest, votes on material and/or sensitive matters, and similar issues.
  6. **Any case in which the Chief Investment Officer receives significant approaches from the company** in which the vote is required.
  7. **Material matters in companies with no controlling core**, except for tradable real estate / infrastructure investment funds in which Clal has no interest.

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#### **Criteria for Appointment of Directors and Board Composition**

1. We will review the existing composition of the board of directors, both in terms of fitness and expertise and in terms of appropriate gender representation.

2. We will review the director's fitness and qualifications, including review of the director's declaration regarding his/her skills and ability to dedicate the appropriate time to the role, conflicts of interest, and examination of dependence on the company, as customary under law.
3. We will assess the director's ability to add value to the board through relevant skills, expertise, and experience.
4. We will support the appointment of as many independent directors as possible, in addition to the company's external directors. A minimum requirement for the number of independent directors serving on the board will apply, taking into account the company's ownership structure, as follows:
  - 4.1 In a company with a controlling shareholder and/or a control permit, at least one-third of the directors shall be independent.
  - 4.2 In a company without a controlling shareholder and/or with a control permit, a majority of the directors shall be independent.
  - 4.3 It is clarified that the Chair of the Board will not be counted among the independent directors.
5. We will oppose the appointment of directors who are relatives of the controlling shareholder, where they constitute more than one-third of the directors, including the controlling shareholder.
6. The maximum size of the board will not exceed 13 members (except for financial corporations and banking corporations that are required to comply with additional regulatory rules).
7. We will limit the number of public boards on which a director may serve, such that a director shall not serve on more than six public boards concurrently, except in exceptional cases such as a director representing funds.
8. We will oppose the provision of consulting services to the corporation or its subsidiaries by any of the directors.
9. In public companies without a controlling shareholder, we will tend to oppose the appointment of directors without a preliminary process conducted by an independent search committee of the board, which conducts an orderly and transparent process and whose members are primarily external representatives.
10. Where choosing among directors and where several candidates are suitable for the same term, we will support directors according to the following order of preference: (1) a director whose candidacy was proposed by an institutional entity; (2) a director whose candidacy was proposed by an independent committee; (3) a director proposed by the company / controlling shareholder. This does not prevent selecting a director deemed more suitable for the role.
11. When extending a director's appointment, we will review the following:
  - 11.1 After nine years of service, an independent director will be classified as dependent.
  - 11.2 In dual-listed companies and Israeli companies traded abroad with dispersed ownership, we will continue to classify an independent director as independent even

if serving for more than nine years, provided that more than 50% of the directors are independent.

11.3 In public companies, we will oppose appointing a director who is not an external director for a term exceeding one year. Notwithstanding the above, we may consider approving an appointment for a period of up to three years of an independent director in a company without a controlling shareholder.

11.4 We will oppose appointing a director who attended less than 75% of board meetings. This threshold will be applied with respect to the year preceding the appointment. This will not apply to a controlling shareholder, who will be required to attend at least 50% of board meetings.

11.5 We may consider opposing the continuation in office of external directors who voted in favor of sensitive transactions (typically interested-party transactions and/or structural changes) to which Clal objected, including (and especially) cases in which external directors voted to override shareholder decisions.

12. We will oppose the existence of a staggered board mechanism, except where regulation requires such a mechanism.
13. As a general rule, we will oppose the appointment of a CEO as a director. Notwithstanding the above, we may consider supporting such appointment in special cases.
14. We will oppose the appointment of the CEO, or anyone subordinate to him/her, or any of his/her relatives, as Chair of the Board. Notwithstanding the above, we may consider supporting such appointment only in exceptional cases:
  - 14.1 A temporary appointment not exceeding one year.
  - 14.2 Family-controlled companies where the company demonstrates a significant excess contribution to shareholders for at least five years, and after increasing the weight of external and independent directors to 50% of the board, as compensation for the lack of separation between the Chair and CEO roles.
  - 14.3 Dual-listed companies and Israeli companies traded abroad, subject to discretion and company performance.
15. We will oppose the appointment of office holders or other managers subordinate to the CEO as directors, but where the director represents an employees' committee, we may consider supporting the appointment.
16. Each director, including the Chair of the Board, will have "one seat" and one voting right.

