



2022 Environmental, Social and Governance Report



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Message from the Bank Chairman and from the Bank President & CEO

Dear readers,

We are pleased to present Mizrahi-Tefahot Group's ESG Report for 2022, which summarizes our social, environmental and economic activities during the year. Mizrahi-Tefahot Group sees responsibility as the key value and adheres to it in all its operations. Being a responsible financial group requires us to listen to and understand the needs of all stakeholders, so as to further grow and lead in business excellence to provide value for the environment, for society and for governance. The report thoroughly reviews the Group's achievements and activities in these areas, and emphasizes the integration of these areas in our business strategy.

In 2022, we saw significant changes in the macro-economic environment in Israel and world-wide. Following a decade of low inflation and zero real interest, inflation has increased and the Bank of Israel, as other central banks world-wide, started a string of interest rate increases. Thus, within a mere three quarters, the Bank of Israel raised its interest rate from 0.1% to 3.25% at the end of 2022, and this trends continues into the first month of 2023. The sharply higher cost of money and financing costs poses a significant challenge to households and to the entire business sector. Furthermore, in recent months there has been uncertainty with regard to the Government's plans to make changes to the judicial system and the public disagreement regarding this move. At this stage, it is too early to estimate the developments and the impact of these events on the Israeli economy. The Bank continues to closely monitor the macro-economic developments and changes to its operating environment. As the Bank has adopted a human, personal service concept and aims to promote social aspects in all its operations, Mizrahi-Tefahot bankers maintain close contact with Bank customers, providing them with a diverse toolbox and personalized solutions, in order to help them face this complex reality in optimal fashion. The Bank also maintains intensive activity to monitor and identify any difficulties and failures as soon as possible. These efforts would continue even more intensely in 2023, in order to reduce risk to the Bank and to its customers, under conditions of high interest rates and increased market uncertainty.

In addition to promoting the economy, we also promote our surrounding community and invest significantly in social activities, by supporting diverse social projects and by significant, extensive volunteering by employees. Thus, in 2022 the Group's total social investment amounted to NIS 20.4 million - 18.6% higher than in the previous year.

Another significant event in 2022 that accompanied the Bank's routine activities was the Union Bank merger project into Mizrahi-Tefahot Bank. During this year, the Bank successfully completed the transition of Union Bank customers and business operations, and this project was concluded by the end of 2022, as planned. Despite the great complexity across all aspects of Union Bank operations, including human resource aspects as well as business, operations and technology aspects, the teams at both banks completed this challenging task admirably. Transition of Union Bank customers to Mizrahi-Tefahot was conducted in personal and individual manner, with Union Bank customers expressing their consent to transition to Mizrahi-Tefahot and enjoying personal treatment and human support throughout this process.

We acknowledge the impact of climate change on the world in general and on our business activities in particular and realize that along with all risks managed by the Bank, due attention should also be paid to environmental risks. In 2022, the Bank extended green credit amounting to NIS 4.4 billion, significantly higher than in previous years, based on the understanding that supporting such projects would help reduce future emissions. This year, the Bank set

long-term ESG goals, as part of the desire to significantly influence environmental and social aspects. These goals are in line with the Bank's strategic plan. Moreover, this year the Bank launched a process of measuring carbon emissions in its loan portfolio, desiring to reduce the Bank's business impact on greenhouse gas emissions, and thereby reduce its climate and environmental risk.

We are proud of our top rating in the Maala Index of Corporate Social Responsibility in Israel – Platinum Plus. Furthermore, we shall continue to uphold the principles of the UN Global Impact initiative, including preserving human rights, employment standards, environmental protection and the fight against corruption, and we shall continue to promote achievement of UN Social Development Goals (SDG) across our operations.

In 2023, Mizrahi-Tefahot Group celebrates the Bank's centenary. This report reflects the Group's social and environmental values by which we have been operating for years. We thank you for expressing interest in our work and we are sure we would further promote these values in the years to come.

We wish you a pleasant read,

Moshe Vidman, Chairman

Moshe Lari, CEO

ESG at Mizrahi-Tefahot Group

Mizrahi Tefahot Group is publishing, for the tenth year in a row, this ESG report to the public and to stakeholders, providing an overview of the Group's operations in Israel and world-wide in 2022, with emphasis placed on social and environmental issues. ESG topics and considerations are incorporated into the Group's activities on a daily basis, out of our understanding that their inclusion in our business activity generates value that is shared by the Group and its stakeholders, including, inter alia, its customers, employees, suppliers, the community, investors and regulatory authorities.

In 2022, we invested significantly in development and deployment of ESG management principles at the Bank. We formulated Group policy that was created in order to identify, manage and control ESG risk at the Bank, which was approved by Bank management and by the Board of Directors. The policy is based on realization that ESG risks involve multiple operations, hence its significant importance. This risk is the risk of financial loss by the Bank or negative impact to the Bank reputation, due to current or future impact of ESG factors on the Bank's counterparties or investment assets, along with direct effects on the Bank.

In order to optimally manage this risk, the Bank Board of Directors is tasked with setting and approving principles of the ESG policy and ensuring that these principles are applied and are in line with Group strategy. Bank management is responsible for implementing these guidelines and incorporating them in work processes in various areas. To this end, the Bank appointed an ESG Risk Officer, who is tasked with properly implementing the ESG risk policy. The ESG Risk Officer is the Manager of Human Capital and Resources Division, who reports to Bank management and to the Board of Directors on developments in this regard at the Bank.

The Bank recognizes the significant challenge posed by the climate crisis and is committed to address this crisis from business aspects and as being an employer of many employees nationwide. Local regulation also appears to be preparing for this challenge, with multiple circulars issued this year to promote this topic in the financial world. The directives issued highlight the significant importance which the Supervisor of Banks sees in promoting the management of environmental risks and opportunities, including climate risk. As part of preparations, the Bank is currently forming the corporate governance structure for management of climate risk, development of methodology for identification, assessment and management of climate risk and development of diverse environmental products designed to benefit from climate-related opportunities. The Bank is also currently preparing to calculate the carbon footprint of its financial assets and loans, using the PCAF methodology. All of these processes are reviewed and put in place based on international practice (Task Force on Climate-Related Financial Disclosures). Another significant step made this year is setting long-term ESG goals for 2030. These goals were designed to promote a green environment, gender equality and employment diversity. In order to achieve these goals, comprehensive work has been done and custom work plans have been put in place, to create a significant impact on the Israeli economy.

Significant resources were also invested in the social area. This year, the Bank invested NIS 1.25 million in social bonds for training Jewish Ultra Orthodox men for work in the high-tech sector. These bonds are added to the Bank's core investment portfolio, which includes a custom portfolio of bonds issued for social objectives. As for investment in the community, this year saw significant growth in employees' volunteering hours and the Group's financial investment in the community was 18.6% higher than in the previous year.

This year, too, we continued to conduct a dialogue with ESG rating bodies in Israel and around the world in order to refine our work in the ESG areas and to continue to develop the environmental and social aspects. The report presents the Group's approach and activities for

the promotion of corporate accountability issues in conjunction with the SDGs set by the UN. We will continue to report to the public on our progress in the area of corporate accountability. We aim to continue to operate in view of the Bank's underlying values: with fairness and transparency. A fair, transparent relationship with all stakeholders, and in particular with customers, is the basis for our earned trust and mutual success.

We also wish to thank all employees and managers at all Bank levels, who help in our daily work, in putting together this report and in publishing it.

We would be glad to receive comments on this report and on our actions related to corporate social responsibility – from all stakeholders.

Sincerely yours,

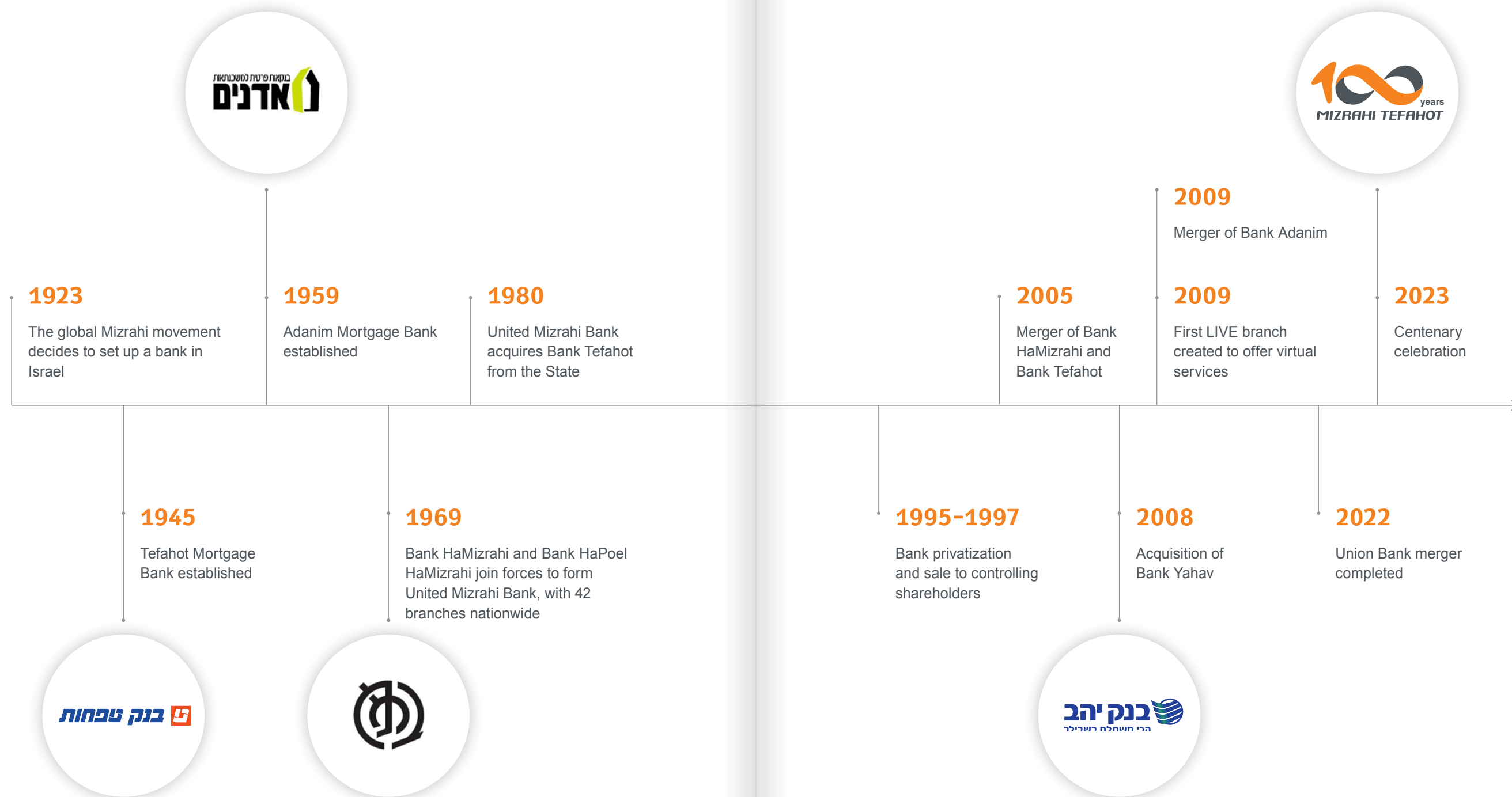
Meital Harush – Manager, Human Capital and Resources Division

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Mizrahi-Tefahot Bank Centenary





Environmental



Mizrahi-Tefahot Group acts to reduce its impact on the environment and on climate change, by considering relevant risk factors in lending and investment operations of the Group, and by promoting environmental products and custom lending.

Reducing environmental impact

Reduction in energy intensity per m ² (Gj)	Reducing carbon footprint (m ²)
6.4%	10.6%
Emissions saved due to environmental initiatives of the Bank (tons of CO ₂)	All Bank initiatives to reduce energy consumption enabled savings (tons of CO ₂)
501	398

Preparing for transition to low-carbon economy

Financing for environmental causes (NIS in millions)
4,400



Social



Mizrahi-Tefahot Group operates with accountability for customers, employees and communities with which the Bank is involved and which the Bank impacts. Such accountability is part of the Bank concept of integration of innovation and human aspects.

Equal, diverse work environment for promoting individual and professional development

Number of Group employees	Percentage of employees recruited from under-employed demographics	Average training hours per employee
7,588	17.6%	43
Percentage of employees at the Bank from underemployed populations ¹	Percentage of women among all employees	Investment in training for employees (NIS in millions)
17.4%	65%	72.6

Influencing the community

Percentage of local procurement	Investing in the community (NIS in millions)	Number of branches for the Group ²
97%	20.4	204
Percentage of micro and small suppliers out of all Group suppliers	Amount of employee volunteer hours	Credit for social products and promoting socially outlying areas (NIS in millions)
68%	28,200	4,111



Governance



Mizrahi-Tefahot Group adheres to accountable conduct and is committed to respecting statutory provisions and implementing proper corporate governance. The Bank adheres to ethical conduct by employees and acts to prevent corruption.

Economic data and business excellence

Provision for taxes (NIS in millions)	Pre-tax profit (NIS in millions)
2,356	6,963
Dividend distribution (NIS in millions)	Net profit (NIS in millions)
940.9	4,472
Retained economic value (NIS in millions) ⁴	Operating expenses (NIS in millions)
4,198	6,173
	Group revenues (NIS in millions)
	13,668

Leadership in fairness and ethics

Bank Mizrahi-Tefahot is a leader in perception of fairness ³
Training hours delivered to employees on compliance and preventing corruption
129,000
Bank employees having signed on to the Code of Ethics
100%

1. An estimate made in accordance with the definition of the Equal Employment Opportunity Commission, Ministry of Economy and Industry, for the recruitment of employees from demographic sectors which are under-represented in the employment market.

2. Includes Union Bank branches converted into Mizrahi-Tefahot branches as part of the merger of these banks.
 3. Annual survey by the Supervisor of Banks on customer satisfaction, Bank of Israel, December 2022.
 4. The difference between Group revenues and operating expenses, provisions for taxes and dividends.

Key ESG goals for the Bank

The Bank, having established social, environmental and ethical key values, has specified long-term goals in these areas. These goals are derived from the Bank's overall strategic plan. These goals would help the Bank and its customers transition to a low-carbon economy, through sustainable financing and investments, while managing environmental and climate risk and promoting Israel's climate goals.

Goals for 2030

Environment



Reduce the operating **carbon footprint** and emissions intensity by

40%

in 2030 compared to 2020
(the base year).

Reduce to zero the nostro portfolio **exposure** to coal mining and oil drilling sectors by 2030. Furthermore, the Bank would not take part in IPOs of assets that create exposure to such sectors.

The Bank would invest resources and would develop

**green
financial
products**

to promote green and environmental projects.

