

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

[Position statement No. 1 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 3 for the annual general meeting: limiting the number of directors to eight

According to the Voting and Position Regulations:

A. Details pursuant to the Voting and Position Regulations

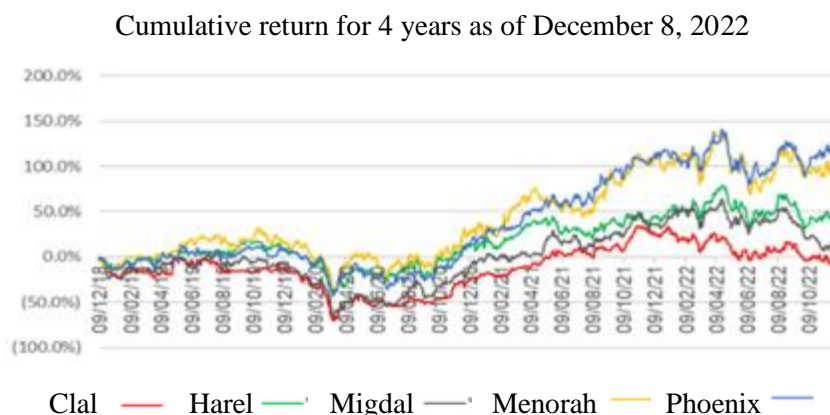
1. According to Regulation 8(A) of the Regulations, the position statement is drafted in clear, summary, simple and understandable language and contains no more than 500 words for each subject on the agenda, and for the subject in question, limiting the number of directors at Clal Ltd. to eight.
2. According to Regulation 8(B) of the Regulations, a position statement is of the Shareholders of Alrov, which, among other things, according to the report of Clal Ltd. dated October 12, 2022, holds 11,108,977 shares in Clal, and its holding rate of the capital and voting power in Clal 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, to the best of the knowledge of the shareholder Alrov.

B. Position statement – subject 3 of the meeting: limiting the number of directors to eight

3. Subject 3 deals with limiting the number of board members to eight. If approved, up to 6 directors only will be chosen in the meeting out of the seven proposed. The decision on the subject is expected to affect the ability of the Company to realize its business potential and the future of its corporate governance.
4. Alrov is in the position that **voting for** subject 3 (for the purposes of this meeting only) **at the same time** as voting for independent directors in the control group of the directors and with experience in the Company’s core activity will advance the performance of the Company and the corporate governance recovery process, because it is expected to unseat the directors’ ‘control group’ (and the ‘kitchen cabinet’ headed by the chairman of Samet).

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

5. As set forth in Alrov's position statement No. 2:
- 5.1 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

- 5.2 It has recently been revealed, including by an outside director of the Company who resigned and signed a court affidavit on the matter, 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.
- 5.3 Given the position statements and outside director’s affidavit, Alrov believes that to avoid investor criticism about underperformance, the Company’s management has led moves aimed at fortifying directors’ job positions. The chairman Samet chose to support the moves, while betraying his duty to oversee the management, formed a secret “kitchen cabinet” in which he gathered directors who were prepared to support the fortification of the management and their job positions.
- 5.4 According to the outside director’s affidavit, the Company’s CEO negotiated the acquisition of a credit card company (Max), and also finalized the transaction price without the knowledge or approval of the board; the price is excessive and without economic justification, despite information that the board had showing this; and despite this, the chairman Samet, with the support of the ‘kitchen cabinet’ members, acted to have the transaction approved at that price (before getting an Independent valuation, which was given in retrospect for defending the price of the transaction).
- 5.5 According to the affidavit of the external director, the Max transaction is dangerous expensive and contravenes the statements in Clal’s “credit risks” description and significantly deviates from the Company’s vision, objectives and business strategy as reported.
6. An improvement in the Company’s underperformance requires strengthening of the board of directors’ knowledge in the Company’s core fields (insurance, investments and finances) and recovery of the Company’s corporate governance culture, including disbanding the “kitchen cabinet” whose existence represents severe undermining of the Company’s corporate governance.
7. Adoption of vital recovery steps requires: **(A)** voting **against** reelecting the chairman Samet; **(B)** appointing independent directors in the kitchen cabinet who have experience in the Company’s core activity (in addition to and alongside Granot), whose independence and experience will help maximize the Company’s performance and revitalize its corporate governance.
8. Given the foregoing, and for the purpose of educated voting aimed at maximizing the probability of reaching the goals described, it is Alrov’s position that voting **for** subject No. 3 for the purposes of this meeting (only) at the same time as voting for appointing independent directors in the kitchen cabinet who have experience in the Company’s core activity is necessary. The foregoing does not derogate from any argument and/or right including the right to increase the number of board members in the future.
9. The position of Alrov in relation to board candidates as stated in the meeting summons is set forth in Alrov’s position statements 2-4: **(A)** position statement 2 – subjects 5.1, 5.2, 5.3, 5.4, 5.7 of the meeting: election and appointment of the board candidate (who are no candidates nominated by Alrov); **(B)** position statement 3 – subject 5.5 of the meeting: election and appointment of the candidate Granot; and **(C)** position statement 4 – subject 5.6 of the meeting: election and appointment of the candidate Fogel.