### **Remuneration Policy**

Clal has developed an economic model for assessing remuneration fairness, based on setting remuneration at a maximum amount according to the company's market capitalization category. Clal's model for assessing remuneration fairness also weights the company's business results and performance, as well as the ratio between components of the remuneration package. The model also includes a positive or negative coefficient reflecting the company's corporate responsibility rating.

In addition to the quantitative model, the following matters will also be examined:

1. We will review the existence of a pre-set remuneration formula that will not be changed retroactively, while allowing reasonable discretion to the board in implementation, including the possibility of reducing the scope of remuneration.
2. We will require full transparency regarding the remuneration framework and the specific criteria underpinning it, and we will assess the actual utilization of remuneration caps where there is no disclosed information regarding targets for variable components, in light of the company's actual performance in the three years preceding the renewed approval.
3. We will review the ratio between fixed, variable and equity-based salary components, taking into account the overall remuneration framework, including sign-on grants.
4. We will oppose problematic payment practices in the company, including:
  - 4.1 Incentives that may encourage excessive risk-taking.
  - 4.2 Backdating practices, including automatic repricing mechanisms in equity-based plans.
  - 4.3 Guaranteed annual bonuses, including performance measures that are too easily achievable or not sufficiently challenging, in short- or long-term plans.
  - 4.4 Deferred payments, such as post-retirement benefits that may obscure the level of remuneration. In this regard, we will oppose a post-retirement grant or an adjustment grant and early-notice period that together exceed 12 months.
  - 4.5 Increasing remuneration or severance payments shortly before retirement.

#### **Performance-Based Remuneration – Bonuses**

1. Performance of office holders will be evaluated on a long-term basis, and remuneration will be aligned with the company's risk management policy. A cash bonus will not include one-off performances that are outside the company's field of activity or that resulted from external effects on the company.
2. A bonus plan should be multi-year, including the spreading of the grant, so as to include offsetting of underperformance throughout the life of the plan.
3. The company should pre-determine considerations for awarding bonuses and grants such that they are objectively measurable. Targets should be tailored to the company's characteristics and business sector.
4. For purposes of reviewing business results, one-off events and/or accounting profits that have not yet been realized (including revaluations, other comprehensive income, and the like) should be neutralized.
5. For purposes of determining the annual cash bonus, a quantitative, relevant and effective threshold condition will be examined, and the annual bonus will be capped at a cost equivalent to up to 18 monthly salaries.
6. A grant for a unique contribution by an office holder, including in connection with one-off events, will be brought for specific approval by shareholders or by the Remuneration Committee and the Board—depending on the amount of the grant and the identity and role of the office holder.
7. Variable performance-based remuneration for the CEO and senior office holders will be based on well-defined and measurable criteria.

## Equity-Based Remuneration

When granting equity-based remuneration, we will recommend that the plan's terms constitute an appropriate incentive to maximize the company's value in the long term. We believe that equity-based remuneration can reduce potential conflicts of interest between office holders and shareholders, thereby motivating office holders in favor of the company and long-term policy considerations, while taking controlled risks. This rationale is weaker where the office holder is a controlling shareholder, and accordingly, in our view, the substantive justification for equity-based remuneration for controlling shareholders is reduced.

