

Alrov Real Estate and Hotels Ltd.
(the “Shareholder” and/or “Alrov”)

[Position statement No. 4 out of 4 position statements of Alrov]

December 15, 2022

To

Clal Insurance Enterprises Holdings Ltd. (“Clal Ltd.”, the “Company”, “Clal”)

Dear Sir or Madam,

Re: **Position statement, pursuant to Regulation 6(C) of the Voting and Position Regulations¹**

Subject 5.6 for the annual general meeting: election and appointment of the candidate Mr. Aharon Fogel

According to the Voting and Position Regulations:

A. Details pursuant to the Voting and Position Regulations

1. According to Regulation 8(A) of the Regulations, the position statement is drafted in clear, summary, simple and understandable language and contains no more than 500 words for each subject on the agenda.
2. According to Regulation 8(B) of the Regulations, a position statement is of the Shareholders of Alrov Real Estate and Hotels Ltd. (“**the Shareholder**” and/or “**Alrov**”), which, among other things, according to the report of Clal Insurance, dated October 12, 2022, holds 11,108,977 shares in Clal Insurance, and its holding rate of the capital and voting power in Clal Insurance is approximately 15%. The controlling shareholder of the shareholder Alrov is Mr. Alfred Akirov, as set forth in the reports of Clal Ltd., in the reports of the shareholder Alrov including see the breakdown in relation to Regulation 21A in the fourth chapter of the annual statement of Alrov published on March 29, 2022 [sic]. Mr. Akirov has no additional holdings in Clal Insurance, to the best of the knowledge of the shareholder Alrov.

B. Position statement – subject 5.6 of the meeting: election and appointment of candidate Mr. Aharon Fogel

Alrov is of the position that it is necessary to vote **for Fogel**, as set forth below:

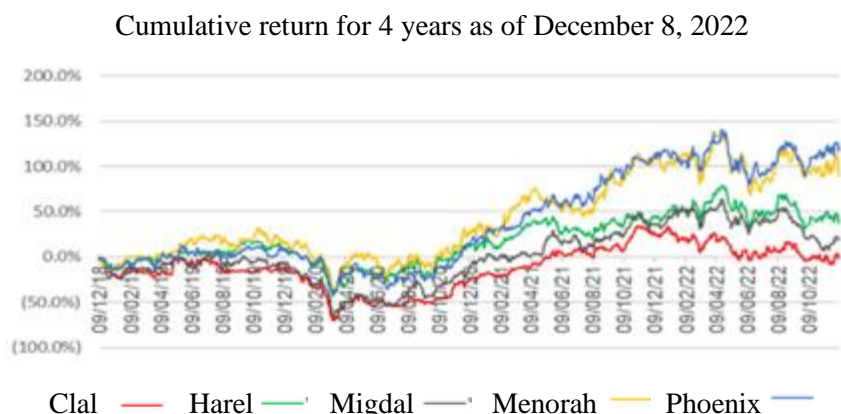
3. To promote the benefit of and improve the Company, it is important that directors from the core of the Company’s fields be appointed: insurance, investments and finances. The board members (except for the serving director Granot, Alrov’s candidate) have come from other disciplines.
4. Clal Ltd. also believed this in the summons to Clal’s meeting dated December 16, 2022: “recommended profiles of candidates who should constitute the company’s board of directors were examined and defined in accordance with the needs of the Company, the main ones being: 9.1”

¹ The Companies Regulations (Voting in Writing and Position Statements), 5765-2005 (the “**Voting and Position Regulations**” or the “**Regulations**”).

expertise in the insurance, pension and long-term saving field. 9.2 professional expertise in the investments, real estate and credit fields...” (the “**Recommended Profile**”).