The balance of financing and investments in projects that promote a green environment would amount to

NIS 10 billion

Social

Promote **diverse employment** by increasing recruitment of employees from under-employed demographics to

20%



Governance



Increase **female representation** on the Board of Directors to

30%

or higher by 2026



Mizrahi-Tefahot Bank Ltd. (hereinafter: "the Bank") is a public company, and was among the first banks established in the State of Israel. The Bank was incorporated on June 6, 1923 under the name Bank HaMizrahi Ltd. Since 2008, Mizrahi-Tefahot Group also includes Bank Yahav for Government Employees Ltd. (in which the Bank holds 50% of all rights and means of control in Bank Yahav) and Union Bank (acquired in a transaction that closed in September 2020) and merged with and into the Bank on December 29, 2022. As of the end of 2022, the Bank Board of Directors is headed by Mr. Moshe Vidman and the Bank President & CEO is Mr. Moshe Lari.

Group and Bank operations

The Bank Group is third among the top banking groups in Israel, doing business in Israel and overseas. The Bank Group is engaged in commercial banking (business and retail) as well as mortgage activities in Israel, through a nationwide network of 204 branches and business centers. Furthermore, business customers are supported by business centers and professional departments at Bank headquarters, which specialize by sector. As of the end of 2022, the Bank's overseas operations are conducted through two banking affiliates (London and Los Angeles).

Customers of various supervisory operating segments

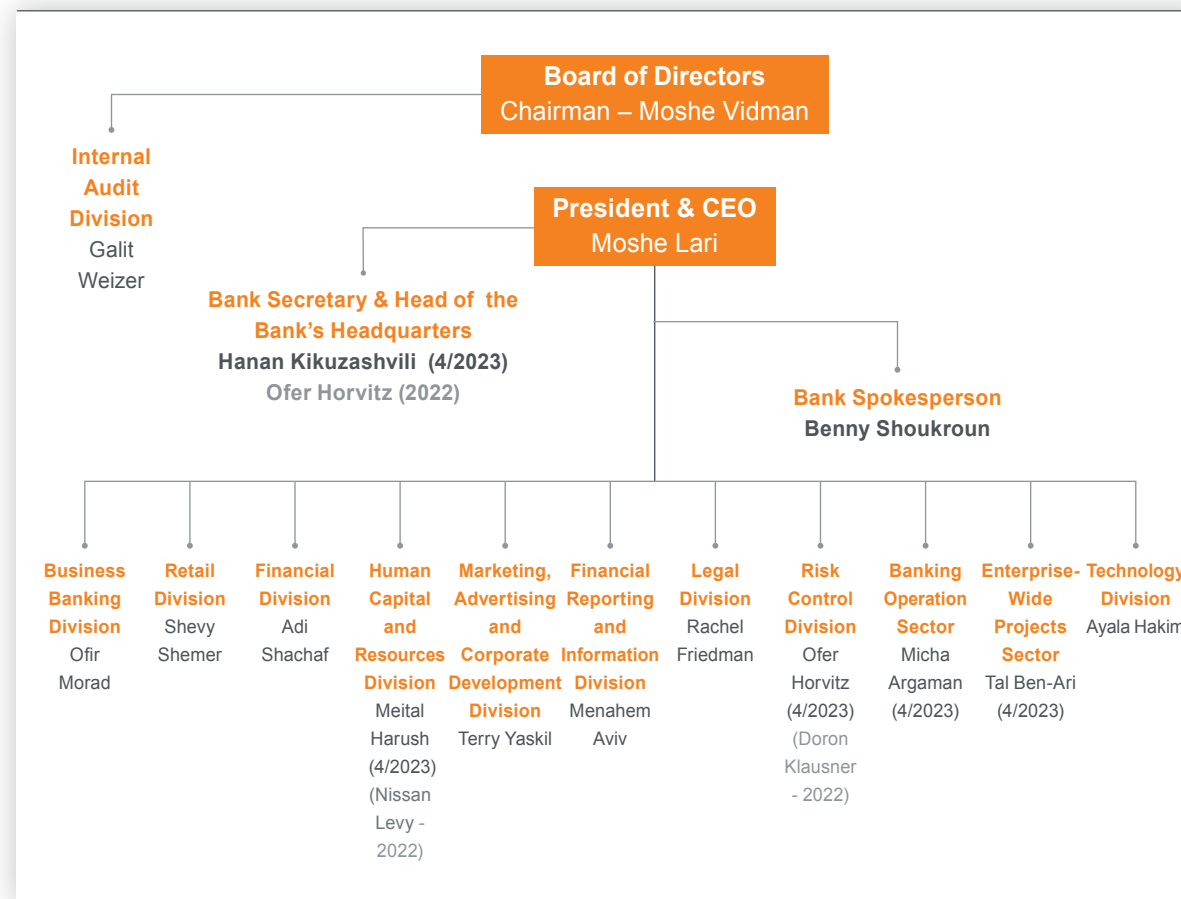
The Group serves customers in different operating segments, in conformity with the definitions of the Supervisor of Banks. Attribution to operating segments is usually determined according to customer turnover (annual sales or revenues). Supervisory operating segments are as follows:

- **Households** – individuals, other than private banking customers.
- **Private banking** – individuals who manage a financial asset portfolio in excess of NIS 3 million at the Bank.

- **Small and micro businesses** – businesses with turnover amounting up to NIS 50 million.
- **Medium businesses** – businesses with turnover higher NIS 50 million and lower than NIS 250 million.
- **Large businesses** – businesses with turnover higher than NIS 250 million.
- **Institutional investors** – Provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members who manage customer portfolios.
- **Financial management** – includes trading operations, asset and liability management and non-banking investments.
- **Overseas operations** – presented separately from operations in Israel, divided into individuals and business operations.

Organizational structure

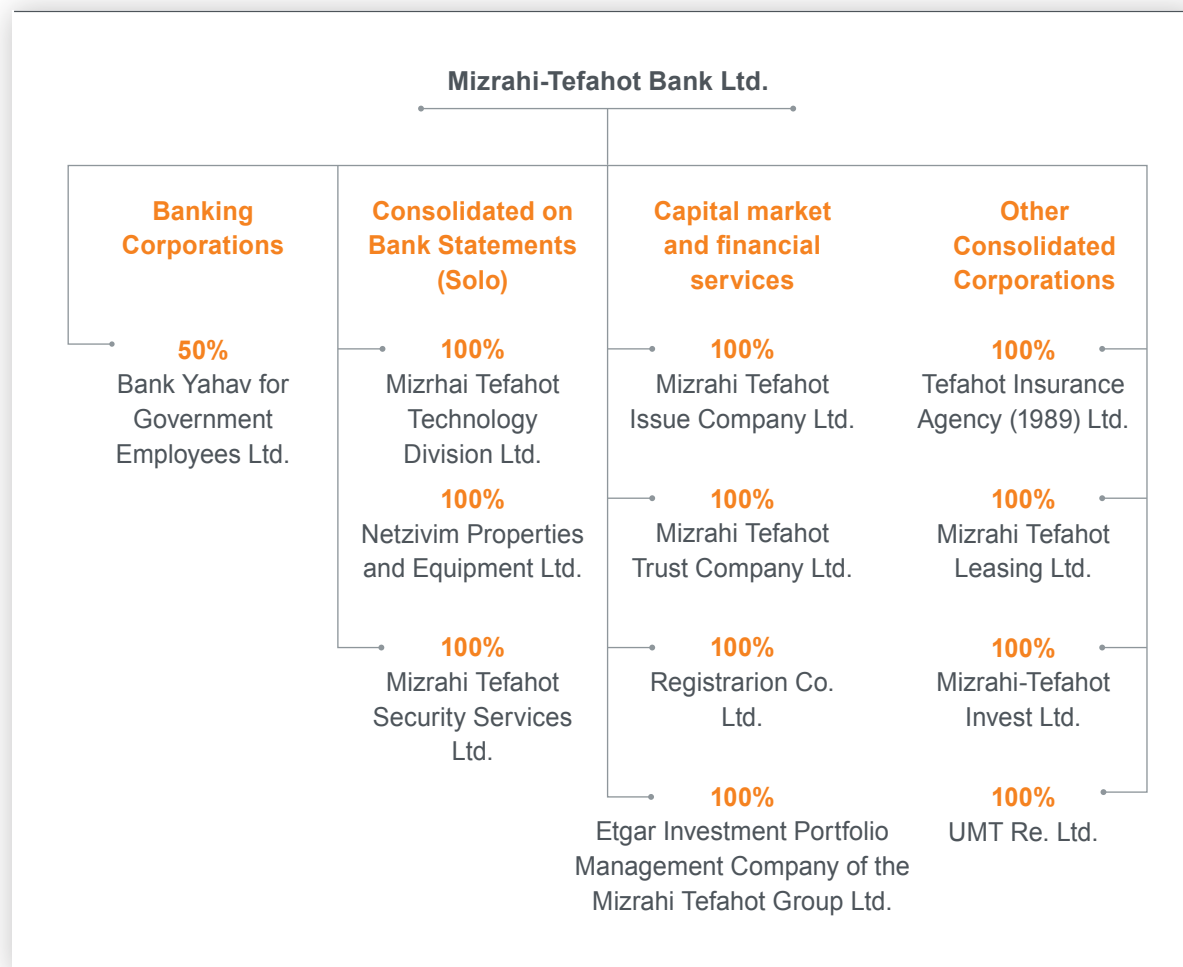
The Bank organizational structure is intended to support achievement of Bank objectives and realization of its business plan. On February 12, 2023, the Bank Board of Directors approved a re-organization and appointment of officers at the Bank. The current organizational structure as from April 1, 2023 is as follows:



Holding structure and control¹

As of December 31, 2022, the controlling shareholders of the Bank are Wertheim Group, holding 20.39% of capital and voting rights, and Ofer Group, holding 21.19% of capital and voting rights. Further information on the holdings and control structure can be found in the chapter on Controlling Shareholders (in the Corporate Governance chapter) in the Bank's 2022 financial statements.

Primary holding structure of the Bank



Events and material changes at the Group in 2022

For information regarding material events and changes in the Group in 2022, see the 2022 financial statements, the chapter Significant Developments in the Management of Business Activity and the chapter Material Events in Bank Group Business, in the 2022 report of the Board of Directors and the Management.

Merger of Bank Igud²

On September 30, 2020, purchase offer and share exchange for Union Bank closed, whereby the Bank acquired 100% of the issued and paid-up share capital and voting rights of Union Bank. On

1. The Bank has holdings in other companies which are not material for Bank business. Further information about investees and investments therein can be found in Note 15 to the Group's 2022 financial statements.
2. For more information about the Union Bank merger, see the 2022 Annual Report.

July 29 2022, the merger of Union Bank into the Bank was completed. This included customer onboarding, closing all Union Bank branches and transition of other activities to Mizrahi-Tefahot – including nostro and leasing operations of Union Bank. This merger process was substantial, large-scale and highly complex, entailing a wide range of risk factors. The Bank has ensured fairness throughout the merger process. This process was managed by multiple large work teams jointly by Mizrahi-Tefahot Bank and Union Bank, and managed overall by administrations created to execute the merger plan, by the Steering Committee, headed by the Bank President & CEO and with reporting to a dedicated Board committee created in order to monitor this process.

Customers

The process of transitioning Union Bank customers to Mizrahi-Tefahot started gradually in Q2 of 2021. Customer transition was conducted in personal and individual manner, with Union Bank customers expressing their consent to transition to Mizrahi-Tefahot and enjoying personal treatment and human support throughout this process. As part of the customer transitioning process, emphasis was placed on communication and full transparency towards customers. In the first stage, the conversion processes took place across diverse communication channels, so as to minimize risk and to save customers as much hassle as possible. After transition, a customer journey took place, including various communications to the customer, including introduction of their personal banker and how to contact them, how to operate direct channels and information about various bank products. In the second stage, in order to complete onboarding of all activities and accounts, an automated IT transition took place of banking activities from Union Bank systems to Mizrahi-Tefahot systems, including accounts not previously transitioned. The transition process was concluded by IT transition of banking activities from Union Bank systems to Mizrahi-Tefahot systems, for those accounts not previously transitioned by customer consent.

Employees

Bank Mizrahi-Tefahot onboarded Union Bank employees who wished to do so as part of the merger process. Employee onboarding was accompanied by training and personal assistance to all employees taking part in the merger process. In order to facilitate employee onboarding, they were offered training in courses and seminars, so as to establish orientation and professional capabilities with regard to work processes and IT systems unique to Bank Mizrahi-Tefahot. In addition to in-class courses, designated trainers visited branches and helped make up missing professional knowledge and familiarity with IT systems.

Branch and area managers transitioned from Union Bank took part in peer study meetings, to effectively structure their onboarding in their role at the Bank. Kits were sent out to receiving and received managers, to help with optimal onboarding at the Bank, and assistance and consulting processes were proposed.

In March 2021, Union Bank signed a retirement agreement for Union Bank employees with the General Labor Union, Union Bank Workers' Committee and the Directors and signatories organization. In conformity with the retirement plan, retiring employees could retire within a set time frame. In April 2023, two special collective bargaining agreements were signed with regard to onboarding of Union Bank employees and managers. These agreements primarily concern the conversion of remuneration components for Union Bank employees and managers onboarded at the Bank, aligning them with customary components at the Bank.

ESG management Perception at Mizrahi-Tefahot Group



Group policy is based on major ESG-related risk and opportunities, as identified by the Group and by various stakeholders. The Group manages its ESG risks optimally so as to generate economic and social value for the various stakeholders, including shareholders, while reducing negative impacts on society and on the environment. Additionally, The Group constantly strives to enhance transparency, and reports its operations in conformity with the GRI¹ reporting standard and the SASB² reporting standard.

ESG risk policy

In 2022, Group policy was created in order to identify, manage and control ESG risks at the Bank. In December 2022, this policy was approved by Bank management and by the Board of Directors. ESG risk is the risk of financial loss by the Bank or impact to Bank reputation, due to current or future impact of ESG factors on the Bank's counter-parties or investment assets, along with direct effects on the Bank. ESG risk involves multiple operations, hence its significant importance. Direct ESG risk is associated with impact of Bank operations, including ongoing business management, products and services. Indirect ESG risk is associated with matters or events external to the Bank, which may impact Bank customers and the business environment in which the Bank operates. ESG risk, as identified by the Bank, includes diverse risk factors such as climate risk, human capital, ESG aspects in financing, fair and equitable marketing of products and services and so forth.

Involvement of management and Board of Directors

The Bank Board of Directors is tasked with setting and approving principles of the ESG policy and ensuring that these principles are applied and are in line with Group strategy. The Board of Directors supervises all ESG aspects and risk through professional Board committees, such as the Risk Management Committee, IT Committee and Audit Committee. The Board of Directors also approves the Group's ESG report and the annual work plan in this regard is presented to the Board of Directors. ESG risk is reported semi-annually to the Risk Management Committee of the Board of Directors, and reported annually to the Board of Directors.

In 2022, the Board of Directors held two discussions with regard to ESG risk. At these discussions, the progress made on ESG-related work plan was presented, as well as the Bank rating by local and global rating entities, new regulations in this field etc. The Board of Directors and the Risk Management Committee also discuss ESG risk at the Bank as part of the quarterly risk document.