1. In reviewing equity-based remuneration plans for employees, we will assess whether the plan aligns with shareholders' long-term interests. This assessment includes, but is not limited to: the scope and terms of equity-based remuneration, the plan's full dilution potential, taking into account the company's growth rate and life cycle.
2. We will oppose equity-based remuneration that reflects an immediate benefit, i.e., "in-the-money" options and/or immediate exercise periods.
3. The exercise price will be reviewed in accordance with approval of the Board and the general meeting, taking into account the share's volatility and peer companies.
4. The vesting period will be gradual over the life of the plan and will be no less than three years, and no less than one year for the first tranche.
5. We will oppose leaving discretion regarding changes to the options plan terms solely in the hands of the Board.
6. We will oppose the grant of restricted shares that are not contingent on relevant threshold targets aligned with the nature of the company's activity.
7. We will oppose an automatic mechanism enabling immediate acceleration of equity grant terms. However, we may consider supporting acceleration of equity grant terms, provided that the office holder is not the controlling shareholder.
8. We will conduct a cautious review of an automatic mechanism enabling acceleration of option plan vesting upon a change of control, merger, etc., considering the plan's terms and the identity of beneficiaries.
9. With respect to reducing option exercise prices, we tend to oppose such requests; however, each case will be reviewed on its merits, including:
  - The time elapsed since option grant, the remaining time until expiry, and vesting and expiry dates after the change.
  - The dilution following the change and the cost of the change to the company.
  - The time from the start of the decline in share price to the repricing date should exceed one year.
  - If repricing includes a change in exercise price, the new exercise price should be equal to or higher than the peak share price in the year preceding repricing.

- Whether the share price decline is directly related to underperformance by the company and its management, or is significantly driven by exogenous variables.
  - The value of the benefit, which will be considered as part of the office holder's remuneration for purposes of the remuneration fairness assessment model.
10. We will cap the maximum possible cumulative dilution in respect of all grants made by the company, as follows:
- For companies included in the TA-125 Index: dilution should be capped at approximately 10%.
  - For companies included in the TA-SME Index: dilution should be capped at approximately 15%.
  - For plans intended for all employees and for R&D companies (as defined under stock exchange rules): higher dilution may be considered.
  - In changing market conditions, dilution percentage will be calculated taking into account the gap between theoretical dilution and actual dilution.
11. We will oppose an options plan that includes an evergreen mechanism (automatic renewal mechanism).

#### **Remuneration of Senior Office Holders in the Financial Sector**

With respect to remuneration of senior executives in the financial sector, our position will align with the law.

#### **Remuneration of Directors and External Directors**

1. We will oppose granting additional remuneration to office holders who also serve as directors, beyond the remuneration paid to them in their capacity as office holders.
2. Non-equity variable performance-based remuneration for directors will be based on well-defined and measurable criteria, except where it constitutes a non-material portion of total remuneration. For this purpose, a component not exceeding 20% of the fixed annual remuneration will be considered non-material.
3. In supervised financial entities, banking corporations and insurance corporations, directors' remuneration (excluding the Chair) will be fixed and determined in accordance with the External Director Remuneration Regulations.

#### **Equity-Based Remuneration for Directors**

We will support the allocation of equity components to directors on a case-by-case basis, taking into account the following considerations:

- The company will determine, in its remuneration policy or in the notice of meeting convening shareholders to approve remuneration, a maximum ratio between the scope of equity-based remuneration and fixed remuneration for directors, such that it does not exceed 50% of fixed annual remuneration, including payment for meetings.
- Equity-based remuneration will be allocated for a period of at least three years, with a vesting period of at least one year for the first tranche.

- Preference will be given to equity components that incentivize a measured risk appetite, such as restricted shares and/or restricted share units (RSUs), over options.
- Notwithstanding the above, we will oppose approval of equity-based remuneration for external directors except in exceptional cases.

## **Dividends**

### **Tests for Dividend Distributions**

1. We will review the company's dividend policy, prior distributions, and considerations for the current distribution.
2. We will review the source of retained earnings for dividend distribution, taking into account whether it derives from revaluation gains. The dividend amount actually distributed should be lower than the amount that meets the profit test if material revaluations were included in the profit test amount.
3. We will review the financing sources available to the company for repayment of its debts and obligations and for funding the dividend payment, including the scope of bank and non-bank credit that, to the best of the company's assessment, is available.
4. We will review cash flow forecasts and the company's financial resilience, including analysis of financial ratios and sensitivity tests.
5. We will review the company's position that dividend payment will not impair the company's investment plans as required to maintain its business and competitive standing.
6. We will review compliance with financial covenants and conditions, and whether a special capital reduction is required.

