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The Phoenix Holdings Ltd.

(The "Company")

Outline and Immediate Report

According to the Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 5760-2000 ("Outline Regulations"), and immediate reporting of a material private offer and a immaterial private offer, according to the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000 ("Private Offering Regulations") and Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("Reports' Regulations"),

of

up to 4,883,593options, not listed for trade that can be exercised for up to 4,883,593ordinary shares of NIS 1.00 par value each, subject to adjustments as set forth in this Outline¹, which are registered in the name of the Company, which are offered, without monetary consideration in cash (hereinafter: "the Options"), to the CEO of the Company, to approximately 7 officers and employees of the Company and to 171 employees and officers of companies controlled by the Company (all together, "the Offerees"), from which 90,000 Options are offered to the CEO and up to 4,793,593 Options are offered to the other Offerees, as detailed in this Outline below;

Outline date: 1 February, 2022

¹ In practice, no allotments of the full shares arising from them will be allocated to the Offerees who will exercise the Options, but only shares in an amount that reflects the amount of the monetary benefit inherent in the Options, as specified in Section 2.8 of this Outline.

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Chapter 1 – Introduction

- 1.1. **The Options Offered** - According to this Outline, the CEO is offered, together with up to 178 additional Offerees who are officers of the Company and officers and employees of subsidiaries and related companies of the Company, up to 4,883,593 Options, not listed for trading, without monetary consideration in cash (offered for work or service of the Offerees to the Company) and exercisable up to 1.00 ordinary shares registered in the name, of 1.00 NIS nominal value of the Company each ("**Company Shares**"), out of which 90,000 to the CEO of the Company, 489,880 to officers of the Company, and 4,303,713 to employees of the Company and to officers and employees of related companies of the Company², and all are subject to the adjustments set forth in Section 2.10 below and to all other terms of the Plan (as defined below) and the terms of the Options set forth in Chapter 2 of the Outline.

In a theoretical assumption of the exercise of the full Options that can be allotted according to this Outline, the shares that will be formed as a result of the exercise of all the Options will constitute immediately after their exercise and taking into account the issued and paid-up capital of the Company as it is today, approximately 1.94% of the issued and paid-up capital of the Company and approximately 1.94% of the voting rights therein (and approximately 1.85% and approximately 1.85%, respectively, in full dilution³), of these, the Options for the CEO constitute approximately 0.03% of the issued and paid-up capital of the Company and approximately 0.04% of the voting rights therein (and approximately 0.03% and approximately 0.03% respectively, in full dilution). In practice, no allotments will be allocated to the Offerees who exercise the Options arising from them, but only shares in an amount that reflects the amount of the monetary benefit inherent in the Options, as specified in Section 2.8 of this Outline.

- 1.2. **The Offerees** - The Offerees according to this Outline and report are the CEO of the Company, 7 officers of the Company, 16 officers of companies controlled by the Company, and 155 employees who are not officers of the Company and the companies under its control. All Offerees under this Outline are employees who have an employee-employer relationship⁴ between them or the companies under its control⁵.

The Offerees are not stakeholders, as defined in the Companies Law, 5759-1999 (the "**Companies Law**") by virtue of their holdings in the Company and will not become such stakeholders after the allotment of the shares resulting from the exercise of the Options (except for the CEO of the Company who is a stakeholder by virtue of his position). The Offerees are not an "interested party" in the Company (as the term is defined in Section 207(5) of the Companies Law) and will not become an "interested party" in the Company following the allotment.

- 1.3. **The Options Plan and Allotment to the Trustee in the Capital Gains Track** – On December 27th, 2018, the Company's BOD decided to adopt an Options Plan under which employees, officers, directors, and consultants in the Company, without cash consideration, will be allotted unlisted options for the purchase of ordinary shares of the Company ("the **Options Plan**" or "the **Plan**"⁶). The Options Plan allows for the

² Including issuance of 110,000 options to two services provides.

³ In the holding calculations the following were not taken into account within the framework of the issued share capital of the Company – 4,983,147 treasury shares in accordance with the Companies Law, which are held by the Company as of January 31, 2022.

⁴ Except for two Offerees who services provides to the Company and therefore they will be allocated options in the total amount of 110,000 under Section 3(i) of the Ordinance.

⁵ For the purposes of this Outline, "**control**" - as defined in Section 1 of the Securities Law.

⁶ The Plan was amended on September 15th, 2020 to allow the Company to make use of treasury shares that it will hold when exercising the Options under the Plan.

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granting of Options to Offerees within the framework of this Outline, inter alia, subject to the conditions set forth in the Capital Gains Track in Section 102(b)(3) of the Income Tax Ordinance [New Version], 5721-1961 ("**Income Tax Ordinance**" or "the **Ordinance**") and subject to Section 3(i) of the Income Tax Ordinance. The Options that will be granted to the Offerees in accordance with the Capital Gains Track in Section 102 of the Income Tax Ordinance, as well as the exercise shares and rights that will be derived from them, will be deposited for them in trust with a Trustee⁷, who will hold them in trust for periods specified in Section 102 of the Ordinance ("**Section 102**", "**Capital Gains Track**" and "the **Trustee**"), under the conditions set forth below. The Company filed the Plan with the Israeli Tax Authority on January 3rd, 2019, in accordance to the instructions of the Capital Gains Track and will allocate the Options accordingly.

1.4. Compensation Policy - The allocation of Options according to the Outline is in accordance with the Company's Compensation Policy (hereinafter: "the **Compensation Policy**") and is consistent with it. For details on the Compensation Policy approved on October 22nd, 2020, see the meeting convening report dated September 16th, 2020 (reference No.: 2020-01-102009) (the "**Compensation Policy**"), which is presented here by way of reference.