Bank management is responsible for implementing the guidelines in policy documents and incorporating them in work processes in various areas. To this end, the Bank appointed a Risk Officer, tasked with properly implementing the ESG risk policy. The ESG Risk Officer is the Manager, Human Capital and Resources Division, who reports quarterly to Bank management and

1. GRI (Global Reporting Initiative), an independent global organization that issued the most common and generally accepted global standard for sustainability reporting, providing a global common language for communicating social, environmental and economic impact and performance of businesses and organizations. This helps organizations that so wish, to comply with directives that can be implemented world-wide for reporting about sustainability and taking ownership of such impact.

2. SASB (Sustainability Accounting Standards Board) is a non-profit organization established in 2011 in the USA, in order to develop and deploy accounting standards with regard to sustainability issues.

semi-annually to the Board of Directors on developments in this regard at the Bank. Management involvement in ESG risk is implemented through a quarterly steering committee, headed by the Manager, Human Capital and Resources Division with various division managers being members of such committee. The committee has a leadership role for policy, activity, control and reporting related to promoting ESG across all Bank activities, for optimal management of identified ESG risk. Deployment and implementation of ESG policy are carried out by the officer responsible for corporate accountability, the Manager, Organizational Development and Training Department, who leads ESG activity at the Bank together with various divisions, through regular work interfaces with designated contact persons, who are partners for control, reporting, deployment and implementation of this matter.

Social risk management

Social risk that may impact the Bank's reputation can be reflected in matters of social sensitivity, advertising that may disparage certain demographics and so forth. Social risk involved in banking (such as regulation and money laundering) are included as part of overall risk management at the Bank. As part of risk management, the Bank's reputation index compared to competitors is monitored on an ongoing basis in a status and image survey (barometer) that is conducted on a quarterly basis and presented to the Reputation Committee.

In conformity with Group policy, the Bank considers all customer risks and information prior to lending, in a comprehensive process which includes review of all aspects indicating the customer quality, financial robustness, repayment capacity and conduct.

The Reputation Risk, headed by the Manager, Marketing Division convenes quarterly to discuss events or issues which the professional team believes may impact reputation risk, such as media coverage, customer inquiries on social media, advertising campaigns that foster reaction in the media or among customers and so forth. This committee consists of Bank executives, such as VP, Retail Division; VP, Marketing Division; VP, Risk Control Division at the Bank, as well as other executives involved in this matter as part of their routine work. Committee members are responsible for various content domains and have an extensive, comprehensive viewpoint of Bank reputation and potential impact there upon. Sensitivity to social risk is part of product development processes, of the customer experience provided on diverse service platforms and of customization of high-quality response to unique situations.

The Bank provides services to a wide range of target audiences, and therefore customizes its portfolio of products and services based on in-depth review of the needs and expectations of various customers. The Bank guideline in customizing products for customers is avoidance of any discrimination or impact to other customer groups.

Changes to the product mix based on macro-economic changes – The Bank regularly reviews and maps the risk and opportunity in the Bank's main business lines, inter alia in accordance with macro-economic changes. As needed, the Bank modifies the product mix accordingly, and reports branch performance to management in conformity with guidance and the recommended product mix. The Bank is preparing to identify and manage environmental and climate risk. For more detailed information, see chapter Environment in this report.

Annual ESG reporting

Mizrahi-Tefahot Group has been annually reporting its ESG performance to stakeholders since 2012. The report reviews Group operations in Israel and overseas, and is approved by Bank management and by the Board of Directors plenum.

This report provides a summary of ESG aspects in 2022. Similar to previous reports issued by the Group, this report, too, is written in conformity with the Global Reporting Initiative (GRI) reporting standard, and is compliant with the most advanced transparency standards – in accordance with the GRI Standards. Furthermore, this year the Group also reports, for the first time, using the Sustainability Accounting Standards Board (SASB) reporting standard.

The report presents the performance of Mizrahi-Tefahot Bank, Bank Yahav, Union Bank and the Group's overseas affiliates in London and in Los Angeles (hereinafter: "the Group"), unless otherwise noted. However, since the activities of Group companies or of its overseas affiliates may differ slightly from those of the Bank, it was decided in some places to detail what was taking place only at Mizrahi-Tefahot Bank. In these places, the term "the Bank" is used. In any event, all Group affiliates' operations overseas are carried out in accordance with principles of Bank policy, and if there are material differences, specific disclosure is provided of the activity and this was specifically stated, particularly with regard to Bank Yahav and Union Bank.¹

Most of the information presented in the report is collected regularly and routinely during the reported year, through the Group's information systems and from various organizational sources. To this end, the Bank has put in place tools and means for measurement, monitoring and control based on the different activities. The writing of the report was accompanied by expert ESG and sustainability consultants. In addition, due diligence was performed externally by an independent third party (see the Index chapter in this report). This combination of professional assistance and independent external audit allows the Group to ensure that information presented in this report properly, and in accordance with provisions of the law, reflects Group operations. The Group commits to making intelligent use of the responses and feedback it receives from its interested parties, to learn from them and to continue to test itself in these contexts.

Taking part in ESG-related initiatives

Mizrahi-Tefahot Bank adopts internal and Israeli ESG-related standard.




 <p>UN Global Compact</p>	<p>Since 2015, the Bank is member of the UN Global Compact initiative. The Bank acts to promote the principles of this initiative. This report constitutes periodic Communication On Progress (COP) to the organization.</p>
 <p>Voluntary reporting of greenhouse gas emissions</p>	<p>The Bank reports annually on greenhouse gas emissions to the Ministry of Environmental Protection and to the Manufacturers' Association of Israel.</p>
 <p>UN Sustainable Development Goals (SDGs)</p>	<p>Mizrahi-Tefahot Group promotes the implementation of these SDGs through its business and social activity, and reports its commitment to promoting SDGs in the ESG Report.</p>

Select ESG ratings²



The Bank's ESG performance is assessed and measured by international and local ESG rating agencies, which make this information accessible by various stakeholders and specifically for local and global investors. The Bank is in constant dialogue with the various ESG rating agencies. This dialogue allows the Bank to review its operations compared to performance of the financial sector in Israel and overseas, and to improve the Bank's ESG-related performance.

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.
 2. These ratings are current as of March 30, 2023 and may change during the year. These ratings should not be construed as investment recommendations nor as expert opinion.

Israeli ESG rating agencies

 <p>Maala ESG rating and diversity and inclusion rating</p>	<p>In 2022, as well, the Bank earned the top Platinum Plus rating for its ESG-related performance. The Bank was rated AA on the Maala ESG Rating by the Stock Exchange. The Bank took part in the diversification and inclusion rating launched this year jointly by Maala, the Equal Opportunity Employment Commission and the Ministry of Economy and Industry.</p>
 <p>Greeneye Data Greeneye</p>	<p>The Bank is rated in Greeneye ESG index</p>
 <p>ESG rating by Entropy</p>	<p>The Bank was ranked in the Top 10 out of 100 companies rated in the Tel Aviv 125 index.</p>

International ESG rating agencies

ESG rating agencies	Scale	Bank rating	Notes
 <p>ESG Sustainalytics Risk Rating¹</p>	100-0 (Reverse scale)	24.3 Medium Risk	
<p>S&P Global</p>	0-100	49	15% Top Among the banking sector
 <p>MSCI</p>	AAA-CCC	A	The Bank is rated in the third rating group (out of seven) among the banking sector
<p>Bloomberg Bloomberg ESG Disclosure Score</p>	0-100	61.67	

The Bank is also included in FTSE4Good Index Series² and is rated by other ESG rating agencies as well: Moody's, ISS and others.

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 2. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that [Company Name] has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products







Promoting and implementing ESG

The Bank has invested significant resources in deployment of the corporate social responsibility concept among employees and in the community. In 2022, the Bank delivered 12,456 training hours on ESG, as well as the following activities:

- **Professional training** – Training focused on diverse topics, such as climate change, environmental risk, responsible investment, diversity, inclusion, and more.
- **Employee training** – The topic of ESG was included in courses and workshops delivered at the Training Center, in new hire training and in various management courses. In addition, the Bank disseminated memos and information sheets on this subject, such as Diversity Day, Women's Day and so forth.
- **Training for investment advisors** – Training sessions are provided during the year to investment advisors at the Bank, designed to increase awareness of ESG investments.
- **Diversity and inclusion: social lecture series to employees** – The “You and I will Change the World” lecture series – Hundreds of Bank employees have actively participated in a new and unique series of online lectures to become acquainted with diverse populations in Israeli society at the initiative of the Community Relations Unit, as part of promoting diversity and inclusion in the Bank’s organizational culture.
- **2022 ESG corporate responsibility week** – As every year, the Bank conducts the Corporate Responsibility Week, designed to engage with employees on this matter and on Bank activities to promote social and environmental issues. This year, the Bank marked Corporate Responsibility Week by a series of events and initiatives design to contribute to the community, to society and to the environment, such as: presentation to employees on special populations in Israeli society, the social & environmental NGO Fair, a charity drive to collect eyeglasses as contribution to an NGO which recycles eyeglasses and frames to those in need, and an upcycling competition – works and creations that re-use objects.
- **Collaboration with academic institutions on ESG issues** – Training for students on ESG topics and presenting Bank activity in this area.
- **Presenting the Bank’s ESG activity to various forums** – The Bank participates in various ESG-related forums and shares its know-how and experience with the public.

Current communication with stakeholders

In order to achieve in-depth familiarity with needs and offers of various stakeholders, Mizrahi-Tefahot Group is in constant communication with them, including with customers, employees, investors, suppliers, social organizations and others. The Group pro-actively acts to contact, to provide effective response to inquiries, and regards the dialogue with stakeholders as a managerial business tool that helps in decision making, in products development and in improving the response provided.

 <p>Bank customers and the public at large</p>	<ul style="list-style-type: none"> ● Opinion surveys on products, services, image, customer experience and so forth. ● Conducting market analysis, consumer studies and strategic and creative response by students in the College of Management, with assistance and mentoring from the Marketing Division. ● “Partners by Choice” – This project allows Bank customers to take part in voting on which NGOs and social projects would receive a Bank donation and their order of priority.
 <p>Employees</p>	<ul style="list-style-type: none"> ● Round tables with open discussion by the Bank President & CEO and Bank employees from all units, and implementation of the conclusions as part of the work plan. ● The Bank conducts an annual employee survey, in collaboration with BDI, for ranking of the 100 best companies to work for. In 2022, the Bank was ranked 7 places higher than in the previous year, and was ranked second among all banks in Israel. ● “Voting is impact” – This project allows employees to take part in voting on which NGOs and social projects would receive a Bank donation. ● Improvement suggestions – Bank employees suggest initiatives for improvement and streamlining at the Bank. Some of these initiatives are incorporated into work plans. ● Innovation – a team of Innovation Ambassadors consisting of Bank employees acts to promote and incorporate innovation in Bank operations. ● Hot line for employee enquiries, operated by the Human Resources Department.
 <p>Social organizations</p>	<ul style="list-style-type: none"> ● The Bank conducts meetings and dialogue with organizations and NGOs on social and environmental issues, in order to identify activities where the Bank can make a contribution or investment in such issues. ● Regular meetings with social NGOs and organizations, to identify needs and to review satisfaction with volunteering by Bank employees, and to review the effectiveness of NGO participation in various projects.
 <p>National and local government</p>	<ul style="list-style-type: none"> ● The Bank is a member of the Bank Association and is active on the Association's Executive Board and Legal Committee. ● The Bank is a member of the Public Company Association and conducts a dialogue with the government, the public and private environment on matters related to the banking system as a whole. ● The Bank maintains regular discussions with regulators in its operating segments.
 <p>Community and suppliers</p>	<ul style="list-style-type: none"> ● Conferences for micro and small suppliers, to introduce them to working with the Bank and to maintain a dialogue. ● Contact with NGOs that promote social projects.
 <p>Investors and shareholders</p>	<ul style="list-style-type: none"> ● Dialogue with analysts and institutional investors in Israel and globally, soon prior to and after publication of annual / quarterly reports. ● Response to ESG-related reviews in Israel and overseas. ● Regular reporting on the investor relations website.

Identification of material issues

The guidelines for Group policy on ESG matters focus on material issues identified by the Group. These are the most important issues for Bank stakeholders and for the Group. Once every two years, Mizrahi-Tefahot Group conducts an extensive, in-depth analysis of materiality, which includes dialogue with stakeholders. Updating at this frequency enables the Group to monitor trends in the selected topics, to intensify its activities on the most material issues and to present progress in its activities as reflected in the ESG Report. The Group's material issues were updated during dialogue with stakeholders prior to the publication of the 2022 ESG Report. Prior to conducting this dialogue, the Bank analyzed the materiality, including validation and revision of the material issues, in line with review of material issues reviewed by leading local and global banks, by major rating entities and in international reporting standards in this field. In view of the materiality analysis, the key issues are selected and brought before the various stakeholders. This dialogue was conducted by questionnaires provided to customers, suppliers, the public at large and the professional ESG community. The issues were also reviewed for importance to the Bank. The list of material issues was revised based on these findings.

Material issues selected for reporting

- Reduction of environmental impact
- Management of environmental and climate risk
- Development of environmental and social products
- Responsible, transparent and fair service
- Financial inclusion and accessibility of Bank services
- Customer privacy and information security
- Diversity, equal opportunity and avoiding hiring discrimination
- Human capital
- Safeguarding human rights
- Involvement in the local community
- Accountable conduct proper corporate governance.
- Risk management

In selecting the material issues for 2022, some changes were made from the previous year. The following issues were excluded from the revised list of material issues, due to low rating:

- Economic performance and transparency
- Responsible procurement activities
- Contending with crises and adapting to the new world.

Moreover, some material issues were consolidated:

- The issue "Responsible, transparent and fair service" includes the following: "Customer service and customer satisfaction" and "Fairness and transparency".
- The issue "Financial inclusion and accessibility of Bank services" includes the following: "Assistance to customers and accessibility of the Bank's services" and "Promoting financial education among customers and the community".

Moreover, some issues were re-defined to optimally reflect the material issue as perceived by the Bank, to foster a common language and to use generally accepted terms for ESG in Israel and overseas:

- "Customer privacy and information security" replaces "Customer privacy".
- "Development of environmental and social products" replaces "Promoting environmental and social investments and credit".
- "Management of environmental and climate risk" replaces "The Bank's preparations for the repercussions of the climate crisis" and "Management of environmental risk".
- "Reduction of environmental impact" replaces "Diligence in maintaining environmental quality".
- Human capital rather than human capital development

Key goals for 2023 promoting achievement of SDGs

The Bank's goals for its various operating segments, linked to the relevant SDGs¹ (these goals are part of the Bank's goals for 2023, listed at the end of each section of this report).

Environmental



Deployment of digital mortgage file project across all Bank branches, in order to reduce paper consumption and expand the use of digital signatures for various services.



Bank preparation for all regulatory changes, both local and international, by formulating climate policy and governance.



Incorporate ESG aspects, primarily climate risk, in considerations and deliverables of the investment advisory service.

Social



Increase the number of employees taking part in volunteering activities.



Enhance the professional toolkit available to social NGOs and businesses.



Deployment of new Service Language, to promote services provided to all demographics, and expansion of service channels.