## **Company Equity**

### **Going Private (Delisting)**

Delisting is carried out in accordance with the arrangements set forth in the Companies Law, i.e., a tender offer to the public. However, a company may also delist through a reverse triangular merger. In connection with a delisting of a traded share, we will focus on the following:

1. We will review the transaction rationale and other alternatives examined by the company's management.
2. We will review the value and scope of the transaction, taking into account a fairness opinion, and the company's current and historical valuation.
3. We will review the process and conflicts of interest, including whether all shareholders can participate in the transaction.
4. We will review whether the company obtained benefits from being listed (including trading volumes, liquidity, volatility, etc.).

### **Offerings and Private Placements (Including Warrants, Convertible Bonds and Equity Instruments)**

We will review non-pro rata equity allocations, focusing on the following points:

1. Necessity of the allocation; transaction rationale; alternatives available to the company; timing; investor identity and suitability for the company's operations.
2. Terms of the equity allocation relative to fair economic value.
3. The company's financial condition; liquidity and capital needs; use of proceeds; impact of the capital raise on financing structure and cost of capital; cash burn rate; and conditions in capital and credit markets.
4. Review of alternatives to the allocation and its terms.
5. Changes in equity instruments will be assessed based on their substance and the manner in which they affect various stakeholders in the company.
6. Market reaction.
7. The company's ability to continue as a going concern.
8. Control and management issues, including conflicts of interest.

### **Increase of Authorized Share Capital**

This is a process that forms an integral part of the company's ongoing business management. The requirement for shareholder approval contributes to shareholders' ability to supervise future allocations.

We will examine proposals to increase the company's authorized share capital, considering the following:

1. The company's use of authorized share capital and increases in recent years.
2. Current capital requirements, including disclosure in the company's reports of the purposes of the proposed increase and the dilutive impact of the current requirement, considering alternatives, including the impact on the company if authorized capital is not increased.
3. Review of trading on the stock exchange, trading volumes, simplification of trading, and the like.

### **Changes in Issued Share Capital**

For purposes of decisions regarding changes in issued share capital, including share consolidation and share split, we will focus on the benefit embodied in such decision in terms of simplifying trading on the stock exchange and increasing liquidity in the securities, while considering the terms of the change and its cost to shareholders.

### **Interested-Party Transactions**

As a matter of principle, we generally object to transactions with interested parties. However, given that the law permits such transactions and in light of their necessity in certain cases, we will review interested-party transactions carefully on a case-by-case basis. We will consider both whether there is justification for the transaction with the interested party at all (as opposed to a transaction with an unrelated third party or refraining from any transaction) and whether the transaction terms advance the interests of all shareholders in the company (and not merely do not harm them).

In addition to the legal requirements on this matter, the Concentration Committee report set out additional safeguards:

1. It is proposed to impose an "adopt or explain" obligation regarding the existence of a competitive process supervised by the Audit Committee, for approval of an

interested-party transaction involving the sale of an asset, receipt of operational services, purchase of an off-the-shelf product, or receipt of a loan.

2. It is recommended to stipulate that transactions that are not “extraordinary” but are also not negligible will require Audit Committee supervision; the Audit Committee will also be responsible for defining thresholds for “negligibility.” The company will be required to report to shareholders, including an explanation by the Audit Committee as to how it deemed it appropriate to supervise the formulation of the terms of such transactions.

We will examine such transactions, considering the following conditions:

1. Whether a competitive process was conducted by the company’s Audit Committee. If the committee determined that there is no need for such a process, it must provide reasons, and at a minimum conduct exhaustive negotiations with the controlling shareholder. We will also review whether the Audit Committee engaged advisors and experts who do not advise the company or the controlling shareholder.
2. Given the structure of the Israeli market, characterized by cross-holdings and business groups, we will review whether the transaction is carried out in the ordinary course of the company’s business and whether it serves to promote the company’s business.
3. Strategic rationale—feasibility and transaction objectives and their integration into the company’s business strategy, including whether the transaction is within the core of the company’s business.
4. The company’s prior experience in similar transactions.
5. The negotiation process; the transaction initiator; pricing methodology; and ensuring optimal return to shareholders, including a bidding process under Audit Committee supervision.
6. Whether a similar transaction can be carried out with an unrelated party and the company’s efforts to explore other alternatives.
7. Whether related parties benefit from the transaction in a disproportionate and unreasonable manner compared with other shareholders.
8. Impact on other stakeholders in the company, including creditors, minority shareholders, employees, and others.
9. Review of external valuations, external opinions, due diligence, protocols, and any other material information regarding the transaction.
10. Funding sources for the acquisition or, alternatively, the use of proceeds received, while maintaining financial resilience and liquidity.
11. Review of market reaction.
12. Impact on the company if the transaction is not completed.