1.5. Permits and Approvals - The allocation of securities offered in accordance with the terms of this Outline is subject to the receipt of the cumulative approvals listed below, the full existence of which is a prerequisite and necessary condition for the allocation to the Offerees:

1.5.1. Approvals of the relevant organs in the Company as required by law. On January 31, 2022, after receiving approval from the Company's Compensation Committee dated January 30, 2022, the Company's BOD approved the allotment of the detailed Options under the conditions set forth in Section 2 below to the Offerees and accordingly the publication of this Outline ("**BOD Decision**"). The approval of the allotment of Options to the Company's CEO is also subject to the approval of the general meeting of the Company's shareholders. For details, see the immediate report published on February 1, 2022 for the convening of a general meeting of the Company, whose agenda includes, inter alia, approval of the granting of Options to the Company's CEO.

1.5.2. Approval of the Tel Aviv Stock Exchange Ltd. ("the **TASE**") for the listing for trade of the shares which will result from the exercise of the Options (hereinafter: "the **Exercise Shares**") offered in accordance with this Outline and Report.

The Company intends to act to obtain the approval of the aforesaid TASE shortly after the publication of this Outline.

1.6. Period of Grant of the Options according to the Outline and Authority of the Securities Authority

1.6.1. Subject to the receipt of permits and approvals as specified in Section 1.5 above, the Options offered under this Outline may be allotted no earlier than fourteen business days after the submission of the Outline and no later than 36 months from the date of publication of the Outline.

⁷ It is hereby clarified that wherever there is a reference to the granting of the Exercise Shares to the Offeree or Trustee on his behalf, as the case may be, the intention is to register the shares for the benefit of the Offeree or the Trustee, as the case may be, with a stock exchange member, in such a way that those shares will be registered in the register of shareholders of the Company in the name of the Nominee Company.

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- 1.6.2. The Securities Authority (hereinafter: "the **Authority**"), may within fourteen business days from the date of submission of the Outline, order the Company to provide an explanation, detail, information, and documents regarding the Outline, and also order the Company to amend the Outline within a set date.
- 1.6.3. In the event that the Authority directs the Outline amendment, it may order the postponement of the date for the commencement of the period for granting securities to a date that will apply no earlier than for three business days and no later than fourteen business days from the date of publication of the Outline amendment.
- 1.6.4. On the day, or shortly after the publication of this Outline, the Company will notify the Offerees of the publication of this Outline or will act in any other manner permitted by law.
- 1.7. **Reserved Shares** - Subject to any approval required from any authority, the Company shall ensure that a sufficient number of the Company's issued shares are ordinary shares of the Company or are held by it as treasury shares as defined in Section 308 of the Companies Law (hereinafter: the "**Reserved Shares**"), for the purpose of transferring them when the Options are allotted and exercising them to the Trustee who will hold them in trust for the benefit of the Offerees (in accordance with the Capital Gains Track for Offerees who are employees under Section 102 of the Ordinance), subject to adjustments to be made under Section 2.10 below.

Chapter 2 – Offer Details and Offered Securities

2.1. Details of the Securities Offered and Offerees

- 2.1.1. The Options are offered in the quantity specified and for the Offerees listed in Section 1.1 above. The allotment of Options will be made shortly after the date on which the last required approvals under Sections 1.5 and 1.6 above are received.

2.2. Listing for Trading on the Stock Exchange and the Rights of the Exercise Shares

- 2.2.1. **Listing for trade on the TASE** - The Options offered according to this Outline and immediate report will not be listed for trade on the TASE. The Exercise Shares that will be derived from the Options will be allotted in the name of the nominee company and will be listed for trade on the TASE.
- 2.2.2. **Exercise Shares' rights** - The Exercise Shares will be equal in their rights to the existing shares in the Company's capital for all intents and purposes and will be subject to the provisions of the Company's Articles of Association.
- 2.2.2.1. **Dividend** - All shares (except, for the avoidance of doubt, options not yet exercised) that will be allotted to the Offerees or the Trustee, under the Plan, will entitle their owners to the right to receive a dividend in accordance with the quantity of shares, and subject to the terms of the Company's Articles of Association and the tax applicable to the distribution of such dividends, and as the case may be, subject to Section 102 and the provisions of the Capital Gains Track.
- 2.2.2.2. **Voting rights** - To the extent that the Exercise Shares are held by the Trustee for the Offeree, the voting rights in respect of those shares shall be in the hands of the Trustee. The Trustee shall not vote in respect of the Exercise Shares held by him for the Offeree and shall grant a

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power of attorney to the Offeree to vote in respect of the Exercise Shares at the shareholders' meeting, subject to the Offeree's request, if and to the extent such request is made.

2.3. The Vesting Period, the Exercise Period, the Vesting and Execution Conditions and the Period of Exercise of the Options

2.3.1. Vesting schedules - The Options allotted upon publication of this Outline, will be vested and be exercisable in accordance with the schedule set forth below and subject to the fulfillment of the conditions in Section 2.3.2 below, provided that the Offeree will be employed by the Company and/or a company under its control and/or the contract with him will be valid, on the said date.

2.3.1.1. **1/3** of the allotted Options will be vested and will be exercisable as of April 1, 2023 and until June 1, 2024 (hereinafter: "the **First Portion of Options**" and "the **Exercise Period of the First Portion of Options**").

2.3.1.2. **1/3** of the allotted Options will be vested and will be exercisable as of April 1, 2024 and until April 10, 2025 (hereinafter: "the **Second Portion of Options**" and "the **Exercise Period of the Second Portion of Options**").

2.3.1.3. **1/3** of the allotted Options will be vested and will be exercisable as of April 1, 2025 and until April 10, 2026 (hereinafter: "the **Third Portion of Options**" and "the **Exercise Period of the Third Portion of Options**").

The First Portion of Options, the Second Portion of Options, and the Third Portion of Options together, the "**Portion of Options**" and each of these portions alone, "**Portion of Option**", so that after the expiration of the vesting period described above, all Options will be exercisable (subject to the provisions of Section 2.3.2 below). The "**Exercise Period of the First Option**", the "**Exercise Period of the Second Option**" and the "**Exercise Period of the Third Option**" will be hereinafter collectively referred to as the "**Exercise Period**".