Governance



Strengthening the implementation of privacy protection



Focus deployment of fairness to customers at subsidiaries and HQ units.



Meeting of Ethics Committee with field units and branches.

1. All of the goals listed in this report constitute forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not entirely under the Bank's control.



Environment



Mizrahi-Tefahot Group acts to reduce its impact on the environment and on climate change, by considering relevant risk factors in lending and investment operations of the Group, and by promoting environmental products and custom lending.



Mizrahi-Tefahot Group has environmental impact, both as a financing provider to diverse entities and projects, and as a business entity using resources for its own operations. The Group acts to reduce its impact on the environment and on climate change, by considering relevant risk factors in lending and investment operations of the Group, as well as by promoting environmental products, custom lending, promoting increased energy efficiency and reducing resource consumption at its branches. These matters are managed by the Business Banking Division with regard to environmental credit risk management and by the Logistics Department of the Human Capital, Resources and Operations Division with regard to consumption and improved energy efficiency.



Responsible resource consumption – improved energy efficiency

Due to the nature of the group's activity in office buildings energy consumption is among the its most significant environmental impacts. The Group manages and measures this area and promotes improved energy efficiency, including replacement of systems with high energy consumption with advanced systems with more efficient energy utilization. This issue is managed by an Energy Efficiency Committee, consisting of professionals from the Logistics Division and permanent professional consultants. The role of the Committee is to consider any idea and suggestion for improved efficiency – from buying advanced systems with the capacity for analysis and control, to help reduce energy consumption, through adjustment of the temperature of cold water in cooling units according to the temperature outside, business hours, turning off lights or turning off air conditioners in bulk after business hours etc.

Energy consumption at Mizrahi-Tefahot Group

		2018	2019	2020	2021	2022
Power (KWh)	Total power consumption per m ²	262	248	235	221.5	209.1
	Total power consumption per employee	5,116	4,744	4,701	4,427	4,541
	Total power consumption	32,535,599	30,983,930	35,656,592	33,846,527	34,453,858
Fuel (liters)	Total gasoline consumption	675,060	715,235	697,703	710,442	678,542
	Total diesel consumption	119,631	131,881	134,769	162,068	170,454
	Total fuel consumption	794,691	847,116	832,472	872,510	848,996
Energy (GJ)	Total power consumption	117,128	111,542	128,364	121,847	124,034
	Total gasoline consumption	23,031	24,402	23,804	24,239	23,150
	Total diesel consumption	4,615	5,088	5,199	6,252	6,576
	Total energy consumption	144,774	141,032	157,367	152,338	153,760
Energy intensity	Total energy intensity per m ² (GJ/m ²)	1.16	1.13	1.03	0.99	0.93
	Total energy intensity per employee (GJ/employee)	22.76	21.59	20.75	19.92	20.26

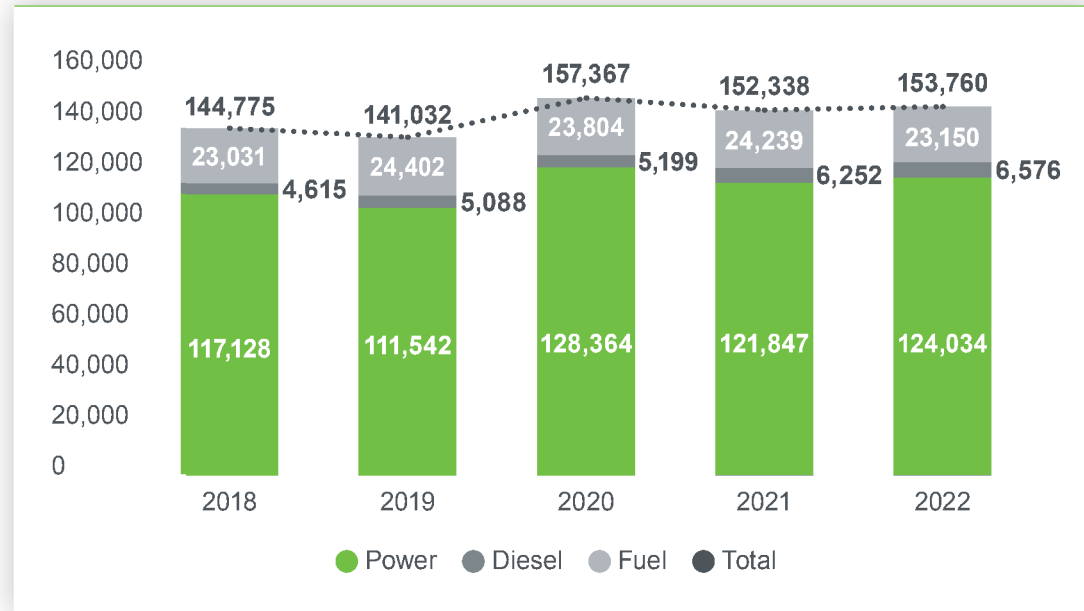
*KWh – kilowatt-hour

**GJ – Giga Joule – unit for measuring energy

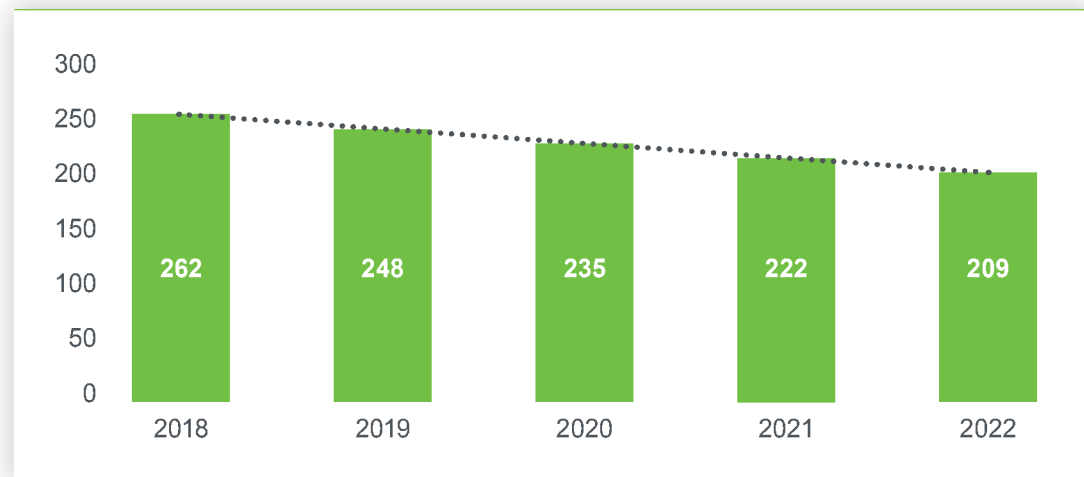
In 2022, total Group fuel consumption and gasoline consumption decreased. However, the Group's diesel consumption increased due to the increase in the activity of the Cash Center, which expanded the range of services to customers with the help of courier vehicles that consume diesel. Furthermore, during this year the Group continued the processes to increase energy efficiency, conducted in recent years – such as LED lightbulb replacement, replacement of AC and chiller systems; Nevertheless, total energy consumption (GJ) and energy consumption per employee (GJ) increased slightly, due to slightly higher consumption of electricity due to inclusion of relative electricity consumption starting this year, purchased through the management company at one headquarters building. However, energy consumption per m² (GJ) continued its decline over the past five years.

1. In 2020, Union Bank joined Mizrahi-Tefahot Group. Data for 2018–2019 exclude Union Bank.

Total energy consumption (GJ)¹



Total power consumption per m² (KWh)



Improved energy efficiency measures for power consumption

- **Monthly check of electricity consumption** – Each month, the bank analyzes the electricity consumption costs by building, and in the event of a deviation it acts (with the assistance of consultants) in order to locate the cause and deal with it.
- **Use of LED lighting** – In 2022, as part of preparation for construction of the Bank HQ campus, LED lighting is replaced in existing areas which would not be refurbished soon, such as parking areas and computer rooms. In other areas, this replacement would take place concurrently with refurbishment.

2. In 2020, Union Bank joined Mizrahi-Tefahot Group.

- **Operation of control systems at headquarters buildings** – The system controls turning off of lights outside of business hours and can automatically turn off lights after business hours and reduce lighting in parking garages. The system automatically turns off the lights in each Bank headquarters building according to a pre-defined schedule. Additionally, lighting systems were installed in rooms in the headquarters buildings, in MTL¹ and in the Bank's central headquarters that automatically turn off the lights when a person leaves a room and automatically turn on the lights when a person enters the room.
- **Electricity consumption savings at the Bank's HQ in Lod** – The savings were achieved by adjusting the temperature provided by the AC system to the desired air temperature – increasing the temperature of cold water flowing in the AC pipe system in the headquarters building in Lod. The adjustment is made specifically for each area, according to the relevant requirements. In addition, the operating schedule of the AC system was aligned with business hours in the building; sometimes, a decision was made together with the business units to concentrate activity in certain areas in order to allow the system to be disconnected in the evening hours.
- **Use of emergency generators during regular peak hours** – According to an agreement signed in 2014 with IEC, the Bank participates in PUA's load minimizing program and sells power to IEC during peak hours, on demand, by operating its emergency generators. This was in order to help reduce peak consumption at the national level and to make use of diesel in generators at MTL.¹ Thus, the operating hours for generators for self-test were also reduced, by relying on actual operation for testing.
- **Installation of diesel circulation system in generators** – This system was installed in order to prevent soil pollution by unusable diesel and to extend the useful life of diesel. In addition, diesel containers are tested to ensure impermeability to prevent any leaks.
- **HVAC system installation** – HVAC units in computer rooms were networked for optimized operation of the AC systems.
- **Replacement of older, inefficient AC systems at branches** – In 2022, AC systems were replaced at multiple branches.
- **Efficient space utilization** – The Bank regularly reviews the efficient utilization of all its assets. If the need arises for additional work stations, the planning option considered is how to do so without any additional space, by re-organization of the work areas. The Bank also regularly reviews the sale / return of surplus space. More efficient use of space results in savings in power consumption as well. In 2022, the Bank approved area reduction at Dizengof branch and added 21 stations at existing branches – with no additional area.
- **Review of alternative energy at MTL (Bank HQ in Lod)** – In 2019, we approved construction of a power plant at MTL,¹ operated by natural gas, to generate power to be used by this facility. In 2022 a contractor was selected, and this is currently in planning stages, as part of overall campus planning, scheduled to be constructed within the coming years.
- **Promoting green construction in conformity with LEED standard and in the spirit of WELL standard for employee wellness** – The Bank-owned MTL building was constructed in conformity with the Outstanding Green Building standard from the Israeli Standards Institute. Currently, the Bank is planning construction of the future MTL building – this building is being designed with assistance from an expert environmental consultant in green construction. The expert is accompanying this project from the outset, from the planning according to current green

1. MTL – Mizrahi-Tefahot Lod – the Bank headquarters in Lod.

building standards to the receipt of environmental standard certification upon completion of the construction. Building external walls are considered in detail to create an optimal thermal solution, while allowing natural light in for most employees, with reference to the wall orientation, vertical and horizontal shading. The expert green construction consultant is also accompanying the Bank in promoting a decision regarding implementation of the LEED Gold standard and design in the spirit of the WELL standard at the future MTL campus after its construction is completed.

Improved energy efficiency measures for fuel consumption

Several complementary measures were taken in order to reduce fuel consumption in the organizational vehicle fleet. In addition to reduced fuel consumption, these measures streamline the use of time and save costs: The Bank implements a policy of preferring highly energy-efficient vehicles and encourages the use of hybrid and electric vehicles. These courses of action result in a reduction of gasoline that would increase and result in further reduction of gasoline consumption by 10%-15% in the coming years.

- **Hybrid vehicles** – In 2021, the Bank created new policy to encourage employees and managers to choose hybrid vehicles when leasing. For this purpose, the entitlement amount for the vehicle value was increased in each level so that the employees could choose a hybrid vehicle. Currently, 25% of the fleet consists of hybrid vehicles.
- **We're becoming more digital** – The Bank expanded its existing digital platforms to accommodate remote meetings, thereby enabling its employees and managers to hold online discussions, training sessions and meetings. The holding of online meetings enabled the Bank to reduce the volume of employee mileage, which resulted in a decrease in our volume of emissions. In 2022, 63,735 thousand calling hours were provided, mostly consisting of online training.
- **Shuttle service** – The MTL¹ building operates a shuttle service for employees arriving from different locations around Israel. The shuttle size matches the actual number of passengers. The Bank also encourages its employees to use public transportation in general and trains in particular and provides shuttle service prior to the beginning and end of workdays from the train station to MTL. A shuttle service also operates between Bank headquarter buildings in Ramat Gan and in Lod for employees who need to attend meetings. This coordinated service reduces the use of private cars or taxis. In 2022, some 20% of employees in MTL building used the shuttle service daily. In 2022, the Bank reviewed how to encourage employees to use public transportation to a greater extent; This is gradually implemented and would continue in 2023.



Total investment in energy saving initiatives

in 2022 amounted to NIS **1.4** million, resulting in savings of **398 tons of CO₂**

1. MTL – Mizrahi-Tefahot Lod – the Bank headquarters in Lod.

Initiatives to reduce energy consumption in 2022

Initiatives to reduce power consumption	Estimated power consumption saved		Estimated carbon footprint savings	Financial investment in initiative (NIS)
	KWh	Giga Joule (GJ)		
Replacement of light bulbs in offices with LED light bulbs	40,000	144	19	740,000
HVAC system renovation	84,000	302.4	39	435,000
Total	124,000	446	58	1,175,000

Initiatives to reduce fuel consumption	Estimated fuel consumption saved		Estimated carbon footprint savings	Financial investment in initiative (NIS)
	Liters	Giga Joule (GJ)		
Transition to video conferencing ¹	50,624	1,727	118	220,000
Transition to digital training sessions	95,033	3,242	222	
Total	145,657	4,969	340	220,000

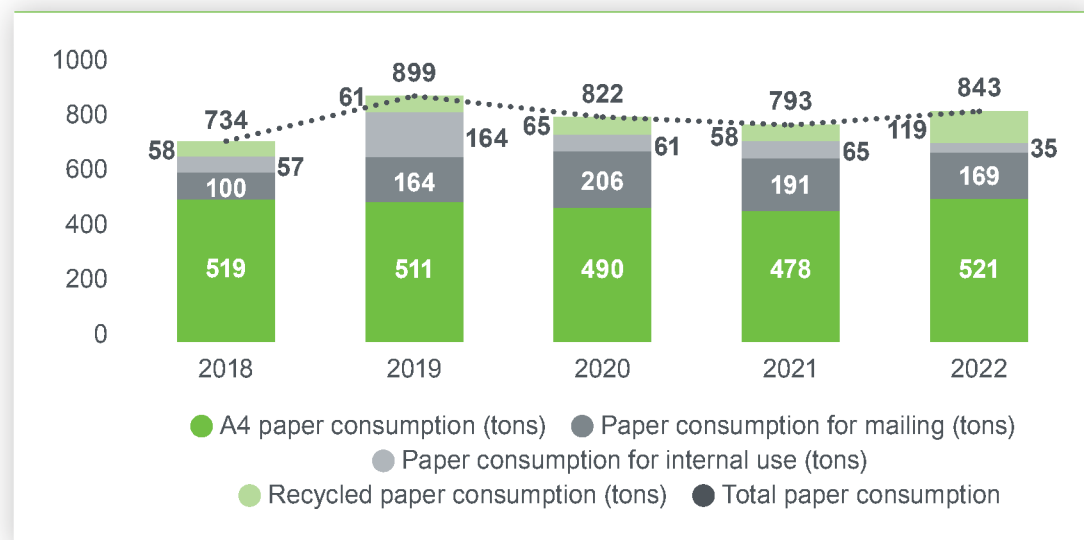
Paper consumption²

The Group uses paper mainly for forms, letters to customers, the printing of reports, etc. It should be noted that a significant ratio of our paper use derives from paperwork produced for customers and personally delivered to them, in compliance with Bank of Israel directives.

