Responsible Investments 2026

As part of their investment policy for 2026, The Phoenix Insurance Company Ltd. and The Phoenix Pension and Provident Fund Ltd. (the "**Phoenix Group**")[1] shall also include in their investment considerations environmental, social, and corporate governance considerations (hereinafter jointly: "**ESG**")[2], as described in the following summary:

1. The Phoenix Group manages its investments faithfully and diligently in order to achieve the best possible yields for its planholders and policyholders, while taking into account an extensive range of aspects, including: economic and business aspects, risk management aspects, operational aspects, taxation aspects, regulatory aspects, and ESG aspects. The above aspects shall be reflected in the implementation of the Phoenix Group's investments policy, with each of such aspect (and any other aspects) having a certain weight compared to the other considerations, in accordance with that aspect's relevance and importance with regard to a specific transaction, and with a broad general view of the investments under Phoenix Group's management.

2. As stated above, there is a wide range of ESG considerations, which vary according to the areas of activity of the different companies. The ESG considerations that will be taken into account by the Phoenix Group[3] include, among other things, the following:

2.1 The existence of appropriate control and compliance mechanisms;

2.2 Assessment of the involvement of the company and/or officers acting on its behalf in enforcement processes of various government

[1] It should be noted that The Phoenix Investments House Ltd., a subsidiary controlled by Phoenix Financial Ltd., which manages the investments of the Phoenix Group's participants under the "Phoenix Invest" investment policy, has adopted an investment policy regarding ESG considerations that applies to the aforementioned investments managed by it.

[2] Sections 9(A)(12) and 11(C) to Chapter 4, Part 2, Section 5 of the Consolidated Circular - "Management of Investment Assets" - that was published by the Capital Market, Insurance and Savings Authority.

[3] Among other things, through the external advisor as detailed below.

agencies, and the existence of lawsuits that give rise to concerns regarding breaches and/or irregularities;

2.3 The company’s compliance with the provisions of labor laws, including gender and sectoral diversity and inclusion, alongside the protection of human rights;

2.4 Environmental risks in accordance with the company's sector of activity, with an emphasis on climate risks;

2.5 Safety aspects of work;

2.6 The existence of information security procedures, and the way technology risks are perceived, including cyber risks;

2.7 Corporate governance aspects, including control and supervision processes, board of directors' performance, its independence, appropriate compensation and remuneration aspects, board of directors' diversity, etc.;

2.8 Combination of ESG processes and strategy, and transparency aspects.

3. Generally, the Phoenix Group places great importance on executing investments that take into account ESG considerations, and those considerations will be taken into account before making investment decisions. In this framework, and as part of the set of considerations, the Phoenix group will work to identify “impact investments”, that is to say, investments whose aim is to achieve positive and measurable social and environmental impact, alongside economic profit. It should be clarified that there are many ESG considerations that should be taken into account, and those considerations vary both in substance and in terms of the weight they should be given when assessing various investment types. These considerations will be taken into account both in qualitative terms and in terms of the weight that should be assigned to them, alongside the economic value of the investment and with a broad general view of the investments under Phoenix Group’s management.

4. The Phoenix Group believes that ESG investments can drive positive environmental and social processes, alongside risk management and good investment opportunities. Accordingly, the Phoenix group will aspire that the companies in which it invests will mitigate their material ESG risks, and will conduct themselves in a transparent manner in their dealings with stakeholders. However, it should be clarified that the Phoenix Group believes that these are processes and trends whose development and implementation take time and depend, among other things, on third parties, such as the different corporations and their level of transparency.

Tradable investments

5. The Phoenix Group has engaged an external advisor with extensive experience in analyzing companies using an ESG methodology. As part of this service, the external advisor provides the Phoenix Group with reports pertaining to Israeli corporations whose securities are currently held by the Phoenix Group, as well as on Israeli corporations that the Phoenix Group is considering purchasing or investing in. Companies' assessment by the external advisor is based on an orderly methodology, that includes a review of five key parameters listed below:

5.1 Assessment of the company's conduct according to environmental, social and corporate governance parameters. Corporate governance will be checked in relation to prevention of corruption, and in relation to the Board of Directors' functioning and independence;

5.2 Irregular events – regular monitoring of events in which the company is involved, assessment of their severity, and the steps the company took in connection therewith;

5.3 Climate risks – assessment of the company's preparations regarding this issue and its efforts to mitigate the effect of those risks;

5.4 Assessing the investment in a company that operates in an area of activity that is perceived to be problematic from an ESG perspective – when assessing the investment in companies operating in such areas of activity, the Phoenix Group will place a special emphasis on the way the company will conduct itself in connection with regulatory provisions to which it is subject, and at the same time, on the implementation of mechanisms for mitigating negative effects on the environment and the company as the case may be, while comparing its peers that operate in this area of activity as well as relevant reference metrics (pollution, emission, and other metrics).

5.5 Positive products and services: Mapping of services and products that comply with the UN’s Sustainable Development Goal, and are relevant for the activity of the business sector;

It should be noted that the first three parameters listed above shall be weighted in the company’s final ESG score, and the last two parameters shall serve as tools for filtering and prioritization.