2.3.2. Performance conditions -

2.3.2.1. In addition to the above, the vesting of each Portion of Option is subject to compliance with the following performance conditions cumulatively:

2.3.2.1.1. **ROE target** - This index is calculated according to the total profit yield on the Company's average equity⁸, based on the data of the Company's financial statements for the relevant year. For each year of vesting, as part of the determination of the annual working plan, the Company's BOD will determine the target ROE, by March 31st in the calendar year. Subject to the provisions of Section 2.3.2.2 below, the Offeree's eligibility for 100% of the Options in a Portion of Option at a specific vesting date, will be conditional on meeting at least 90% of the ROE target set by the BOD as aforesaid.

The calculation of compliance with such a target will be made on the date of publication of the annual consolidated financial statements in relation to each of the years of vesting. That is, in connection with the First Portion, the performance conditions will be measured for the results of 2022; in connection with the Second Portion, the performance conditions will be measured for the results of 2023 and in

⁸ Average equity (Opening Equity balance + Closing Equity balance)/2

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connection with the Third Portion. The performance conditions will be measured in for the results of the year 2024.

2.3.2.1.2. **Economic Solvency Ratio Index** - An index that expresses the ratio between the recognized economic capital available to The Phoenix Insurance Company Ltd., and the Solvency Capital Requirement (SCR), taking into account the "spread period" as defined by the Capital Market, Insurance and Savings Authority, and taking into account capital operations carried out until the first publication of this ratio, when this index is calculated in accordance with the amendment to the Supervisory Circular - "Directives for Implementing an Economic Solvency of Insurance Company based on Solvency II Regime", dated January 17st, 2020, or other circular which shall replace it ("**Economic Solvency Circular**"). In accordance with this target, at the time of vesting, an examination of the economic solvency ratio published in the financial statements for the three calendar years preceding the vesting date will be examined and the compliance of the aforesaid ratio with the economic solvency provisions throughout the period will be examined⁹.

2.3.2.2. Notwithstanding the aforesaid, in relation to each of the Portions of Options, in the event that the performance conditions specified in subsection 2.3.2.1.1 above (the ROE target) for a relevant year were not met, compliance with these conditions of performance will be re-measured in the year following the relevant year and not after the expiration date of the relevant Portion of Option, provided that the options also meet the condition set out in subsection 2.3.2.1.2 above (i.e., compliance with the economic solvency ratio index) at all relevant measurement dates.

For example, if the performance conditions of the ROE target in relation to the First Portion of Options for 2022 are not met, compliance with these performance conditions of the First Portion of Options in relation to 2022 will be measured both in relation to the ROE target and in the economic solvency index, so if in any of this period the performance conditions are not met in the manner described above, this portion of options will expire without the exercise of the shares on the expiration date in respect of it. It shall be clarified, with regard to the example above, that if there is no compliance with the index of the economic solvency ratio in any year of the said measurement years, the portion of the options will expire immediately without Exercise Shares.

2.3.2.3. The other relevant conditions regarding any portion of options, including the expiration date (including when the transaction is terminated), will remain unchanged.

2.3.3. Except as otherwise provided by the BOD and unless otherwise expired in accordance with the provisions of this Outline and Report, all Options allotted to any Offeree under the Plan, but not exercised by the end of the Exercise Period, including the Options that have been vested, will expire and will be revoked at the end of their Exercise Period and will not acquire any right to their owners ("**Expiration Date**").

2.4. The Exercise Price in respect of the Options Granted

2.4.1. The Options are offered to Offerees without monetary consideration in cash (but for their work and service to the Company and the companies controlled by the Company).

⁹ Notwithstanding the aforesaid, in the event that the Company did not meet the economic solvency ratio for a certain date as required in the Economic Solvency Circular, but completed compliance with this ratio within six months, in accordance with the period of the amendment defined by the Economic Solvency Circular, this will be considered by the Company as complying with this ratio to the aforesaid date.

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2.4.2. The Exercise Price to be paid to the Company in respect of the exercise of the options allotted in accordance with this Outline, (the "**Exercise Price**") shall be as follows:

2.4.2.1. For the First Portion of Options - NIS 40.5;

2.4.2.2. For the Second Portion of Options - NIS 41.5;

2.4.2.3. For the Third Portion of Options - NIS 43.5.

2.5. Reducing the Exercise Price

Subject to the receipt of the approvals required by law and the Company's Compensation Policy, the BOD will have the authority to grant the Offeree, at his own discretion, the following:

(1) In return for the cancellation of the Options granted to him, new options with an Exercise Price lower than the Exercise Price of the original option, which was canceled, and which is subject to other conditions as determined by the BOD in accordance with the Outline conditions and Compensation Policy;

(2) Changing the original Exercise Price of the option granted to it and set it at a lower Exercise Price.

2.6. Allotment Letter

The granting of an option to the Offeree in accordance with the Plan will be done through an Allotment Letter that will be signed between the Company and the Offeree in the form as approved by the BOD from time to time. Each Allotment Letter shall state, inter alia, the number of Options granted, the number of shares that will result from the exercise of the option, the type of option granted (for example, "Capital Gains Track Option"), vesting schedules, performance conditions as applicable, and other conditions as determined by the BOD, and provided they are consistent with the conditions of the Compensation Policy and the Plan.

2.7. Exercise of the Option and Termination of the Transaction or Contract with the Company

2.7.1. General - Subject to the provisions of Section 2.7.2 below, the Options may be exercised by the Offeree in full or in part from time to time, if the vesting date and exercise of the option has arrived in accordance with the conditions specified in the Allotment Letter of the Offeree during the Exercise Period, and before the expiration date, and all on the condition that subject to the conditions of Section 2.7.5 below, the Offeree is employed by, or provides services to, a company or related companies, at any time during a period which begins with the grant of the option and ends on the date of exercise of the option.

2.7.2. Exercise of shares' options on the determining day of a Company Event - As long as the Company's shares are listed for trade on the TASE, the Options will not be exercised on the determining day for the distribution of bonus shares, to an offer by way of rights, to distribute dividends, to consolidate capital, to split capital or to reduce capital (each of the above will be called: "**Company Event**") and such exercise shall be postponed to the following trading day. The Options will not be exercised on the "X Day", in the event that the "X Day" of a Company Event occurs before the determining day of a Company Event and the exercise is postponed to the following trading day.