	2018	2019	2020	2021	2022
Total paper consumption (tons)	734	899	822	793	843
Ratio of recycled paper consumed out of total paper consumption	7.9%	6.8%	7.9%	7.3%	14.1%

1. This figure relates to some of the digital platforms that the Bank uses, which are linked to a monitoring system enabling us to measure the number of users of the systems and to accurately assess the volume of savings.
 2. This year, a retroactive change was made to paper consumption data for 2019-2021, due to expanded measurement and reporting of paper consumed for mailing.

Paper consumption by the Group (2018-2022)



In 2022, the Bank reviewed paper consumption by type: customer mailing, internal printing and so forth. For each specific topic, the Bank reviewed processes to reduce printing to the required minimum. The plan would be gradually implemented in the coming years.

In 2022, paper consumption by the Group increased by 50 tons. This is an increase by 6.4% year over year. The increase in paper consumption was primarily due to increase in Group business operations and the Union Bank merger. Concurrently, the Bank continues to promote paper reduction plans, including the "Paperless Branch" project and continues to promote the "Digital Mortgage File" project, whereby the Bank converts customer service at branches to use tablets for digital signatures. In addition, a remote signature project has been expanding to incorporate various mortgage, commercial and financial documents so that customers can sign these documents using their mobile device. As part of promoting Bank activities to ensure environmental protection among customers as well, Mizrahi-Tefahot Bank continues to promote sustainable mailing and encourages customers to accept mailing by email messages, thereby reducing paper consumption and protecting the environment. Currently, 51% of Bank customers¹ receive mailing by email messages, and the Bank continues to encourage customers to enroll to receive mailing by email messages, in order to further reduce paper consumption.

Along with efforts to reduce paper consumption, the Group acts to include purchasing of recycled paper. In 2022, such purchasing constituted 14.1% of total paper consumption by the Bank. All recycled paper used by the Bank is made of 100% recycled fibers. The Bank ensures that raw materials used by suppliers are from an approved source and compliant with international standards.

Measures to reduce paper consumption

at the Bank resulted in savings of **22.3** million pages, equivalent to **103²** tons of CO₂.



1. Excluding transitioned Union Bank customers.
2. Calculated assuming that a 500 page pack of A4 pages weighs 2.5 kg.

Initiatives to reduce paper consumption	Estimated consumption savings in pages (units)	Estimated weight of consumption savings in pages (tons)	Estimated carbon footprint savings
"Paperless Branch"	1.7 million	8.5	8
Mailing by email messages	20.6 million	103.5	95
Total	22.3 million	112	103

Waste recycling and processing

Waste treatment at the Group focuses on separating waste into 3 types: Paper, electronic and ink jet cartridges.

Waste type	Handling	Destination for removal	Volume in 2018 (in tons)	Volume in 2019 (in tons)	Volume in 2020 (in tons)	Volume in 2021 (in tons)	Volume in 2022 (in tons)
Paper waste	Sent for recycling (tons)	KMM	501	400	486	795	1,157
Handling of electronic waste	Scrap (tons)	Shuru company	66	46	48	11	41 ¹
Processing of ink jet and toner cartridges²	Scrap (units)	KMM and Cahila	12,472	9,711	10,889	10,033	9,849

The Group sends all of its paper and electronic waste to be recycled. The amount of electronic waste sent for recycling each year varies depending on projects related to the replacement of electronic equipment according to the needs of the Bank.

Mizrahi-Tefahot Group takes significant measures to treat its waste, including actions to reduce paper consumption, massive replacements of old printers for new, more efficient printers and the use of original ink cartridges, which are more efficient and offer longer-range use than compatible cartridges. The Group is compliant with directives of the Ministry of Environmental Protection with regard to disposal of normal and hazardous waste.³

In 2021, the Bank began a project to eradicate material that was in old archive containers that had not been eradicated for six years due to legal requirements. Once approved, the Bank began carrying out the eradication project during the final quarter of 2021 and the project was completed in 2022. Therefore, in 2021-2022, a large volume of waste paper was sent for recycling, higher than actual paper consumption in this period.

1. Data for treatment of electronic waste includes Union Bank as from 2022.
2. Data excluding Union Bank.
3. Being a financial institution, hazardous waste at the Bank consists of batteries and light bulbs. This data is presented under electronic waste for the Bank.

Water consumption

Water consumption at Mizrahi-Tefahot Group is primarily for office use. Group water consumption in 2022 was 73,295 m³. The water consumption intensity of the Group was 9.65 m³ per employee – 21% lower than in the previous year.

If there is an anomaly in the water consumption at branches (usually a notification is received from the local authority), representatives of the maintenance center are immediately sent to locate and fix the leak. In headquarters buildings there is a building control system which switches off the water taps at night and alerts by means of a text message directly to the authorities in charge of cases of detection of abnormal consumption (i.e. leakage), who deal with these calls immediately.

Management and reduction of carbon footprint

As part of the desire to reduce climate change, the Group carefully measures greenhouse gas emissions caused by direct consumption of fuel and diesel (Scope 1), indirect emissions as a result of power consumption at the Bank (Scope 2) and other indirect emissions along the supply chain due to business air travel, paper consumption and paper waste sent to be recycled, electronic waste sent to be scrapped (Scope 3).

This year too, Mizrahi-Tefahot Group is continuing to report its greenhouse gas emissions to the Ministry of Environmental Protection's voluntary greenhouse gas emissions reporting system according to an agreed methodology. Measurement of greenhouse gas emissions is carried out in accordance with the Greenhouse Gas Methodology (GHG)¹, using calculation adjustments specified by the Ministry of Environmental Protection.

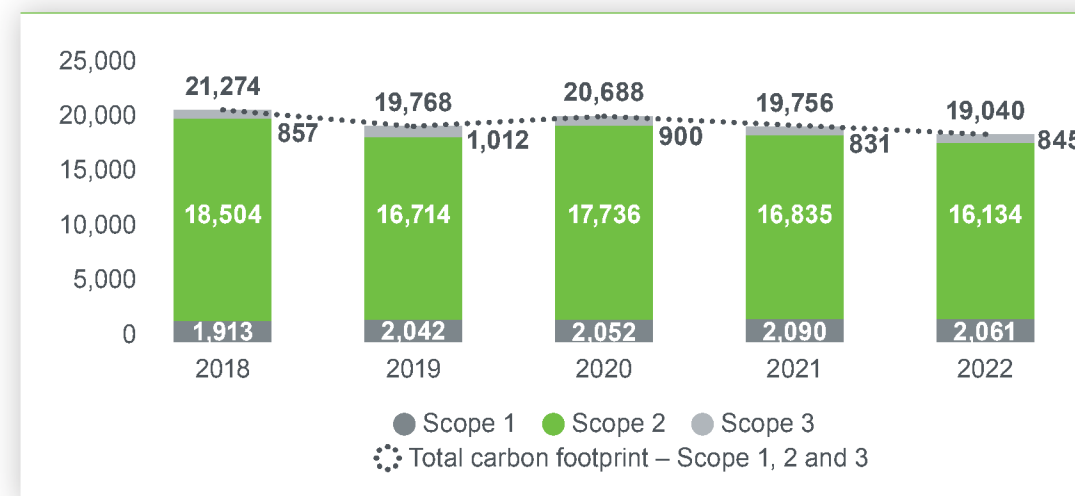
The data show that in 2022, the multi-annual downward trend in total carbon footprint and in carbon footprint per m² and per employee continued, thanks to the measures applied by the Bank to improve efficiency. Moreover, as from 2022 the Bank includes in the calculation electricity purchased from a private electricity producer based on natural gas; This transition reduces greenhouse gas emissions in Scope 2. Comparing data for 2022 and 2021, the total carbon footprint was reduced by 3.6%, carbon footprint per m² was reduced by 10.6% and carbon footprint per employee was reduced by 2.9%.

1. <https://ghgprotocol.org>

Mizrahi-Tefahot Group's carbon footprint (CO₂eq tons)^{1,2}

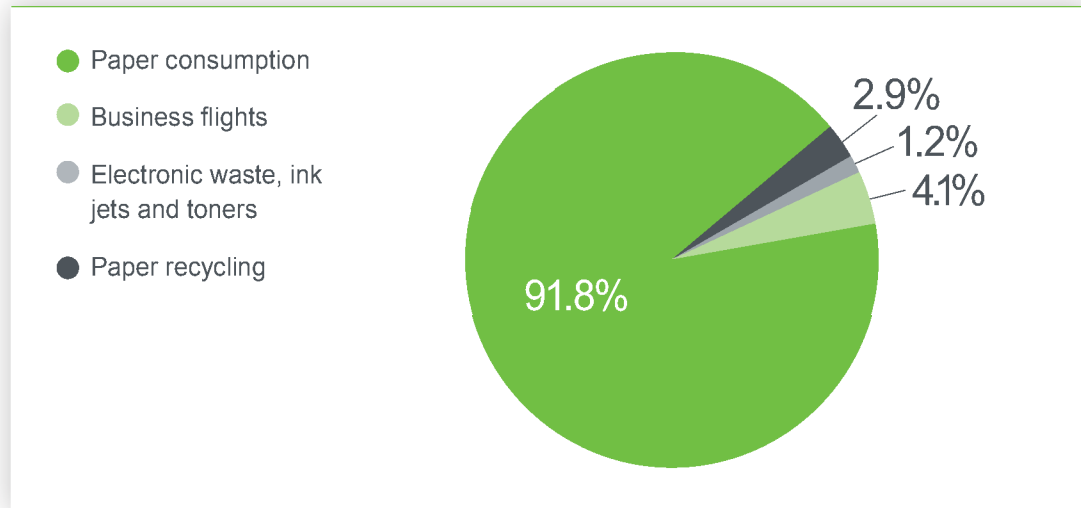
	2018	2019	2020	2021	2022
Scope 1 – direct emissions due to fuel consumption	1,913	2,042	2,052	2,090	2,061
Scope 2 – indirect emissions due to power consumption	18,504	16,714	17,736	16,835	16,134
Scope 3³ – Other indirect emissions in the supply chain	857	1,012	900	831	845
Total carbon footprint (CO₂e) – scopes 1, 2 and 3	21,274	19,768	20,688	19,756	19,040
Carbon footprint intensity (CO₂e tons per employee) – scopes 1, 2 and 3	3.3	3.03	2.73	2.58	2.51
Carbon footprint intensity (CO₂e tons per m²) – scopes 1, 2 and 3⁴	0.171⁴	0.158⁴	0.136	0.129	0.116

Group carbon footprint (CO₂eq tons)⁵

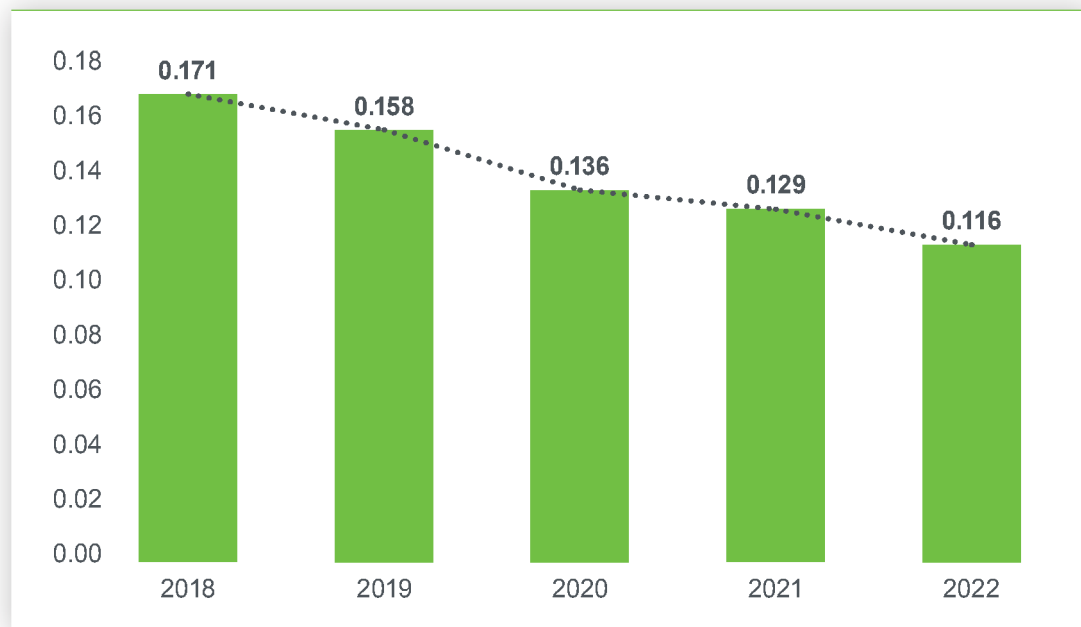


1. The Group's carbon footprint data include Mizrahi-Tefahot Bank and major subsidiaries. Bank Igud is included starting 2020.
 2. This year, a retroactive change was made to paper consumption data for 2019-2021, due to expanded measurement and reporting of paper consumed for mailing. Consequently, there were also changes to total carbon footprint and intensity.
 3. The emissions in Scope 3 do not include emissions resulting from the Bank's financial assets and emissions involved in paper transportation and waste transportation to waste treatment facilities.
 4. Changes in 2018-2019 compared to previous reports are due to rounding differences.
 5. In 2020, Union Bank joined Mizrahi-Tefahot Group.

Emission source – Scope 3



Carbon footprint intensity (tons CO₂eq per m²)



Increased awareness of environmental issues – Campaigns to promote recycling by employees

The Bank promotes environmental protection and creating environmental awareness among employees. To this end, we deliver annually training on environmental issues, and the Bank promotes initiatives among employees and their family members for reducing and recycling waste.

- **Bottle recycling** – The Bank places receptacles for the collection of cans and bottles with the goal of encouraging its employees to recycle.
- **Recycling of batteries and electronic waste** – Containers were placed on the Bank's premises for batteries and electronic waste.
- **Collecting clothes for donation and recycling** – In the Bank's office building in Lod, we placed a container for collection of clothes from employees and their families, in collaboration with the "Pitchon Lev" NGO.
- **Re-use of furniture** – When a property is sold or returned, the Bank reviews if the furniture can be used elsewhere at the Bank, or donated to the community.
- **Use of non-disposable kitchen utensils** – In 2022, a pilot was conducted to test discontinuation of use of disposable kitchen utensils by employees. This pilot introduced dishwashers to two floors at MTL and at the Ashdod Business Center branch. In 2023, the pilot results would be reviewed and decisions would be made.