## Management Agreements

Management agreements will be reviewed based on their business rationale and necessity, as they may serve as a substitute for extracting profits from the company by the controlling shareholder, taking into account the following:

1. Transparency and disclosure regarding management services received, including the identity of service providers and the scope of services, with attention to office holders serving in the company and their compensation levels. We will oppose entering into a management agreement in any case where shareholders are not provided with a report that includes a full and detailed description of the services, their scope, costs attributed to each service, and a description of the office holders providing the services.
2. Whether the agreement results from a change of control in the company and/or from the entry of new investors.
3. Prior salary and management agreements, as customary in the sector.
4. Review of the agreement's financial scope compared with receiving identical services from an unrelated third party.
5. Limiting the engagement period to a term of up to three years.
6. Review of the engagement in accordance with the office holder remuneration policy.

#### **Mergers, Acquisitions, Sale and Purchase of Assets, Collaborations and Transactions**

In mergers, acquisitions and transfers of activities, each case will be reviewed on its merits, with emphasis on the unique characteristics of the transaction. We will examine the environmental and economic aspects of transactions from a long-term perspective, based on the assumption that the company's long-term interests align with those of its shareholders. We will examine and evaluate the advantages and disadvantages of the proposed transaction, taking into account the following:

1. Strategic rationale—whether the transaction makes strategic sense; how value is derived; and the company's prior experience in similar transactions.
2. Negotiation process—how the negotiation is conducted; who initiated the transaction; pricing methodology; ensuring optimal return to shareholders, including a bidding process and review of alternatives.
3. Conflicts of interest—whether related parties benefit from the transaction in a disproportionate and unreasonable manner compared with other shareholders.
4. Transaction valuation—an independent valuation provides an initial indication for assessing reasonableness; synergies in expenses and revenues should be weighed with due caution.
5. Review of transaction structure, dilution, and financial, operational and strategic advantages.
6. Funding sources for the acquisition or, alternatively, use of proceeds received, while maintaining financial resilience and liquidity.
7. Review of market reaction.
8. Impact on the company if the transaction is not completed.

### **Poison Pill**

We will support mechanisms that do not delay or prevent a change of control. We believe that where there is an attempt to change control of a public company, the wishes of all shareholders should be considered and market forces should be allowed to operate, particularly where the share price reflects situations of under-management or failure.

### **Debt Arrangements and Amendments to the Terms of the Company's Bonds**

Debt arrangements often involve reducing payments that the company is obligated to make to bondholders, with a significant impairment of their rights.

As a general rule, we believe it is necessary to assess the company's condition and the steps required by bondholders as early as possible, in order to prevent further deterioration of the company, cash and asset outflows, and unnecessary risk-taking that may further harm bondholders.

We will assess the advisability of a debt arrangement or amendment of bond terms, taking into account:

1. Review of the change in the bonds, including the new repayment schedule, collateral, interest rate and required yield.
2. The company's ability to comply with the proposed arrangement.
3. Review of involvement of other creditors in the arrangement, considering seniority, collateral, duration (WAM) and shareholders' contribution.
4. Strengthening the company's equity structure, including equity injections by the controlling shareholder and/or external equity injections.
5. Participation in future upside, such as shares, options, or any other equity instrument.
6. Strengthening collateral and liens, and strengthening corporate governance.
7. Market reaction; the position of the bondholders' representative body, including an independent opinion and the opinion of the economic expert as required by law.
8. Management efforts to explore other alternatives, including sale of the company and/or its activity to a third party.
9. Consideration of other alternatives to the proposed arrangement that could increase the value of the claim for the bondholders, including the expected recovery in a liquidation scenario.
10. Change of control and the controlling shareholder's contribution to the arrangement—where control remains with the controlling shareholder following the arrangement, this review is of particular importance in order to understand whether the consideration granted by the controlling shareholder, if any, is commensurate with the benefit received.
11. The company's inability to repay its debts may raise doubts regarding the company's conduct in the period preceding the arrangement, particularly with respect to its distribution policy and the process for approving and executing transactions. We will consider whether the company's conduct in that period may give bondholders rights of claim against additional parties.

12. Many debt arrangements include exemptions from liability for office holders, controlling shareholders and other interested parties in the company. Such exemptions have economic value for office holders, and their grant should be reviewed, including review of the company's directors and officers insurance policy, with reference to their conduct prior to the arrangement.
13. The impact of the absence of a debt arrangement on the company's ability to continue as a going concern.
14. Future restrictions on dividends, senior compensation, operations, capital and debt structure, financial covenants, controlling shareholder transactions, and the like.

### Articles of Association

In reviewing the company's articles of association, we will assess whether there is a concern of harm to minority shareholders, with attention to the following issues:

1. Where authority to make decisions is granted to the general meeting, such authority should remain with it. We will oppose lowering the majority required for amendments to the articles of association, merger processes, changes in share capital, and material events.
2. We will oppose an amendment that grants the Board exclusive discretion regarding dividend distributions.
3. We will oppose reducing quorum requirements for shareholder meetings and setting timetables that do not allow substantive discussion of matters brought for approval by the general meeting.
4. We will oppose amendments that may impair the rights attached to a class of shares.
5. We have reservations regarding the wording of Section 260B(1A) of the Companies Law relating to indemnification, as it does not set quantitative parameters for scope and permits the Board's exclusive authority to determine the indemnification amount. We believe it is appropriate to limit the permitted indemnification amount set out in the articles of association and the deed of indemnification, in accordance with the company's financial capacity at the time indemnification is actually granted, and to exclude any exemption granted in respect of a resolution or transaction in which the controlling shareholder or any office holder has a personal interest, as detailed below.
6. We will support the Board's ability to appoint a director, provided that the appointment is brought for approval by the general meeting within six months thereafter. Such director's term will remain in effect only until the date of the next general meeting.

### Indemnification, Exemption and Insurance for Office Holders

In light of the current business environment, we believe companies should be allowed means to protect office holders and enable an appropriate operating margin for making business decisions involving calculated risk-taking, provided they act in good faith and with due care. Adoption of the provisions regulating these matters will be made in accordance with the Companies Law. We will review whether the proposed arrangements include any unusual provisions.

The Companies Law does not permit a company to enter into an agreement to insure an office holder's liability, to indemnify an office holder, or to exempt an office holder from liability to the company, for any of the following:

1. Breach of duty of loyalty, except with respect to indemnification and insurance for breach of duty of loyalty as permitted by law.
2. Breach of the duty of care committed intentionally or recklessly, except where committed through negligence only.
3. An act committed with intent to derive an improper personal gain.
4. A fine, civil fine, monetary sanction, or ransom payment imposed on the office holder.

The liability limits under indemnification deeds and the insurance coverage are a function of the Board's decision and the approval of the general meeting.

### **Indemnification**

Indemnification deeds provided to office holders constitute the company's financial undertaking to indemnify office holders from its financial resources for a monetary liability imposed on them by virtue of their actions in the company, beyond insurance coverage. Indemnification amounts may include reasonable litigation expenses, including attorneys' fees, even where no indictment has been filed and no monetary liability has been imposed as an alternative to criminal proceedings and/or in connection with a monetary sanction.