2.7.3. Exercise notice and payment of Exercise Price; Forced exercise when reaching the limit price –

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- 2.7.3.1. Subject to the provisions of Section 2.8 below regarding the "net exercise" mechanism, an Offeree who seeks to exercise the option in his possession shall give a written notice to the Company or a representative on his behalf, in a wording and manner determined by the Company and if necessary, by the Trustee in accordance with Section 102 and the Capital Gains Track. The exercise will be valid upon receipt of the exercise notice by the Company and/or a representative on its behalf and payment of the Exercise Price, as relevant, at the Company's office or a representative on its behalf. In the notice, the Offeree will specify the number of Options that the Offeree wishes to exercise. For the avoidance of doubt, it is hereby clarified that to the extent necessary, any change and/or adjustment, as far as they are made, will be made in cooperation and coordination with the Trustee and subject to the provisions of Section 102 and the Capital Gains Track.
- 2.7.3.2. Notwithstanding the foregoing, in the event that after the vesting of any Portion of Options, the expiration of the time period as detailed in Section 2.7.3.3 below and the fulfillment of the performance conditions as aforesaid and before the expiration of the Portion of Options, the closing price on the TASE of an ordinary share of the Company will be NIS 1.00, par value ("**Company Share**") equal to or higher than NIS 52.5 for the First Portion of Options; equal or higher than NIS 54.5 for the Second Portion of Options and equal to or higher than NIS 56.5 for the Third Portion of Options ("**the Limit Price**"), all Options from the relevant portion will be exercised automatically for the Company's shares, without the need for an exercise notice, and the Company will be seen as having received an exercise notice from the Offeree at the end of that trading day in respect of all Options from the same portion. In regards to the exercise in the "Net Exercise" method and Limit Price, see Section 2.8.4 below.
- 2.7.3.3. Exercise upon arrival at the Limit Price (as specified in Section 2.7.3.2 above), will be made, only if at that date the minimum period for holding in the trust has elapsed in accordance with the provisions of the Capital Gains Track, as applicable. If the minimum period for holding such a trust has not elapsed, the option for the share will be exercised only when this period has elapsed, subject to reaching the Limit Price at that time.
- 2.7.4. Termination of transaction or contract - Subject to Sections 2.7.5 and 2.7.6 below, if the Offeree ceases to be an employee (that is, an employee-employer relationship will end) or a service provider in a company or related companies ("**Termination of Contract**"), all Options granted to him will expire immediately upon termination of the contract. For the avoidance of doubt, it shall be clarified that the transfer of the Offeree from the Company to related companies and/or from the related companies to the Company and contracting as an employee or service provider will not be considered as termination of contract for the purposes of the Plan. For the avoidance of doubt, in the event of Termination of Contract, the Options that have not yet reached the vesting date at the date of Termination of Contract, will not be vested, will not be exercisable and will not have any validity.
- 2.7.5. Notwithstanding the provisions of Section 2.7.4 above, the Offeree shall be entitled to exercise the options later than the date of Termination of Contract, but only in relation to Options whose vesting date has reached the date of Termination of Contract, in accordance with the vesting periods of the option, and all in accordance with the cases listed below:
- (1) In the event of Termination of Contract without "reason", the Offeree will have the right to exercise the options he was entitled to exercise by virtue of the allotment in accordance with the vesting dates and provided that they have not yet expired, this is within 90 days from the date of Termination of Contract or the expiration of the period of prior notice (even in cases of payment

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after the period of prior notice), whichever is later, or 10 days from the end of the lock-up period according to the provisions of the Capital Gains Track, applied to the Options, whichever is later.

- (2) In the event of Termination of Contract due to death or as a result of the Offeree's inability due to health issues (hereinafter: "**Disability**") of the Offeree, the Offeree or his legal heirs or guardians will have the right to exercise the options that the Offeree was entitled to exercise by virtue of the allotment in accordance with the vesting dates and provided that they have not expired at the end of the contract, in accordance with the terms of the option. In addition, the Offeree (or his heirs or guardians) will be entitled to exercise until the expiration of the Options, the Options included in the portion that the entitlement to exercise would have formed at the end of the annual eligibility period in which the disability or death occurred.
- (3) The BOD, subject to the receipt of the approvals required by law, on the date prior to the date of Termination of Contract, may approve an extension of the conditions of the Options that have not yet been exercised beyond the date of Termination of Contract, for a period not exceeding the original period set for the exercise of the option.

2.7.6. For the avoidance of doubt, in the event that the Termination of Contract is due to resignation and/or dismissal due to a "reason", then the Options will expire immediately upon the Termination of Contract or upon learning on the existence of the "reason", whichever is earlier (whether or not the Offeree at the time of Termination of Contract was entitled to exercise some of the Options), and the Offeree will not have any right and/or claim against the Company or anyone on its behalf in connection with the Options.

2.8. Net Exercise

- 2.8.1. Unless otherwise determined by the BOD, the exercise of the Options for which the vesting date has been reached will be exercised through a mechanism for exercising shares' options, based on the Net Exercise component, according to which, the Offeree will be entitled to receive shares that reflect the bonus component inherent in the options exercised according to the formula below.
- 2.8.2. For the avoidance of doubt, it is hereby clarified that under this exercise method, the Options are exercisable for the number of shares that reflects only the bonus component. The Offeree will not pay the Exercise Price, which is used solely for the purpose of calculating the bonus component. When exercising the options for Exercise Shares, the Offeree will not be required to pay the Company a cash consideration and will not pay the par value of the Exercise Shares.
- 2.8.3. The Company will capitalize part of its profits or premiums on share capital or act in any other manner permitted by law in the event of an issue of shares for an amount lower than their nominal value, all in accordance with the applicable law, including in accordance with Section 304 of the Companies Law. To the extent that the applicable law does not allow such conduct, the cumulative par value of the Exercise Shares actually received, will be paid by the Offeree to the Company at the time the Options are exercised, in a manner determined by the BOD (including by cash, check or bank transfer, or a combination thereof).
- 2.8.4. Further to the aforesaid, the number of shares which may be purchased by the Offeree under this mechanism shall be determined according to the following formula:

$$X = \frac{Y(A - B)}{A}$$

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X = The number of Exercise Shares actually received.