Regulatory compliance and control

In the reported year, no penalties or sanctions were imposed on the Group for regulatory violations of environmental issues.

The Bank applies internal and external control to all aspects of environmental management:

- Paper consumption and shredding are controlled by computerized systems and by the various suppliers.
- Fuel consumption data for the Group are provided by the various fuel companies.
- The Group's power consumption data is provided by the Electric Company.
- Data on electronic waste recycling is provided by supplier reports.
- All employees who use a company car from the Bank receive regular reports, which reflects the fuel consumption data of their vehicle. This increases their awareness of the need to reduce consumption by efficient, proper use of their vehicle.



Mizrahi-Tefahot Group strives to minimize its negative environmental impact in lending and to develop products and services with positive environmental impact. Thus, the Group supports its customers' transition to a low-carbon economy, through custom products and services that support economic growth in a changing world.



Financing and development of environmental products

The Bank recognizes the importance of promoting environmental issues and provides loans for development, construction or launching of products with a positive environmental impact. In conformity with global trends in green lending, the Bank has put in place a taxonomy to specify criteria for environmental lending, based on common international standard¹ and in order to develop a range of environmental lending and savings products. In order to develop the new product range, dedicated administrations were put in place, headed by senior Bank managers from various business units, to lead the product development process.

- **Providing loans for development, construction, operation or launching of environmental products** – The Bank is committed to promoting environmental issues and therefore assists by providing loans for development of new technologies and projects of environmental value, including renewable energies, solar energy, public transportation, proper waste treatment and so forth. Currently, the Bank is developing additional loan products for business and individual customers, in response to diverse activities with positive environmental impact and reducing the negative impact of the business sector on the environment.

1. The Bank taxonomy is based on the GBP standard for green bonds, adopted by leading banks around the world as the governing standard for green lending as well.

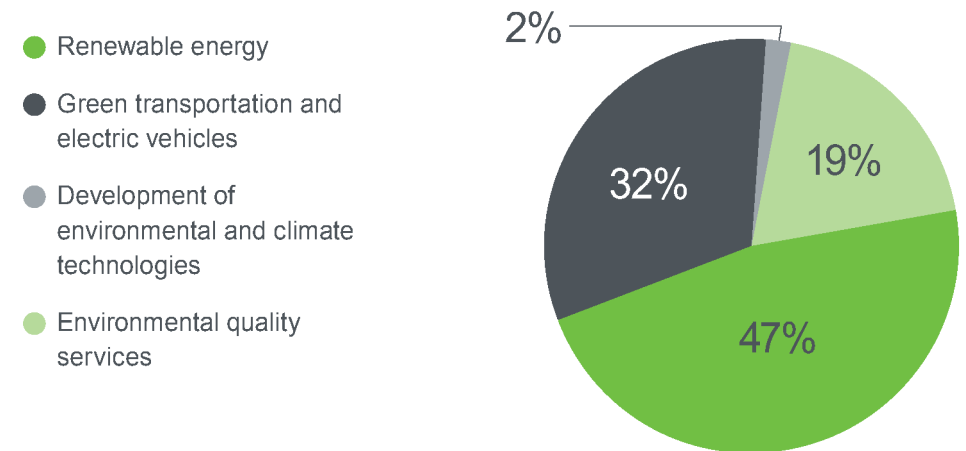
- **Development of investment products for realizing climate opportunities** – The Bank is considering multiple unique investment products for realizing climate opportunities for its customers.

In line with common global practice, the Bank measures the green financing provided based on credit amounts actually used by customers to promote environmental causes (on-balance sheet credit). This is done so as to manage and reflect to stakeholders the Bank's actual impact, and the Bank has set targets in this area relative to such measurement, as is customary in this field globally. Concurrently, the Bank also measures other and future obligations to provide green financing (off-balance sheet credit, including guarantees and future commitments yet to be utilized by customers).



Total financing¹ provided to environmental causes through December 31, 2022 amounted to NIS 4.4 billion

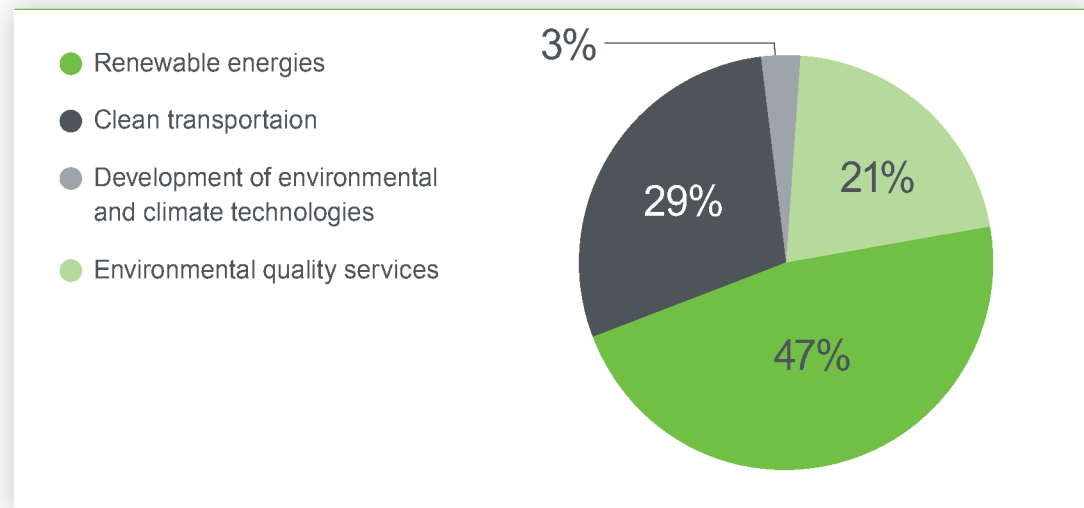
Financing for environmental causes in 2022



Total credit exposure² provided to environmental issues as of December 31, 2022 amounted to NIS 8.3 billion

1. On-balance sheet credit only.
2. On- and off-balance sheet credit.

Scope of credit exposure to environmental issues in 2022



Real investments

In 2021, the Bank established activities regarding real investments in accordance with the law, including activity permitted for a banking corporation as stipulated in the Banking Law (Licensing). Detection and examination of long-term real investments and their execution is carried out through the Real Investment Committee. In the Bank's investment policy, ESG aspects are taken into consideration and there is a preference for investing in companies that have an affinity for this area or that emphasize these issues. The real investment team conducts a quality examination and takes into account environmental considerations such as environmental and industrial pollution, impact on global warming (greenhouse gas emissions, etc.), damage to animals, plants and more. In addition, the examination is done taking into account social considerations, including: working conditions and the granting of rights to employees, donations, and also the company's support of the community. When making an investment decision, preference will be given to companies that see the importance of contributing to the environment and the community, and investments in companies that significantly harm the environment and the community will be taken into account in pricing. In 2022, all investments were made in conformity with the ESG-related investment policy.

Integrating ESG aspects into investment advice

Mizrahi-Tefahot Bank, through licensed counselors, provides financial and pension counseling services to its customers that are customized to their needs. The Bank's investment consulting department, which is responsible for disseminating investment recommendations to the branch investment consultants, disseminates recommendations from time to time that incorporate ESG aspects. In 2022, Bank Mizrahi-Tefahot promoted environmental, social investments with proper governance, with the help of financial products it offered to its customers, i.e. an ETF on this area, taking into account the ESG scores. The rating is included in the parameter table for analyst reviews in this sector. Some of the recommendations made are for shares specialized in alternative energy. From time to time, as part of their professional continued training, advisors receive updates and reviews with regard to ESG issues.



Mizrahi-Tefahot Bank regards environmental issues as an integral part of its responsibility. The Bank is preparing to identify and manage environmental and climate risk, including physical risk and transition risk, in conformity with current directives of the Supervisor of Banks, and recognizes that such risk may impact the Bank's financial success. The objective of the environmental risk management framework is to identify, measure, assess and manage environmental risk in conjunction with lending and to supervise and report such risk.

Environmental and climate risks

Risk definition

Environmental risks are risks arising from potential impact of environmental changes or environmental harm on financial institutions. The Bank is exposed to a loss that could stem from a borrower's financial position deteriorating due to the high costs incurred as a result of environmental hazards and environmental regulations, or from a drop in the value of collateral that is exposed to an environmental risk, which is caused by the project that it is financing. Environmental risk also includes other risk factors derived from this risk: goodwill, third party liability etc.

The Bank perceives and manages climate risk as empowering factors for all risk managed by the Bank, including credit, market, liquidity and reputational risk. Such risk arises from future effects of the climate crisis on the Israeli economy, and on the Bank as a substantial lender in this economy. The Bank regards these risk factors as an opportunity for growth and to support the Israeli economy in the required transition to a low-carbon economy, and adjustments required to address the impact of climate crisis. Climate risks arise from the increasing frequency and intensity of weather events due to global warming. The risk to the Bank is risk of financial loss or impact to reputation due to realization of various risk factors, including credit, regulatory, market, strategy, operational and other risk arising from physical risk and transition risk due to climate change.

Environmental issues are also integrated into the activities of the Bank's overseas branches.

Consequently, Mizrahi-Tefahot USA, which is subject to local regulation, has formed a policy and procedures on environmental issues. Furthermore, Mizrahi-Tefahot London uses principles published by the Prudential Regulation Authority (PRA) as guidelines for formulating policy on managing the risk of climate change.

Risk types

Physical risk – Risk arising from direct implications of global warming, including diverse climate and physical phenomena. Acute risk is physical risk including increased occurrence of severe climate events such as flooding, fire and draught. Chronic risk is physical risk including gradual, long-term change in climate systems, including gradually higher temperatures and lower precipitation, as well as other climate phenomena. Such risk has potential for extensive micro-economic and macro-economic effects. At the macro-economic level, such risk may impact the function of various economic sectors or across extensive regions impacted by such phenomena. At the micro-economic level, physical risk may significantly impact borrowers and Bank investments, due to impairment of assets due to extreme events, impact on business continuity (due to supply chain disruption, difficulty in employees attending the workplace and so forth) and lower demand for products due to loss of technological or business relevance arising from physical changes.

Transition risk – Risk arising from transition of the global economy to a low-carbon economy, so as to avoid and contend with the climate crisis. Such risk is divided into multiple sub-categories: policy and regulation, technology, market and reputation. Policy and regulation risk arises from frequent changes in demands by legislators, in Israel and world-wide, with regard to climate as reflected by changes in taxation, disclosure and licensing. Such change is already ongoing around the world, for example with the carbon tax instated in the EU, applied to goods import in high-emission sectors, and is expected to impact many companies in the Israeli economy. Technology risk arises from development of custom technology and alternatives for existing technology, in order to address the climate crisis, which may impact companies that develop or make use of existing technology. Market risk arises from changes of consumer and investor preferences, change to supply chains and prices of various raw materials. Reputation risk arises from loss of confidence in various companies and industries, due to preparing for the climate crisis – such risk may arise from change in consumer preferences, change in public sentiment for various industries and individual companies.

Bank preparation to address climate and environmental risk

In recent years, global awareness of the potential financial exposure has been increasing, as reflected in regulatory directives related to environmental aspects. According to the letter published by the Supervisor of Banks, banks are required to take action to incorporate environmental risk management in their set of risk, to design work processes to identify material risk when providing credit, and to include their assessments of the risk in their periodic credit quality assessments of credit provided. In December 2022, the Supervisor of Banks issued a public reporting directive to the banking system, with regard to public disclosure of ESG aspects. The directive highlights the significant importance which the Supervisor of Banks sees in promoting the management of environmental risks and opportunities, including climate risks. Consequently, the Bank is preparing to implement the Basel principles and the regulatory directives being put in place in Israel with regard to management of climate aspects in financial operations. The processes launched by the Bank are based on regulation, on principles of the TCFD¹ framework and on leading global practices in this field. As part of preparations, the Bank is currently forming the corporate governance structure for management of climate risk, development of methodology for identification, assessment and management of climate risk and development of diverse environmental products designed to benefit from climate-related opportunities. The Bank has started the process of setting long-range goals and benchmarks for management and monitoring

1. Task Force on Climate-Related Financial Disclosures.

of preparations for the climate crisis. Furthermore, the Bank is currently preparing to calculate the carbon footprint of its financial assets and credit, using the PCAF¹ methodology. Furthermore, in conformity with global practice, the Supervisor of Banks conducts annually a macro-economic extreme scenario based on the uniform scenario for the banking system. The Supervisor of Banks has announced that in addition to this scenario, they are preparing to conduct, in the near future, an extreme environmental scenario for banks in the system – designed to test the banking system's readiness for such risk. The range of impact of an extreme environmental scenario (decades) is significantly longer than that of extreme scenarios applied and measured as part of measurement of other risk at the Bank, and the Supervisor of Banks is preparing to conduct it by expanding knowledge of climate risk, collecting data and developing common models for assessment of such risk. In conformity with supervisory expectations, the Bank is preparing by studying and reviewing methodologies for applying extreme environmental scenarios, based on practices of global organizations.

Bank policy on management of climate and environmental risks

The Bank has an environmental risk management policy in place, as part of the approval of credit policy documents, which is the most relevant and important risk impacted by borrowers with potential to generate pollution and environmental hazards. The Bank's policy documents include dedicated environmental risk policies, including methodology for identification, assessment and handling of environmental risk.² The Bank takes action to assimilate environmental risk management in our set of risks; we formulated work processes to detect material risk when providing credit and we include the assessment of these risk, if such exist, in our periodic risk quality assessment of the credit we provided. The Bank, with the assistance of external consultants, reviews the implications of environmental risk as an integral part of the credit risk (in financial, legal and insurance terms). The policy on environmental risk management in lending, as part of the Bank's risk management and control process, accounts for considerations based on customer quality, repayment capacity collateral quality etc. – as well as environmental considerations, including potential impact to the environment due to borrower operations and potential environmental impact on their continued operations. The Bank incorporates environmental considerations in the provision of credit both in projects for which it organizes the financing and in the provision of ongoing credit to companies. This risk assessment is performed in companies with a significant scope of activity and significant potential for environmental risk. In addition, when assessing the value of land for security, the Appraisal Section assesses environmental risk that are taken into account when providing credit, in the context of environmental pollution and their implications for property value, with emphasis on properties with potential for soil and groundwater pollution. In this context, a work process was built to handle the assets.