6. In relation to tradable investments abroad, investment decisions are made, among other things, based on review and rating of foreign companies, according to an ESG model from international trading systems, and while relying on research bodies with extensive experience and information in connection with this issue.

7. The Phoenix Group’s Research Department and/or the investment managers dealing with tradable investments are required to take into account the various considerations arising from the reports, together with all other investment considerations and the economic viability of the investment. Generally, the Phoenix Group shall aspire to invest in corporations with a high ESG rating. In the event that the Phoenix Group wishes to invest in a corporation that in the lowest rating group of any of the advisors, the investment will be brought for approval in accordance with the powers hierarchy that will be approved, and which will reflect the quality of the rating, the scope of the planned investment, and the company organ that is to approve the investment.

Non-Tradable Investments

8. Regarding non-tradable investments, including in the fields of real estate, credit, funds, energy, power plants, and the like, the Phoenix Group formulated a due diligence questionnaire whose purpose is to consider - as in the case of tradable investments - various ESG aspects, while assigning a different weight to each component in accordance with the assessed company's area of activity and the main challenges it faces, and in accordance with the discretion of the relevant investment managers.

9. The purpose of the questionnaire is to provide a full picture regarding the implementation of ESG considerations in the said companies' activity, such that it will be possible to make investment decisions based on the data to be received and analyzed by the investment managers before making the investment decision, alongside other economic, business, taxation and other considerations. In cases where the Phoenix Group believes it does not have the required expertise, it will consider engaging a consultant in the field to provide all the necessary information and in this context, it should be noted that the field of energy and power plants requires such unique expertise.

10. Based on the answers provided in the questionnaire, investment managers will assess the need to obtain further details and other references regarding findings that have arisen. The analysis of the questionnaire will assign a different weight to each answer and component in accordance with its materiality as a function of the assessed company's area of activity and the main challenges that company faces, the finding's quality, and in accordance with the discretion of the relevant investment managers; furthermore, the various organs charged with assessing and approving non-tradable transactions (such as the credit sub-committee and the investment committees) shall also assess these aspects, in addition to the other considerations.

11. When engaging with an external service provider for investment management services, the Phoenix Group will review the working procedures of the external investment manager, including in the areas of anti-money laundering and ESG, and will work on adapting them to its needs and policies.

Exposure to climate risks

12. Climate change constitutes a significant trend affecting business organizations. As a result of this trend, business organizations in Israel and across the world are exposed to physical climate risks and to transformation risks. Physical climate risks are comprised of acute risks (such as flooding, fires, sea level rise and more), and chronic risks (such as the risk in global temperatures). Transformation risks are the risks arising from the transition to low-carbon economy - a process that gives rise to risks (and opportunities) pertaining to business models, products and services, and risks in pertaining to the operational model (such as the transition to cleaner fuels, taxation on emissions, restricting regulation and more). It should be noted that every business organization is exposed to physical and transformation risks, and is therefore required to mitigate those risks and report them in accordance with the requirements of many regulators. In its capacity as a significant financial entity, the Phoenix Group plays a significant role in the transformation of the Israeli economy. The management of climate risks in connection with its self and in connection with the companies in its investment portfolio and the insurance clients, places the Phoenix Group at the center of action taken to tackle global warming and its consequences. In view of the above, the Phoenix Group carefully considers investments, the analysis of the economic viability of which shows that they are exposed to climate risks, in accordance with a powers hierarchy approved by the organs of the Phoenix Group in accordance with the finding's nature and the scope of the planned investment.

Refraining from investing in certain sectors

13. It should be noted that at this stage, the Phoenix Group does not declare that it refrains from making investments in certain sectors, since in its opinion ESG considerations are varied and diverse and constitute part of investment considerations, which are also subject to changes, in accordance with the transaction's structure and nature and the invested sector, noting the Phoenix Group's fiduciary duty to its planholders and policyholders.

Without detracting from the generality of the aforementioned, the Phoenix Group will not make investments in companies for which there are legal indications that they directly violate basic international norms such as the prevention of torture, prevention of slavery and human trafficking, illegal arms trade, violation of labor laws regarding child employment, and the like.

General

14. Investing while taking into consideration ESG considerations is still in its early stages; therefore, there are difficulties in the application of the different models due to information gaps and transparency issues. In view of the above, at this stage the Phoenix Group places great importance on the assessment process and the application of those considerations, and on the dialogue with the different companies, the investment in which is under consideration. In the opinion of the Phoenix Group, the said assessment and dialogue in and of themselves will increase awareness among companies, and will drive processes for improving many ESG aspects.

15. The Phoenix Group shall consider the information included in this paper, the models it is guided by, and the service providers that support it at least once every year.

16. It should be clarified that the Phoenix Group operates in compliance with various regulatory provisions regarding the criteria applicable to the quality of corporate governance in investment in securities, participation and voting in general meetings, provisions regarding the prohibition of money laundering and terror financing, etc. The provisions of this procedure add upon the provisions of the Companies Law, 1999, and the provisions of the Securities Law, 1968.