Y = The number of Options that can be exercised whose vesting date has reached and has not yet been exercised and which the Offeree seeks to exercise through this mechanism.

A = The closing price on the TASE of the Company's share on the last trading day preceding the exercise day; or the "Limit Price", the lower of the two. The definition of "A" in this Section will also apply to options granted by the Company in accordance to the Previous Outline and were yet to be exercised into shares.

B = The adjusted Exercise Price as defined in Section 2.4, subject to any adjustments as may be, in accordance with the provisions of Section 2.10 below.

In any case where, as a result of the calculation detailed above the Company will be required to allot fraction of shares, the Company will not allot such fraction of shares and the number of shares allotted to the actual Offeree will be rounded to the nearest whole number.

2.9. Expiration of Options

The Option will expire if it was not previously exercised for share, at the earlier of the two dates: (1) the expiration date; (2) termination of the period specified in Sections 2.7.4 to 2.7.6 above, as the case may be.

2.10. Adjustments

2.10.1. Adjustments for a transaction - If the Company is a party to an agreement or an exchange arrangement (such as a merger or reorganization transaction and/or any transaction to change the capital structure of the Company) as part of a transaction (hereinafter: "the **Exchange Transaction**"), where shareholders will be offered to replace those shares with the securities of any other corporation, the Company will act to ensure that the same other corporation undertakes to allocate to the Offeree, if the Offeree exercised options after the Exchange Transaction during the Exercise Period and under the exercise conditions specified in the Plan, the securities offered as aforesaid to the ordinary shareholders of the Company, as if the Offeree were the exercise shareholder on the determining day for the purpose of the said Exchange Transaction. In the case of such an Exchange Transaction, the Company may oblige the Offeree in respect of all the Options granted that have not yet been exercised, to receive Options that can be exercised for the shares of the other corporation, instead of Options of the Company held by him, this is in accordance with the exchange ratio that will be determined for all the ordinary shareholders of the Company, provided that the total Exercise Price in respect of all the alternative Options to be allotted shall be equal to the total Exercise Price in respect of all those Options held by or for the Offeree and which have not yet been exercised. All other conditions of the allotment letter will remain the same, including the vesting dates, all as determined by the Company's BOD, whose decision will be exclusive and final. The Company will notify the Offeree of the Exchange Transaction in the manner and form that the Company deems appropriate at least 14 days before the determining date of the Exchange Transaction. After the Exchange Transaction date, all Options will expire and will not have any validity.

2.10.2. Notwithstanding the foregoing and subject to the provisions of any law, the Company's BOD has the authority to determine in its sole and final discretion, in relation to certain allotment letters, that the allotment letter will contain a clause instructing that if a transaction occurs as specified in Section 2.10.1 above, the acquiring company (or parent company or subsidiary of the acquiring

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company) does not agree to convert or exchange the Options, the vesting dates of all or some of the Options that have not yet reached the date of purchase will be accelerated, and the Offeree will be entitled to exercise the Options for shares 14 days before the date of the transaction specified in Section 2.10.1 above and/or the Offeree will be given compensation as determined by the Company's BOD and its decision will be exclusive and final. The Offeree will not have any claim against the Company and/or the Company's BOD, the acquiring company and/or anyone on their behalf in connection with such a decision.

- 2.10.3. For the purposes of Section 2.10.1 above, the Option will be considered exchanged or converted if, following the transaction, the Option grants the right to purchase or receive, in respect of any share subject to the Option, immediately before the transaction, the consideration (if shares, options, cash or other securities or property) which will be accepted in the transaction by the shareholders in respect of each share held on the determining date of the transaction (and if such holders were given a choice as to the consideration, the type of consideration chosen by the holders of the majority of the shares); provided that, if such consideration received in the case of a transaction is not in ordinary shares (or equivalent) of the acquiring company (or its parent company or subsidiary), the BOD may, after obtaining the consent of the acquiring company, determine that the consideration received in the exercise of the option will be only ordinary shares (or equivalent to them), of the acquiring company (or its parent company or its subsidiary) whose market price is equal to the price per share received by the holders of the majority of the shares in the transaction; and subject to the discretion of the BOD, that in such a case of exchange or conversion of an option against an option of the acquiring company, such option shall be exchanged against any other type of asset including cash, fairly in the existing circumstances.
- 2.10.4. Consequences due to voluntary liquidation -Should it be decided to voluntarily liquidate the Company while there are Options that have not yet been exercised by virtue of the Plan, the Company will give notice to all the Options holders, regarding the said decision, and each Option holder will have 14 days to exercise the Options that have not yet been exercised for the shares and whose purchase date has arrived, in accordance with the exercise procedure set forth below. With the expiration of these 14 days, all Options that have not yet been exercised for shares up to that date, will expire immediately.
- 2.10.5. Adjustments for changes in capital -Without detracting from the foregoing, in any event of a change in the Company's issued share capital by way of, a dividend in shares (bonus shares), a split of shares, consolidation or exchange of shares, a change in the Company's capital structure or any similar event by the Company or of the Company, then the number and type of shares under the Plan or the shares that can be exercised as a result of the exercise of Options granted under the Plan, and the Exercise Price will be adjusted proportionally, in order to proportionally preserve the number of shares and their cumulative Exercise Price. With regard to adjustments in the distribution of rights, the provisions of Section 2.10.8 below shall apply.
- 2.10.6. Adjustments due to distribution of bonus shares - In the event that the Company distributes bonus shares that the determining date for their distribution will apply after the date of allotment of the Options to the Offeree, but before the Options have been exercised or expired, the number of shares to which the Offeree is entitled at the time of exercise of the Options will increase or decrease in the number of shares to which the Offeree would have been entitled as a bonus share if he had exercised the Options.
- 2.10.7. Adjustments due to dividend payment - In the event of a dividend payment by the Company to its ordinary shareholders, when the date determining the right to receive this dividend will apply after the allotment of the Options but before the date of their exercise, the Exercise Price of each option

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will be reduced on the day of the "ex-dividend" which will be determined by the TASE in the amount of the gross dividend paid for each share of the Company. Beyond adjustments in the Exercise Price as specified in this Section, the distribution of dividends by the Company will not in any way affect the number of Exercise Shares and will not obligate the Company to make any adjustment in connection with the number of Options and/or Exercise Shares.