Identification, measurement and supervision of environmental and climate risks

- **Detection, identification and mapping** – The Bank mapped sectors with significant potential for environmental risk, including climate risk, including various sectors engaged in energy, industry, transport, desalination, mining and quarrying. This is primarily with regard to significant exposures to customers who are among the customers of the Business Division and in the Appraisal Department when determining the value of security for assets, while examining the potential for significant environmental aspects. The list of economy sectors to which the Bank's customers are classified was scanned and examined with the assistance of external consultants. In the scanning process, all business sectors of the economy were sorted according to the extent of their impact on environmental quality and climate in these aspects: sewage, hazardous materials, noise, radiation, waste, soil, air, odor, asbestos, CO₂ emissions

1. Partnership for Carbon Accounting Financials.

2. For more information on the integration of environmental and social considerations, see the chapter on Corporate Governance later in this report and the Corporate Responsibility Policy on the Bank's website.

and material customers operating in sectors with substantial potential for environmental risk, including climate risk, have been identified. This mapping is reviewed periodically, and changes and adjustments are made to it following guidelines, local and international regulations and standards that are published and in the context of the experience gained in this area.

- **Estimating the impact of environmental risk** – Credit that meets the specified criteria is reviewed, inter alia, in the following ways: asset appraisal (based on criteria for identifying land and properties requiring analysis of environmental aspects); material information published on financial statements; information received from customers, reports filed with the Ministry of Environmental Protection. For large-scale financing (as percentage of Bank capital) for real estate and land ventures, an environmental review is conducted if there are positive indications of environmental risk, in conformity with the criteria list defined by the Bank. This review has also been incorporated into reporting by supervisors of the project status. In very large infrastructure ventures (new construction) for which the Bank organizes the financing, an environmental assessment will be carried out with an emphasis on environmental hazards and compliance with the relevant regulation. In this regard: request of the technical/environmental consultant to address the environmental impact and estimated cost of the venture and the measures to minimize the risk, compliance with environmental regulatory requirements, the venture's purpose and future uses and operative measures to minimize environmental and climate risk.
- **Credit to economic sectors that have a significant environmental impact** – In the context of substantial credit applications to companies in industries identified as having significant environmental impact, attention is given to environmental risk that may affect credit repayment capacity, such as compliance with regulatory provisions, significant environmental costs and legal proceedings against the company, and these are weighted in the customer's total risk assessment.
- **Using environmental quality databases** – As part of our inclusion of environmental risk in our work processes, we compiled an extensive list of databases relating to environmental quality for our Business Division to use as needed. This list, which was compiled with the assistance of the Bank's environmental consultants, encompasses databases pertaining to planning and construction, licenses and permits, ratings and reports, legal databases, maps, etc.

Corporate governance and risk management at the Bank

Environmental risk management and climate risk are also discussed specifically by the Board's Risk Management Committee, which is an advisory committee to the Bank's Board on the subject of risk management, similar to most of the material risk that we face. The status of ESG risk management is reported semi-annually to the Board of Directors' Risk Management Committee and annually – to the Board of Directors. In 2022, the status of addressing ESG aspects was presented, and the Bank's policy document on ESG risk management and control was discussed and approved. Furthermore, management of environmental risk and climate risk is applied by the ESG Steering Committee headed by the Manager, Human Capital, Resources and Operations Division and attended by various division managers. The committee has a leadership role for policy, activity, control and reporting related to promoting ESG across all Bank operations. The committee meets on a quarterly basis and reports to the Bank's management on progress and improvement in ESG performance.

Moreover, an administration has been set up to accompany the process of preparing for reporting on climate risk based on international practices (TCFD). This administration consists of two teams: savings and opportunity identification team, and lending and opportunity identification team. The administrations include representatives from different Bank divisions, and consider incorporating climate aspects in business activity with Bank customers, and the impact thereof on credit risk on the one hand, and on related opportunities on the other hand. Along with risk management, the Bank acts to realize business opportunities related to the environment and climate, and acts to develop environmental products. As part of this activity, the Bank provides credit to promote environmental

causes and strives the expand such lending, including, inter alia, loans for development of green energy, public transport, waste processing and recycling, electric vehicles and so forth.

Exposure to market sectors subject to increased risk upon transition to a low-carbon economy

As of the end of 2022, the Bank has been developing methodology for identification and assessment of climate risk in its operations and in lending underwriting processes. In the first stage, and in conformity with the regulator's directives, in order to assess Bank exposure to climate risk, the Bank analyzed the total credit risk attributable to sectors classified as sectors subject to increased risk upon transition to a low-carbon economy. These sectors were selected based on their classification as such by leading global frameworks in this field.

Total credit risk to the public in economic sectors subject to increased risk accounted for 5.86% of total credit risk to the public for the Group as of said date.

Exposure to industries at increased transition risk

Economic sectors subject to increased transition risk	Percentage of total credit risk to the public
Fossil fuels ¹	1.08%
Agriculture – animal husbandry	0.05%
Power generation using fossil fuels	0.74%
Producers of cement, metal products, wood products and paper	1.14%
Rental real estate	2.37%
Transport, shipping and manufacturing of vehicles	0.48%
Total	5.86%





Employee training on climate and environmental risk

Another way that we integrate environmental risk in our set of credit considerations is by enhancing Credit Department employees' awareness of environmental risk. The Business Division headquarters delivers training in this area, assisted by external professional advisors from the environmental protection and legal fields, to relevant officers within the Division. Such training includes identification of warning signs with regard to environmental protection risk, implications of such risk for business aspects, regulatory updates, information sources which contain disclosure of environmental risk issues, how they are managed by corporations (investments and expenses in this regard, lawsuits and so forth) and environmental risk aspects in insolvency proceedings. These specific training sessions are adapted for operating features of the business units, with a review of work processes related to environmental protection, whether in the normal course of business for corporations, in project assistance, in assets pledged in favor of the Bank and in legal documents.

The Bank considers it very important to assimilate the issue of environmental risk and climate risk in its ongoing operations. In this context, in 2022 the Bank delivered 1,386 training hours on environmental protection and environmental risk management. In the Business Division, the topic of environmental risk and expansion of policy and activity in this regard was deployed at internal meetings with relevant officers. The meetings included presentation of an overview of environmental risk in general, and the issue of climate risk and the increase in their importance in particular, and emphasis was placed on warning signs, the existence of which requires an in-depth examination of the environmental aspects.








1. This sector includes the entire value chain of fossil fuels, including exploration, mining, production, refining, marketing and sale of products based on fossil fuels, including coal, oil and gas.

Achievement of 2022 goals

Specified goal	Response to SDGs	Status
Promotion of the planning and construction of the future MTL campus at a WELL standard and green standards.		Being done.
Continued promotion of consumption reduction initiatives such as the replacement of lighting and air conditioning systems.		Done.
Establishment of strategic teams for construction and implementation of efficiency plans to reduce paper consumption (including a reduction in the use of disposable tableware), and a reduction in the use of fuel.		Done.
Within five years, at least 80% of the vehicles will be electric or plug-in (hybrid). ¹		Carried out in conformity with the work plan.
Determination of a plan regarding the efficient use of electric vehicles (such as driving distances, charging areas, ability to install a charging station at the employee's home, etc.).		Done.
Sign an agreement for the construction of a power plant for electricity generation on the MTL campus.		Implementation postponed to 2023.
Planning and a tender for the installation of photovoltaic cells at the MTL campus.		Under feasibility review.
Raising employees' awareness for reducing energy consumption and dumping waste of various kinds in designated places.		Being done on regular basis.

1. This objective is part of a multi-annual plan to reduce the carbon footprint by 2030.

Goals for 2023

Specified goal	Response to SDGs
Raise employee awareness of reducing energy consumption.	 
Deployment of digital mortgage file project across all Bank branches, in order to reduce paper consumption and expand the use of digital signatures for various services.	
Reduce paper consumption by 30% over three years (after the Digital Mortgage File project is in use).	
Promote signing an agreement and planning for construction of power station based on natural gas at MTL (which would also reduce the use of the diesel generator).	  
Bank preparation for all regulatory changes, both local and international, and for reporting requirements regarding climate and environmental issues, formulating climate policy and governance and publication of TCFD report.	

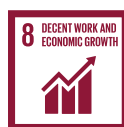
Social



Mizrahi-Tefahot Group operates with accountability for customers, employees and communities with which the Bank is involved and which the Bank impacts. Such accountability is part of the Bank concept of integration of innovation and human aspects.

Moving Forward While Staying Personal

10:35 ✓



Mizrahi-Tefahot Group is committed to success of all its customers, acting to generate value for them over time in all of its operating segments. This commitment is reflected by fair and transparent conduct with inclusion of other demographics in the financial system by creating a range of channels for providing service and products customized to the needs of every customer. It is also committed to listening to customer needs, to ensure their privacy and to providing professional tools for their success.

In order to implement this policy, the Group takes action on four levels:

- **Customer experience** – the Bank regards customer satisfaction as a benchmark for success, and therefore sees great importance in quality of service, striving to provide optimized, personal service to all customers. The Bank is committed to fair conduct vis-à-vis customers, to create a variety of channels for them for obtaining services, and to develop banking products suited to their needs, while ensuring customer privacy and attentiveness to customer needs.
- **Fairness and transparency vis-a-vis clients** – are fundamental values in the Bank's Code of Ethics and in the perception of its corporate responsibility. A fair relationship with all stakeholders, and especially with customers who are at the center of business activity, is the basis for trust, success and high satisfaction.
- **Promoting products and services for the entire population** – The Bank offers a range of financial products and services, including deposits and savings channels, as well as special benefits, according to needs of its different customers, their financial situation, their different life stages and the unique needs of different demographics.
- **Financial inclusion** – Being a leading financial institution, the Bank acts to have most of its financial services accessible to the entire population on equal basis. To this end, the Bank acts to develop custom products for diverse demographics, financial education and digitalization. The Bank also continues to provide a solution through Bank branches to demographics with reduced access to the financial system.

Customer experience in various service channels



Mizrahi-Tefahot Bank sees great importance in the quality of service and works to provide personal and optimal service to all its customers. The Bank places the customer at the center of its endeavors, listens to their needs and wants and improves their service experience. The human service concept allows the Bank to provide individual care to each customer, perfectly aligned with their needs and aspirations, with fair and professional reference that is transparent and mutual.

204 service points – The basis for making services accessible to the general public is through Group branches deployed nation-wide. Branches are primarily aimed at providing professional, high-quality service to customers of all banking segments, close to the location where the service is required (residence or place of business). The Bank's unique growth strategy is reflected in consistent growth in the number of branches providing solutions for diverse segments. Although this year, the total number of Group branches declined slightly, due to completion of consolidation of Union Bank and its branches, the banking network of Mizrahi-Tefahot and Bank Yahav continued.

As of the end of 2022, the Group has 204¹ service locations nationwide, including business centers, branches and affiliates. The expansion of its branch network is in accordance with the strategic plan, with location selection based on considerations such as providing optimal service to customers, economic viability considerations etc. All Bank branches offer full cashier service. Most Bank branches also offer financial and retirement savings advice customized for customer needs, provided by a qualified advisor. All Yahav branches offer queue-replacement services and some offer full cash services. In addition to the regional branch network, the Bank operates 6 "Live" branches, offering banking services to customers by using direct and digital channels, rather than in person, during extended business hours: 7am to 8pm.

Hybrid banking – Bank customers receive banking services through diverse key channels, under the Hybrid Banking method – which optimally integrates personal and digital banking, offering customers direct access to their personal banker at the branch. In this context, the Bank has also expanded the channels of communication with customers through WhatsApp (in the first stage with new customers and in 2023, gradually with existing customers).

258 Self-service stations – As at the end of 2022, customers may use 258 self-service stations, of which 73 at Bank Yahav. These stations enable a variety of operations, including depositing cash and obtaining information independently. Most of these stations are available 24 hours a day, even when the branch is closed.

274 ATMs – At the end of 2022, the Group had 274 ATMs, including 53 at Bank Yahav. Some ATMs are not adjacent to branches.

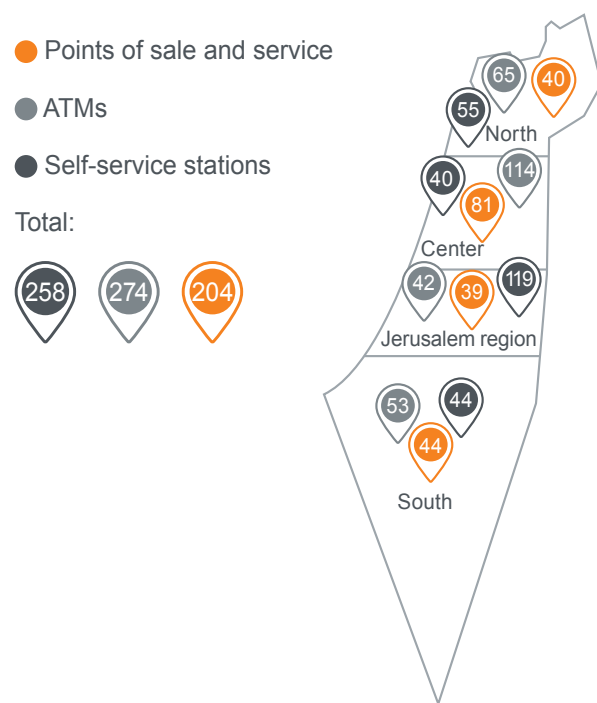
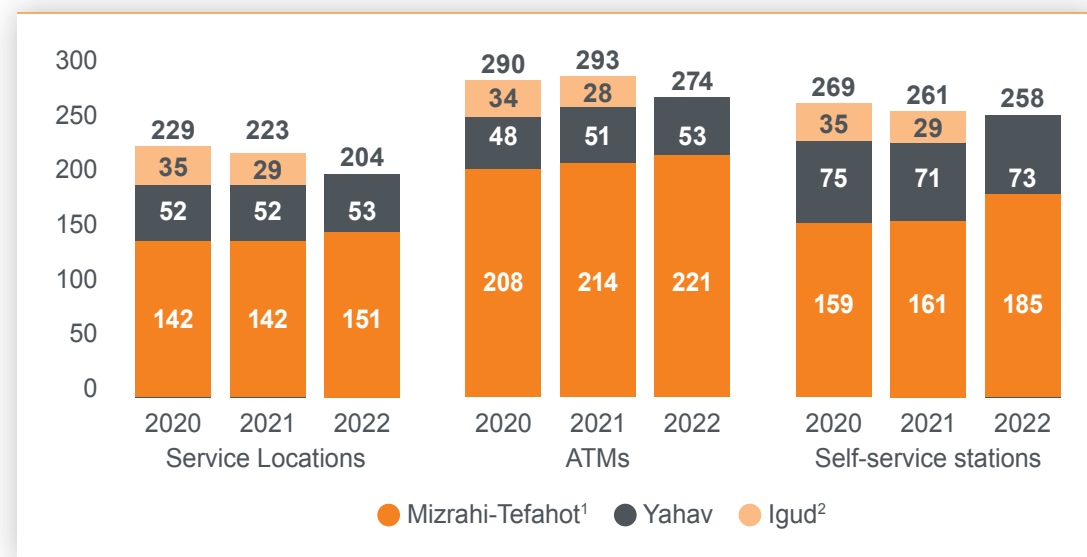
Diverse communication channels – Mizrahi-Tefahot Bank offers its customers a range of apps to conveniently access all its financial products and services, including the most advanced mortgage app in Israel, and an app for managing their capital market activity. The Bank also operates a professional website that combines means to contact a personal banker. The website offers do-it-yourself information about all Bank products and services, allows you to contact a banker, advisor

1. Including Bank Yahav.

or the Investment Center. On the website, operations can be performed without a representative using a computerized phone service 24 hours a day. The website is also available in Arabic and English and provides services to diverse populations.