5. Entropy, in March 2019, also stated in relation to companies without a controlling core: “... *It would be expected for the company’s board to include people with understanding in the company’s field of activity, and ability to direct its business activity*”.
6. Mr. Fogel has rights in the insurance and finances fields, and has served: (A) as the chairman of the companies – Ayalon; Migdal holdings Insurance; Zim; Ness Technologies; IDB Development Company and Jerusalem Economic Company (for the creditors); (B) as an outside director at IDI Insurance Company; (C) as Director General of the Ministry of Finance; (D) as the chairman of the advisory committee and board to the Bank of Israel.
7. Mr. Granot has a reputation, inter alia in the field of insurance, investments, finances, banking and credit; he has accounting or financing expertise; he has high expertise and understanding of business and accounting issues; he has familiarity with financial statements and accounting and internal reviewing; he has in-depth familiarity with insurance and banking regulations, compliance rules and corporate governance; and he has managerial expertise and in-depth familiarity with the Company’s business environment.
8. The candidate also meets the Recommended Profile insofar as he fulfills almost all of the competencies set forth.
9. In addition, the Company reported on December 15, 2022 that in view of “*requests from institutional bodies that are shareholders in the Company, the board of directors decided to act after the general meeting to classify at least one director out of the directors to be appointed in the meeting... as an independent director*”. **Further to this, the candidate Mr. Fogel clarified that he met the all conditions required to serve as an “independent director” (including lack of affiliation with Alrov).**
10. The confirmation of the appointment of Mr. Fogel is also required considering the following circumstances (provided at length in position notice 2 of Alrov):
 - 10.1 The Company has very poor performance relative to its competitors in the parameters that are important to the shareholders:

- A. **The share return (the CEO was appointed in June 2018, the chairman in February 2021):**



B. Capital multiplier return:

	Clal	Harel	Migdal	Menorah	Phoenix
	NIS billion				
Market value December 8, 2022	4.58	6.83	4.70	4.23	9.74
Capital multiplier based on statements for September 30, 2022	0.57	0.83	0.61	0.74	1.01
Cumulative return for December 8, 2022					
4 years	(0.6%)	37.6%	18.5%	89.1%	119.7%
From beginning of 2022	(22.5%)	(5.2%)	(13.1%)	(6.1%)	1.4%

C. Dividend distribution and own share acquisitions (substitute to distribution):

Dividends distributed*

	2018	2019	2020	2021	1-9/22	Cumulative
	NIS million					
Clal	-	-	-	-	-	-
Harel	214	236	-	357	300	1,107
Migdal	66	350	-	47	-	463
Menorah	50	100	-	100	-	250
Phoenix	120	480	-	580	581	1,761

* Not including own shares acquisition

Own shares acquisition

	2019	2020	2021	1-9/22	Cumulative
Clal	-	-	-	-	-
Harel	-	-	40	55	95
Migdal	-	-	-	-	-
Menorah	-	-	-	95	95
Phoenix	-	26	74	56	156

- 10.2 It has recently been revealed, including by an outside director of the Company, that there have been severe flaws in corporate governance and ‘directors’ rule’ and the existence of a control group that was trying to fortify its position at the expense of the shareholders and the share return (the ‘kitchen cabinet’) (as set forth in Position Statement 2).
- 10.3 Alrov believes that in view of the underperformance (return on share, dividends, etc.), headed by its management and in view of the foregoing, the knowledge of the board members in the company’s core fields must be improved (insurance, investments and finances), the recovery of the corporate governance culture must be demanded and the ‘control group’ formed by the management as set forth unseated. Adoption of positive recovery steps requires appointing a majority of independent third-party directors in the control group of directors, who will act to the benefit of the Company and its performance without any additional interest.
- Note: (A) as reported in the summons to the meeting, Alrov has proposed **2 directors**, Granot and Fogel (Samet the Chairman **is not** a candidate proposed by it). The summons states: “In accordance with the instructions of the supervisor... the one who proposed the appointment a third of the directors ... and his proposal has been accepted, will be considered as a controlling shareholder therein...”. (B) Thus: (1) even given that 2 Alrov candidates will be chosen, no control will apply. (2) this position deals only with the benefit of the Company, its outcomes and all of its shareholders.
11. There is no doubt that appointing the candidate Mr. Fogel will promote Clal’s benefit and will add great value to and will improve it.