- 2.10.8. Adjustments in case of issuance of rights - In the event of an issuance of rights by the Company to the shareholders, the Exercise Price of each option will be reduced by an amount equal to the bonus component in the issuance of the rights. For this purpose, the "bonus component" means: the difference between the share price on the TASE on the day prior to the ex-day of the issuance of rights, and the share price on the ex-day of the issuance of rights. For the avoidance of doubt, the Exercise Price will in no case be less than the par value of the share.

2.11. Limiting the Transferability of Options and/or Shares and Deferring Payment of "Variable Components"

- 2.11.1. Non-Transferability of Options - The Options or rights of the Offeree in connection with the Options, whether or not payment is made, may not be transferred, assignment, guaranteed, or any right in respect of them granted to a third party other than by virtue of a will or inheritance law, except as expressly provided under the Plan, and for the life of the Offeree, all of the Offeree's rights to purchase shares by virtue of the exercise of options under the Plan may be exercised by the Offeree only. Any such action, whether direct or indirect, whether immediate or future, shall be void.
- 2.11.2. Non-Transferability of Options and shares held by the Trustee -As long as the shares and/or options are held by the Trustee for the benefit of the Offeree, then all of the Offeree's rights are personal and are not transferred, checked, pledged, foreclosed on or otherwise encumbered, except for transfer by virtue of a will or inheritance law.
- 2.11.3. Restrictions on Exercise Shares - The Offeree will not sell or transfer any shares in the transaction which, in the Company's opinion, would be a violation of law, regulations or rules. The sale of the shares issued or transferred to the Offeree following the exercise of the option will be made by the Offeree in accordance with the Company's provisions, the provisions of the Securities Law, 5728-1968 (hereinafter: "the **Securities Law**"), regulations and rules issued thereunder, and in accordance with TASE guidelines. Without detracting from the provisions of the Plan and this Outline, the Offerees shall be subject to the provisions and restrictions set forth in applicable law, including the Securities Law (and regulations enacted thereunder) and in particular the restrictions on the use of inside information, and they will be subject to restrictions as determined by the BOD from time to time, and to the Company's procedures, including regarding the prohibition of the use of inside information when selling shares and exercising options.
- 2.11.4. Deferral of payment of "variable components" (restrictions on the sale of Exercise Shares) - With respect to officers in the Company and those who are defined as having a "key position" in the Group¹⁰, the sale of the Exercise Shares arising from the exercise of the Options, to the extent that it is exercised, may be subject to a deferral arrangement for payment of "variable components", to the extent required by applicable law and in accordance with the Company's Compensation Policy for its officers¹¹. As far as the law allows, the Company will be entitled to decide that the deferral

¹⁰ According to the Institutional Bodies Circular 2019-9-6 concerning "Amendment of the Provisions of the Consolidated Circular Part 1, Title 5, Chapter 5, entitled "Compensation" ("the **Consolidated Circular**").

¹¹ A similar clause also exists in the Compensation Policy applicable to "key functionaries" (according to the Consolidated Circular) in a group

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period will be shortened or canceled. Such aforesaid deferral arrangement, as will be applicable, will apply to the relevant deferred portion of the Exercise Shares, or on the consideration (net) received from the sale of the Exercise Shares (in case of the Offeree's decision to exercise options and sell shares).

2.12. The Tax Implications of the Allotment of Options, their Exercise for Shares and the Sale of the Exercise Shares

2.12.1. General

The Company submitted to the tax authorities the Plan under which the Options for allocation will be allocated in accordance with the provisions of Section 102 of the Ordinance or in accordance with Section 3(i) of the Ordinance, as the case may be. The Company has chosen a Capital Gains Track that will apply to the Company's employees.

If there is a charge for any tax or other mandatory payment (social security, state health tax, etc.) in respect of and/or due to the Plan, including in respect of the allotment of Options to the Offeree, their exercise for shares, the sale of the Exercise Shares, the receipt of a dividend or any other benefit in respect of options or shares of the exercise under the Plan - only the Offeree shall bear it.

The Company's obligation to allocate or transfer Exercise Shares when exercising the Options, or to perform any other action in connection with or in respect of Options or Exercise Shares, is subject to full compliance with any income tax obligation or other obligation applicable (insofar as applicable), including deduction of any tax or payment obligation required by law.

2.12.2. The taxation applied to Options offered under the provisions of Section 102 of the Ordinance

2.12.2.1. Options granted to Offerees under Section 102(b)(2) of the Ordinance, which are not "controlling shareholders" as the term is defined in Section 32(9) of the Ordinance, and the rights granted in respect of them or by virtue of the Exercise Shares, shall be entrusted to a Trustee for the benefit of the Offeree entitled for the period required in Section 102 of the Ordinance and the regulations enacted thereunder ("**Minimum Trust Period**"). In the event that the requirements of Section 102(b)(2) of the Ordinance are not met, the entitled Offeree will not benefit from the tax benefit in this Section.

2.12.2.2. An Offeree will not be entitled to sell, or transfer from the trust, an option, or a share received as a result of the exercise of an option granted under Section 102 of the Capital Gains Track, or from the exercise of rights received in respect of these shares, including bonus shares, before the expiration of the Minimum Trust Period required by law. Notwithstanding the foregoing, if such a sale or transfer is made, the Trustee and/or the Company will deduct withholding tax or ensure its deduction according to law.

2.12.2.3. As long as the Options or Exercise Shares are held by the Trustee for the benefit of the Offeree, all of the Offeree's rights in connection with the shares are personal and cannot be transferred, sold, pledged, checked, withdrawn, foreclosed or voluntarily encumbered, no power of attorney or deed of transfer shall be given by them, whether their immediate validity or their validity at a future date, except for a transfer by virtue of a will or by law, except after the payment of the tax which applies as aforesaid or after the Trustee has ensured the payment of the tax.

