

**PHOENIX FINANCIAL LTD**  
**(the “Company”)**

February 27, 2025

To:  
The Tel Aviv Stock Exchange Ltd.  
[www.tase.co.il](http://www.tase.co.il)

To:  
Israel Securities Authority  
[www.isa.co.il](http://www.isa.co.il)

**Re: The Commissioner Instructions Regarding the nomination process of Directors in The Phoenix Insurance Company Ltd. and The Phoenix Pension and Provident Fund Ltd.**

The Company is hereby updating that on February 26, 2025, it received a letter from the Commissioner of the Capital Markets, Insurance, and Savings Authority (the “**Commissioner**”), which is mainly relevant to director's nomination process in its subsidiaries which are the institutional entities under its ownership - The Phoenix Insurance Company Ltd. (“**Phoenix Insurance**”) and The Phoenix Pension and Provident Fund Ltd. (the “**Commissioner’s Letter**”).

The Commissioner's Letter does not apply to the Company.

1. Background

1.1. In light of the Company’s transition to a company without a controlling shareholder group (as detailed in the Company’s immediate report dated July 17, 2024, Reference No. 24-01-073755) the Commissioner has notify the Company on the implementation of a framework including transitional provisions (as detailed in section 3 below) governing the exercise of control measures by the Company over Phoenix Insurance and Phoenix Pension and Provident Fund (the “**Institutional Entities of the Phoenix Group**” and “**Framework**”).

1.2. The provisions of the *Control of Financial Services (Insurance) Law, 5741-1981* (the “**Insurance Supervision Law**” or the “**Law**”) concerning an “insurer without a controlling shareholder” do not apply to the Company or to Phoenix Insurance and Phoenix Pension and Provident Fund. However, the Commissioner’s Letter states that, in light of the current ownership structure of the Phoenix group and in order to fulfill the objectives of the Insurance Supervision Law, these provisions should be applied to the Institutional Entities of The Phoenix Group, subject to the modifications set forth in the Framework.

2. Below is a concise summary of the principal provisions that will apply to the Institutional Entities of The Phoenix Group in accordance with the Framework:

2.1. Nomination of Candidates for the Board of Directors (“**BOD**”):

2.1.1. An external committee, referred to in the law as the “Committee for the Appointment of Directors in Insurers Without a Controlling Shareholder” (the “**Committee**”),

shall nominate candidates for directorships to the general meetings of the Institutional Entities of The Phoenix Group. The Committee shall be composed of five members<sup>1</sup>: A retired judge from the Supreme Court or a District Court who shall serve as the Chairperson of the Committee; two members proposed by the Committee Chairperson, who are either professionals in the sectors of business and economics meeting the qualifications set forth in Section 16A of the *Government Companies Law, 5735-1975*, or senior (or former senior) faculty members at higher education institutions in relevant sectors; and two directors currently serving as external directors or independent directors in the relevant Institutional Entity of The Phoenix Group.

- 2.1.2. In addition to the Committee, and subject to the provisions of Section 41IA of the Insurance Supervision Law, the following entities shall also be authorized to propose candidates for directorships to the general meetings of the Institutional Entities of The Phoenix Group: the Company; the BOD of the relevant Institutional Entity of The Phoenix Group; any holder of more than 2.5% of a specific class of control means in the Company; a member-holders group (as defined in Section 41IA(3) of the Law) in the Company.
- 2.1.3. The Company shall be entitled to nominate more than one director for appointment to the BOD of each Institutional Entity of The Phoenix Group.
- 2.2. Authority of the Commissioner Regarding the Appointment of Directors: To ensure the independence and non-affiliation of the BODs of the Institutional Entities within The Phoenix Group, the Framework establishes three primary considerations that the Commissioner shall take into account, among other factors and subject to a case-by-case assessment, when exercising the authority to object to the appointment of officers within the Institutional Entities of The Phoenix Group:
  - 2.2.1. Upon appointment, a majority of the directors serving on the BOD of the relevant Institutional Entity within The Phoenix Group shall be those nominated by the Committee.<sup>2</sup>
  - 2.2.2. The nominee for directorship proposed by the Committee shall have no affiliation, as defined in Section 240(b) of the *Companies Law, 5759-1999* (the “**Companies Law**”), with the Company, mutatis mutandis.

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<sup>1</sup> The law clarifies the manner in which Committee members are appointed and the obligation to consult with various parties.

<sup>2</sup> The Framework clarifies that the Commissioner may consider approving a BOD composition in which the number of directors appointed from among those recommended by the Committee is less than a majority of the BOD but remains reasonable under the circumstances, considering the pace of director appointments at the initial stage of implementing the Framework and until the Company fully complies with its provisions.

2.2.3. In relation to a shareholder or a group of shareholders in the Company, including any individual member of such a group, who proposes a nominee for directorship in the Institutional Entities, the Commissioner shall consider whether an additional director has already been appointed to the Company's BOD at the proposal of that shareholder or group member.

2.3. Appointment of the Chairperson of the BOD in the future: The Committee shall nominate one of the directors it has proposed to serve as chairperson. However, the BOD of the institutional body may appoint another chairperson by a reasoned decision that will be attached to the notice of appointment that will be sent to the Commissioner.

2.4. Decision-Making: The articles of association of the Institutional Entities within The Phoenix Group shall not detract from the default provisions set forth in Section 107 of the Companies Law, which stipulate that BOD decisions shall be adopted by a simple majority and that the chairperson shall have a casting vote in the event of a tie.

2.5. CEO Appointment Procedure: The termination of the CEO of the Institutional Entities within The Phoenix Group shall be carried out with the knowledge and approval of their respective BODs. The appointment of a new CEO shall be conducted through a process that includes, inter alia, the establishment of a search committee. However, the Commissioner may approve an alternative appointment process based on the specific circumstances.

3. Transitional Provisions – Appointment of new Directors in Institutional Entities of the Phoenix Group: in view of the changes in the BODs of the Institutional Entities within The Phoenix Group (as detailed in the Company's immediate reports dated August 22, 2024 (Reference Nos.: 2024-01-086748, 2024-01-086757, 2024-01-086778) and October 14, 2024 (Reference Nos.: 2024-01-610521, 2024-01-610508)), the status of the Committee (which has not yet been appointed), and the expected duration of the director appointment process following the Committee's establishment, the Framework stipulates that the Company Phoenix Insurance and The Phoenix Pension and Provident Fund shall take steps to appoint three directors to Phoenix Insurance and one director to The Phoenix Pension and Provident Fund,<sup>3</sup> within 120 days from the date of the Commissioner's Letter. These appointments shall be carried out through a search committee of The Phoenix Insurance or The Phoenix Pension and Provident Fund, as applicable, and by resolution of their respective general meetings. The Framework further clarifies that, except for these appointments, any additional changes to the BODs of the Institutional Entities within The Phoenix Group shall only take place following the appointment of the Committee.
4. It should be also noted that the Company intends to speak with the Commissioner regarding the applicability of the Framework's provisions should the proposed *Companies Law (Amendment*

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<sup>3</sup> Eligibility requirements for appointment as independent directors.

*No. 37) (Corporate Governance in Public Companies Without a Controlling Shareholder), 5783-2023, be enacted by the Israel Parliament.<sup>4</sup>*

5. It is expressly clarified that the provisions of the Framework do not apply to Company or The Phoenix IEC Central Pension Fund Ltd.

**Sincerely,**  
**Phoenix Financial Ltd.**

Signed by: Meni Neeman, Deputy CEO and Chief Legal Counsel

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<sup>4</sup> The bill was approved in its first reading on April 1, 2024.