We will review the granting of indemnification deeds to office holders, taking into account:

1. A requirement to cap indemnification amounts based on the company's financial capacity at the time indemnification is actually paid. A customary practice is to cap the maximum indemnification amount at approximately 25% of the company's equity as of the time indemnification is paid. In the case of a company with equity of less than NIS 30 million, the amount will be examined at the discretion of the Chief Investment Officer for members' funds.
2. Such cap on maximum indemnification payments should also be included in the company's articles of association.
3. Indemnification will be provided only in the amount of the difference between the monetary liability and the amount received under an insurance policy or another indemnification arrangement in the same matter.
4. Review of the events in respect of which indemnification will be provided.
5. Existence of insurance coverage for office holders.

### **Insurance**

A company may, if so provided in its articles of association, insure an office holder in respect of liability imposed on him/her as a result of an act performed, in any of the following cases:

1. Breach of the duty of care toward the company or toward any other person.
2. Breach of the duty of loyalty toward the company, provided that the office holder acted in good faith and had a reasonable basis to assume that the act would not harm the company's interests.
3. Monetary liability imposed on him/her for the benefit of another person.

We will review the term of the framework agreement (not exceeding five years), the scope of insurance coverage, including the scope of an "umbrella policy" for insuring the Group's

companies, and the annual premium. This review will be conducted in accordance with the company's activity and resources, comparable companies, and market practice.

### **Exemption**

We will support granting an exemption to all office holders, including controlling shareholders and their relatives, provided that the company's articles of association and all exemption deeds granted to directors and office holders state that the exemption does not apply to any resolution or transaction in which the controlling shareholder or any office holder has a personal interest (including an office holder other than the one for whom the exemption deed is granted). This policy is subject to our discretion on a case-by-case basis. Among other things, we will oppose granting an exemption even in the circumstances described above where, in the past three years, a court approved the filing of a class action or derivative claim, as applicable, against the company's controlling shareholder or office holders, concerning breach of the duty of fairness, breach of duty of loyalty, or oppression of minority shareholders.

The Companies Law allows the granting of an exemption deed to office holders. Such exemption deed is highly limited and allows a company to grant an exemption only with respect to damages resulting from breach of the duty of care owed by the office holders to the company. This is subject to the following conditions:

1. A company may not exempt an office holder from liability for breach of the duty of loyalty owed to it.
2. A company may exempt (including in advance) an office holder from liability for breach of the duty of care owed to it, except for liability arising from breach of the duty of care in the context of a distribution.

### **Appointment of External Auditor**

We will examine the appointment of the external auditor with attention to the following issues:

1. Independence of the external auditor and the extent of such independence.
2. The auditor's competence and professionalism.
3. We will oppose the appointment of an external auditor where the portion of fees paid in the prior year for audit and tax services is less than 70% of the total fees paid. An exception will apply where fees for non-audit services include significant one-off events such as capital raising, offerings, and the like, and the company provides full disclosure thereof.
4. Whether in the past three years the company was required to restate its financial statements, inter alia due to errors or material deviations relating to estimates or assumptions.
5. Whether in the past three years a court approved a class action or derivative claim against the company's external auditor in connection with the company's financial statements.
6. We will oppose replacing auditors without explanation.

### **Retroactive Approval of Transactions**

1. We will oppose retroactive approval of transactions or agreements that were approved through an improper process in the past and are brought for retroactive approval by

the general meeting, except where the request is submitted by a court and following submission of a settlement proposal between the parties.

2. With respect to approval of the terms of office and employment of a CEO or director, we will not oppose obtaining approval of the general meeting at the company's upcoming annual general meeting, provided that the Remuneration Committee and the Board approved the terms of office and employment; the terms are in accordance with the remuneration policy; the terms are not materially higher or materially different than in the past; and, additionally, Clal did not previously object to such terms.

#### **Approval of Change in Reporting Format**

1. We will oppose any change in the reporting format that is expected to impair the level of information and transparency to which investors were accustomed.
2. **Israeli law condition upon dual listing:** We will oppose a move to dual listing unless the prospectus includes a condition whereby Israeli law and the jurisdiction of Israeli courts will apply in any case to Israeli shareholders even after the transition.

*Companies Regulations (Relief in Transactions with Interested Parties) (Amendment No. 2), 5776–2016.*