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2.12.2.4. Regarding voting rights, see Section 2.2.2.2 above.

2.12.3. The taxation applied to Options offered under the provisions of Section 3 (i) of the Ordinance

The taxable income to be attributed to the Options to be allotted in accordance with Section 3(i) of the Ordinance will be tax-exempt at the date of allotment but will be taxable at the exercise of the share options at the applicable marginal tax rate. The obligation to pay the tax (including VAT) will apply to the Offeree and will be a precondition for the exercise of the Options. In accordance with the law, the Company will initially deduct the tax that will apply to the Offeree when exercising the Options.

The provisions of Section 2.12 above apply to the law as of the date of the Outline. The provisions of the law regarding the mandatory payments and the tax aspects in respect of the Options granted under this Outline may change from time to time.

The description of the tax implications presented in the framework of the Plan and described in this Outline does not purport to be an authoritative, complete, full and/or up-to-date interpretation of the legal provisions relating to taxes that may apply in connection with the granting of securities to the Offeree, does not take into account the unique circumstances of each Offeree and does not replace legal and professional advice on the matter. As is customary in investing in securities, the Offeree must consider the various tax aspects and the tax implications that his/her investment will have and consult his/her professional advisers, including legal advice and taxation taking into account his/her special data.

Chapter 3 - The Rights Attached the Company's Shares

For details of the main rights attached to the Company's shares, see Chapter 3 of the Outline published by the Company on October 11th, 2020, reference number 2020-01-110610.

Chapter 4 - Additional Details

The following are additional details required in accordance with the provisions of the law:

4.1. Details about the Company's share prices

The following are details regarding the high and low adjusted closing rate of the Company's share on the TASE in the years 2020, 2021 and 2022 (until close to the date of publication of this Outline) (In case the closing rate was the same in the number of trading days in each of the said periods, the first trading day was indicated):

Period	High Closing Rate (Agora)		Low Closing Rate (Agora)	
	Rate	Date	Rate	Date
2020	2,275.13	17/12/2020	1,089.16	18/03/2020
2021	4072.00	28/12/2021	2155.05	06/01/2021
2022 ¹²	4050.00	04/01/2022	3755.00	31/01/2022

4.2. The economic value of the Options according to this Outline

¹² Until the day of the decision of the BOD.

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The total economic value of all the warrants, if all of them were granted today as stated above, is approximately 20,389 thousands of NIS, of which the cost of the grant to the CEO is 376 thousands of NIS.

The said economic value is calculated according to the binomial model, taking into account the closing rate of the Company's share on the TASE on 31/01/2022, which is NIS 37.55.

In calculating the above economic value, the following assumptions were taken into account:

- 4.2.1. Assumption of exercise of all Options and theoretical assumption of allocation of the maximum possible amount of Exercise Shares.
- 4.2.2. The calculation of the economic value does not take into account the fact that the Options will not be listed for trading on the TASE, nor does it take into account the blocking of the Options for the lock-out periods specified in the Plan and by law.
- 4.2.3. Expected volatility - calculated according to the historical standard deviation of the Company's share according to the daily closing rates of the Company's share, and in accordance with the contractual life of each of the option shares. Calculated standard deviations range from a rate of about 30.306% to about 33.638%.
- 4.2.4. Risk-free interest rate - The Exercise Price is not linked, and therefore a risk-free interest rate derived from the yield curve of "Shahar" type government bonds is taken for a period corresponding to the life of each portion of the expected option. Accordingly, the risk-free interest rates taken in calculating the value of the Options range from 0.28% and – 0.64%.
- 4.2.5. Duration of Options between 2.34 to 4.2 years.
- 4.2.6. The bonus limit, according to which, the maximum bonus that will accrue to the Offerees from the exercise of each option will not exceed the Limit Price for each of the Portion of Options, as defined in Section 2.7.3 above.
- 4.2.7. Expected dividend rate: 0%.

The amount of cost to be recorded in the Company's books in respect of the allotment of Options to the Offerees will be in the amount of the economic value in such a way that the economic value of each portion will be spread over the entire vesting period. The economic value of the Options may differ from that specified in this Section above, depending on the actual grant date of the Options.

4.3. Company Share Prices on the Stock Exchange

The Options are not tradable but can be exercised for ordinary shares of the Company traded on the TASE. The closing rate of an ordinary share of the Company on the TASE on 31/1/2022 (the trading day on the TASE that preceded the date of publication of this Outline) was NIS 37.55. The closing rate as aforesaid is lower than the Exercise Price in the First Portion of Option, in the Second Portion of Option and in the Third Portion of Option, by approximately 5%, by approximately 9% and by approximately 13%, respectively (i.e., the Exercise Price is higher than the closing rate as stated).

4.4. The Consideration for the Options and the Exercise Price

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The Options are allocated to Offerees without monetary consideration in cash (except for their tenure, employment, and the provision of services by them). For details on the Exercise Price, see Section 2.4 above. The consideration was determined by a decision of the BOD.

4.5. Agreements regarding the Purchase or Sale of the Company's Securities or regarding the Voting Rights Therein

To the best of the Company's knowledge, as of the date of publication of this Outline, there are no agreements, either in writing or orally, between the Offerees and a shareholder in the Company or between the Offerees and others, regarding the purchase or sale of the Company's securities or voting rights.

4.6. Prevention and/or Restrictions on the Execution of Actions in Options and Exercise Shares

The Options and Exercise Shares are subject to restrictions by virtue of the Plan, as specified in Chapter 2 of this Outline, and in Section 2.11 above.

4.7. Reference to Financial Statements and Immediate Reports and Review of Documents

Attention is hereby drawn to the Company's periodic report for 2020 published by the Company in a report dated March 25th, 2021 (reference no. 2021-01-044709 and in ENGLISH on the April 22, 2021 reference number: 2021-01-069216) and to the quarterly report for the third quarter published by the Company on November 30, 2021 (reference no. 2021-01-173703).

The aforementioned documents can be viewed on the website of the Securities Authority at its address: <https://www.magna.isa.gov.il>, on the TASE website at: <http://maya.tase.co.il>, and in the Company's offices, on Sundays-Thursdays, which are working days, during normal working hours, by prior arrangement by phone: 03-7332163.

4.8. Additional Details regarding a Material Private Offering of Securities to the Company's CEO in accordance with the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000, and in accordance with the Sixth Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("Reports' Regulations")

4.8.1. The issued share capital of the Company, the amount and rate of holdings of the CEO before and after the allotment, as well as of other stakeholders in the Company

For details regarding the Company's issued share capital, the amount and rate of the CEO's holdings before and after the allotment, as well as of other stakeholders in the Company, see Section 4.8.6 below.

4.8.2. The consideration and the manner in which the consideration was determined

The Options are offered to the CEO as part of the terms of his tenure and employment, without consideration in cash, but in return for his term in office. The granting of Options is subject to the approval of the general meeting of the Company's shareholders. See Section 4.8.4 below for the required approvals.

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- 4.8.3. Substantial shareholders or officers in the Company who have, to the best of the Company's knowledge, a personal interest in approving the granting of Options to the CEO, and the nature of the personal interest of each of them

To the best of the Company's knowledge, the Company's stakeholders have no personal interest in offering the Options to the Company's CEO. The CEO of the Company has a personal interest in offering the Options according to this Outline by virtue of being an Offeree of the Options. For the sake of completeness, it should be noted that other non-directors' officers are Offerees of the Options in this Outline and Report.

- 4.8.4. Required approvals or conditions set for the allocation of Options to the CEO

4.8.4.1. The approval of the BOD to allocate the Options to the CEO was received on January 31, 2022 after the approval of the Compensation Committee from January 30, 2022. The approval of the allotment is in accordance with the provisions of the Companies Law, 5769-1999 and will be brought for approval by the general meeting of the Company's shareholders. For further details, see the immediate report published on February 1, 2022, which concerned a summons to a general meeting of the Company on the agenda of which, inter alia, the approval of the granting of Options to the CEO.

4.8.4.2. Regarding the approval of the Tax Authority, see Section 1.3 above, and regarding the approval of the TASE, see Section 1.5.2 above.

- 4.8.5. Prevention or restriction in the execution of actions in Options that will apply to the Company's CEO

The CEO shall be subject to the provisions and restrictions set forth in applicable law, including the Securities Law and regulations enacted thereunder, and he shall be subject to restrictions as determined by the BOD from time to time, including restrictions designed to prevent concern about the use of inside information.

In addition, restrictions apply to the performance of Options transactions in accordance with the provisions of Section 102 of the Ordinance, as applicable.

- 4.8.6. The date of the allotment of Options to the Company's CEO

The Options will be allotted shortly after receiving all the approvals required by law.

Details regarding the issued share capital of the Company, the amount and rate of holdings of the CEO of the Company before and after the allotment, as well as of other stakeholders in the Company:

[A] The issued share capital of the Company is 256,532,468 shares (including treasury shares held by the Company).

[B] The closing rate of the Company's share on the TASE on 31/1/2022 the day preceding the date of publication of this Outline, was NIS 37.55

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The following are details regarding the Company's CEO's holdings in the Company's shares at the date of the report, after the allotment according to this Outline and in full dilution:

	The quantity of options offered in the outline	Quantity and rate of holding in capital and voting before the allotment of options ¹³		Quantity and rate of holding in capital and voting after the allotment of the options offered in the outline		Quantity and rate of holding in capital and voting in full dilution ¹⁴	
		No. of Shares	% Capital / vote	No. of Shares	% Capital / vote	No. of Shares	% Capital / vote
Company's CEO							
Mr. Eyal Ben Simon (**)	90,000	0	0	90,000	0.04%	827,000(*)	0.31%
Additional holders (stakeholders)							
		110,742,550	44.02%	110,742,550	43.19%	110,742,550	41.26%
Public (***)	4,793,593	140,806,771	55.98%	145,600,364	56.77%	156,802,723	58.43%
Total	4,883,593	251,549,321	100%	256,432,914	100%	268,372,273	100%

(*) The CEO also holds 737,000 Options of the Company, in full dilution, approximately 0.27% of the issued capital of the Company.

(**) For details regarding the Company's CEO's holdings in the Company's securities, see the Company's Immediate Report on the holdings of stakeholders and senior officials dated April 7th, 2021 (reference no. 2021-01-058686, included in this report by way of reference ("Holdings Status").

(***) Public, including officers, managers and employees of the Company except for the CEO of the Company and stakeholders in the Company.

4.8.7. Additional details in accordance with the Sixth Schedule to the Reporting Regulations

4.8.7.1. Details about the conditions of the CEO's tenure and employment

For details, see Section 1.3 of the immediate report regarding the convening of a general meeting to approve the update of the terms of office of the Company's CEO, published by the Company on September 16th, 2020 (reference no. 2020-01-102009) ("CEO Compensation Report") and Regulation 21 and in Note No. 41 from the Company's Consolidated Financial Statements for 2020 published on March 25th, 2021, reference number 2021-01-044709 and in ENGLISH on the April 22, 2021 reference number: 2021-01-069216.

4.8.7.2. Reasons of the BOD - For this matter, see the reasons for approving the capital compensation for the Company's CEO, detailed in Section 1.3.8 of the CEO's Compensation Report.

4.9. Details of the Company's Representatives regarding the Handling of this Outline

The Company's representative regarding the handling of this Outline is the Company's legal counsel, Adv. Meni Neeman (Phone: 03-7332997, Fax: 03-7238831).

¹³ Deducting 3,200,810 treasury shares in accordance with the Companies Law, which are held by the Company as of the date of this Report.

¹⁴ Assuming all convertible securities to the Company's shares are exercised, including those offered under this Outline.

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The Phoenix Holdings Ltd.

1 February 2022

Date

Name of the undersigned in the name of the corporation: Eli Shcwartz
Role: CFO

Name of the undersigned in the name of the corporation: Meni Meeman
Role: CLO