Providing a solution in multiple languages – Customers that contact the call centers can be served in multiple languages, including: Arabic, French, Russian, Amharic, Spanish and English. Service may also be offered in multiple languages at some Bank branches, primarily those close to new immigrant concentrations.

Channels for provision of banking service



1. Excluding overseas affiliates
 2. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

Enhancing customer satisfaction

customer inquiries are an opportunity to reinforce and improve the relationship between the customer and the Bank, while increasing customer trust in and satisfaction with the Bank. The Bank views client inquiries as a very important source for identifying cases in which a professional, high-quality solution was provided and as an opportunity to empower proper conduct. However, the information in these inquiries is of great importance and impact for improving service, correcting faults and improving banking processes. Based on this viewpoint, the Bank has set itself the goal of optimally handling public inquiries. Moreover, the Bank not only strives for the satisfaction of existing customers but also for that of new customers, and also makes an effort to create an optimal experience in the process of opening a bank account.

Satisfaction surveys

In order to assess customer satisfaction and to maintain high customer satisfaction, the Bank uses focus groups and conducts regular surveys, including satisfaction surveys, image surveys, interest surveys, customer experience surveys with regard to the contract process and so forth. These studies are transferred and presented to a range of relevant entities in the Bank, from the professional units to the Bank's management level. Based on the findings of the surveys and focus groups, the Bank forms strategic plans, establishes action plans and adjusts its conduct, both at the internal-organizational level and with customers. In 2022, approx. 33,000 customers and potential customers participated in customer surveys.

The Brandman Institute conducted a customer satisfaction survey for 2022 and found that both private and business customers' satisfaction (with no difference in scores for these groups) with Mizrahi-Tefahot Bank bankers remained very high and stable over time: Satisfaction with the banker was rated 8.7 (out of 10) among individual and business customers. Fairness of bankers at the branch was rated 8.9 by individual customers and 8.8 by business customers.

Kantar Institution – External surveys are also conducted in order to examine the quality of the customer experience in the mortgage segment. According to an external survey conducted by the Kantar Institution in 2022, Mizrahi-Tefahot leads as the Number one mortgage bank in Israel and in terms of mortgage banking expertise.



Bank Friendliness Index

Mizrahi-Tefahot Bank leads the Bank Friendliness Index for Small and Medium-Sized Businesses of the Ministry of Economy for the third year in a row. In November 2022, the Ministry of Economy published the "Friendliness of Business Banks Index for the First Half of 2022". This index is calculated on the basis of hard data obtained from the various banks, the amount of the Bank's credit to small and medium-sized businesses from total business credit, the relationship between the interest rate and the credit risk and the Bank's profitability rate from non-interest revenues, as well as data from surveys conducted among business owners and financial advisors.

Bank of Israel survey concerning household customer satisfaction with service quality at banks – according to 2022 survey findings, customers of Mizrahi-Tefahot Bank are more satisfied with service at the call center and with service at branches, and believe that Bank conduct with them is fair. Bank Mizrahi-Tefahot is a leader in perception of fairness.

Marketest Branding Index – Mizrahi-Tefahot ranked first in the index dated July 2022, as the bank that provides the best service and personal attention, the bank that provides the most professional service to its customers and gives the most professional advice for making financial decisions, the most available bank that offers a variety of contact methods for customers, the bank that offers its customers the most suitable products.

Brands Index – Mizrahi-Tefahot Bank ranked third among banks in the category "Banking and financial services". This index was based on a consumer survey among 3,500 respondents, who were asked to rate leading brands.

Awards and recognition

In 2022, too, the Mizrahi-Tefahot brand was recognized for the ninth time in a row as an Israeli Superbrand by the international Superbrands organization, active in 70 countries around the world. The Superbrand title is the most coveted, prestigious international title in branding, awarded to brands and managers for outstanding marketing and managerial performance to an international standard. This prestigious title is evidence of the strength of ties between the brand and consumers in the country and of the fact that the brand provides consumers with more tangible and emotional benefits compared to other brands. In addition, the Bank won first place (gold) in the EFFIE competition in the Finance category for its media campaign "To make progress and remain human," and second place (silver) in the B2B category for the campaign "Fighting for the business - Mizrahi-Tefahot gives a voice to small businesses".

Handling customer inquiries

Public complaints may reveal to the Bank the materialization of a cross-organizational failure event or the existence of failures in compliance with the Bank's procedures. The Ombudsman operates in conjunction with the relevant professional entities at the Bank to deal with the failures that led to the complaint, with the aim of preventing its recurrence, and sets an approximate schedule for the correction.

Semi-annually, the Ombudsman presents to Bank management their overview of the status of handling public complaints. The Ombudsman periodically reports to the Bank Board of Directors, to management, to the Bank of Israel and to the public on the website about the number of inquiries and their subject matter, at the detail level as required by Bank of Israel directives and by internal procedures. This reporting includes, inter alia, data for public inquiries at subsidiaries and overseas affiliates, including comments on recurring matters raised in these inquiries.

According to specified work procedures, for each inquiry received by the Public Ombudsman Unit, feedback regarding its receipt is provided within two business days, and a complete, professional response is provided within 45 days after receipt (except for some exceptional cases, where inquiries would receive a response within 60 days).

We rank high on the Bank of Israel's public appeals indicators

Our diligence about providing high-quality responses to our customers, and the quality of our handling of public appeals are also reflected in data published by the Bank of Israel. In November 2022, the Bank of Israel published its 2021 report, which presents indicators for the quality of handling of public appeals by the five largest banks, as follows:

- **The ratio between each bank's share of complaints and inquiries that were handled by the Bank itself and its share of the banking system** – Mizrahi-Tefahot Bank was ranked in 1st place for this indicator; its share of complaints and inquiries handled by the Public Ombudsman Unit smallest relative to its share of the banking system. This indicator shows the ability of first-line units to handle inquiries sent to them and to conclude treatment at the source.
- **The ratio between each bank's share of complaints and inquiries handled by the Banking Supervision Department and its share of the banking system** – Mizrahi-Tefahot Bank was ranked in 1st place for this indicator for the fifth consecutive year; its share of complaints and inquiries handled by the public appeals unit in the Banking Supervision Department was smallest relative to its share of the banking system. This indicator shows the Public Ombudsman Unit capacity to provide a complete, high-quality resolution to inquiring customers and to conclude handling of most cases within the Bank – with only a few resolved by customer appeal to the Banking Supervision Department.
- **Rate of justified complaints from all the complaints decided in the Banking Supervision Unit of the Bank of Israel** – Bank Mizrahi-Tefahot is ranked second in this indicator.

2022 was characterized by further increase in the number of inquiries, which started during the COVID pandemic due to customers' distress resulting from the pandemic events. However, and due to the Bank merger, the Bank received inquiries from Union Bank customers whose account was transitioned to the Bank and was not optimally completed in their opinion. The inquiries raised recurring issues for the purpose of implementing lessons learned and dealing with the customer inquiries. During the transition period, the Bank provided fair personalized solutions to customers, while strictly maintained our organizational culture of fairness, which enhances customer confidence in the Bank.

The customers' inquiries are received directly in the Public Inquiries Unit and through various entities in the Bank, the Bank of Israel and other external entities. The Bank website provides the client Service Treaty, which elaborates the Bank approach to inquiries and the different ways to contact the Public Ombudsman Unit. The Ombudsman Unit is headed by the Ombudsman, reporting to the Bank's Chief Internal Auditor. The ombudsman and the unit's staff are tasked with handling each customer appeal objectively and without bias, to thoroughly examine it and to respond promptly to the customer. The Bank is committed to handling all inquiries according to the values in its Code of Ethics and our organizational culture, which highlights the values of reliability, integrity, fairness and transparency. In Bank Yahav, the officer in charge of handling public appeals works in the legal counsel and compliance department.

As part of the Bank's process of drawing conclusions, it follows up on deficiencies that are found until a solution is found, informs its employees about sensitive issues and trains its employees on the subject of fair treatment of customers. In accordance with the work procedures defined in the Bank, any complaint received by the Bank will be answered and it will be explained as much as possible, will address the allegations raised in the complaint and will be supported by references as appropriate.

As part of the response, the Bank clarifies to the customer that he has the right to object to the Bank's decision on his complaint to the Supervisor of Banks, if the matter is within his area of responsibility. If, as part of the complaint investigation process, it has been determined that the complainant is entitled to monetary relief or relief of equivalent value, the reasoning regarding the manner of determining the remedy is detailed in the response.



In 2022, employees attended **47,538** training hours on customer service-related topics.

Data for 2022

The Bank transparently publishes information on public inquiries handled during the year on the Bank website.

The following are data regarding all inquiries received at Mizrahi-Tefahot Bank, Bank Yahav and Union Bank in 2022 that were handled in the Public Inquiries Unit:

- In 2022, we addressed 5,685 complaints.
- 75% of inquiries were complaints and 25% were requests.

	Requests	Complaints
Mizrahi-Tefahot	1,305	4,340
Union Bank ¹	532	468
Yahav	118	877
Total	1,955	5,685

Subject	Mizrahi-Tefahot		Bank Yahav		Union Bank ¹	
	Percentage of complaints in 2022	Percentage of justified complaints in 2022	Percentage of complaints in 2022	Percentage of justified complaints in 2022	Percentage of complaints in 2022	Percentage of justified complaints in 2022
Methods of Payment	14%	23%	28%	11%	19%	35%
Housing loans	18%	17%	-	-	5%	15%
Quality of service	16%	22%	22%	7%	9%	6%
Current accounts (including overdraft accounts)	14%	24%	8%	10%	37%	13%
Loans (non-housing)	8%	13%	22%	9%	6%	9%
Other activity of the corporation	6%	14%	6%	9%	8%	45%
Deposits and savings	4%	17%	2%	15%	3%	40%
Foreign currency	3%	14%	5%	5%	5%	35%
Securities	1%	18%	2%	18%	5%	16%
information	1%	32%	2%	16%	2%	22%
Other	14%	58%	1%	8%		
Dormant account	0%	-	1%	0%	-	-

Findings with regard to complaints in 2022

In 2022, the rate of justified complaints was approx. 20% in Mizrahi-Tefahot Bank, approx. 9% in Bank Yahav and approx. 20%² in Union Bank (all other complaints were found to be either unjustified, or the handling was completed without taking a position³ or the subject of the complaint was not under the unit's authority).⁴ The high percentage of justified complaints at Mizrahi-Tefahot and at Union Bank is

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.
2. Including enquiries with regard to Union Bank merger classified more strictly, 25% of enquiries were justified.
3. Cases of "he said, she said", without established evidence, or cases in which there is no significance to determining a position, in order to provide customer relief and resolve the issue
4. Complaints regarding the fact that the branch did not authorize credit, fee discounts, or debt settlements.

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

also affected by the merger process, which increased the number of inquiries and the percentage of justified complaints. All justified complaints and deficiencies found are monitored through resolution. In order to learn lessons, training is provided to employees, listing examples of cases and common mistakes, to aid learning, improvement and reduction of justified complaints.



Fairness and transparency

Fairness and transparency are fundamental values in the Bank's Code of Ethics and part of its corporate social responsibility philosophy. A fair relationship with all stakeholders, and especially with customers who are at the center of business activity, is the basis for trust, success and creating shared value.

The Bank has a fairness policy and procedure in which it commits to maintaining a fair relationship with the customer. As part of this relationship, the Bank commits to providing customers with accessible and transparent explanations about the financial products and services offered through bank branches and online, including the implications of non-compliance with the product terms.

Responsible marketing and advertising

The Bank acts to provide transparency and clarity regarding its products and services, so as to help customers make informed decisions. In order to promote fairness and transparency, the Bank also ensures respectful, non-abusive marketing messages, in conformity with statutory provisions and with Proper Conduct of Banking Business Directives of the Supervisor of Banks. The Bank adheres to clear standards with regard to marketing communications, advertising, sales promotion and sponsorship. These standards form part of marketing procedures and are reviewed in each campaign and on regular basis, annually or more often as required.

The Group's marketing activity is conveyed to the public at large. As a leading market player, the Bank engage in marketing and advertising – both to potential customers and to existing customers – strictly in adherence to statutory requirements and in compliance with mandatory full disclosure, respecting the demographics in the Israeli population.

The Bank operates according to a fair marketing policy across all channels, including social media. Moreover, before marketing campaigns are launched, the planned communications undergo structured risk review and analysis of its potential impact. These matters are submitted for approval by management, and sometimes even by the Board of Directors.

In conformity with marketing procedures, all messages made public on behalf of the Bank are in compliance with legal requirements and with these principles:

- **Respectful, non-abusive advertising** – The Bank adapts its messages for various segments of the population, their norms and cultural values. These messages reflect the Bank's guiding principles for its current operations: reliability, loyalty, maintaining human dignity, professional integrity and commitment to the client.
- **Clear language** – Use of clear and understandable language is a mandatory foundation for providing high-quality service to clients. Mizrahi-Tefahot Bank strives to ensure that its customers properly understand their financial rights, obligations, and the terms of the products and services offered to them or existing in their accounts, so they can make informed financial decisions.

The field of marketing communications is managed according to all generally-accepted codes in this field, both in terms of rules of ethics and the voluntary codes, and the Group ensures that its advertising adheres to the rules of ethics of the Second Broadcasting Authority.

Fairness in product and services

The Compliance Officer is responsible for implementing fairness and transparency towards customers and maintains a continuous work interface with the Chair of the Ethics Committee and the Manager, Organizational Development and Training. The Bank works to instill the issue of fairness among all Bank employees, and this matter was discussed multiple times by Bank management in 2022. All customer-facing employees receive training about products offered by the Bank, becoming familiar with customer attributes and standards for service and sales, including product alignment with customer needs. Employees are provided with tools that would allow them to discuss with customers their financial needs, to ask the right questions and to propose appropriate banking solutions. When planning and approving a new financial product (deposit or credit), the product and its various components are examined in terms of fairness to the consumer.

The Bank also maintains extensive control over its lines of business and acts to maintain effective enforcement programs adapted for the Bank, as part of overall risk management at the Bank, including fairness risk. The bank instills the values of fairness through training, brochures, and eLearning kits. Bank customers receive full disclosure about the offered banking products that are suitable for them. Mizrahi-Tefahot Bank operates multiple decision-support tools to assist bankers in optimal matching of customer risk level and repayment capacity with their needs and the banking products that may be offered to them. Bankers are required to regularly undergo learning, training, and knowledge tests to ensure that they are well-versed in work procedures and know how to optimally tailor the products and services to customer needs. Moreover, ethical training is provided for Bank employees every quarter, which includes, among other things, addressing the ethical aspects in service and sales situations.

Managing the fairness risk

Mizrahi-Tefahot Bank conducts itself with fairness towards all stakeholders and manages fairness risk as part of its overall compliance risk, which is managed by the Manager, Risk Control Division assisted by the Compliance Division. Fairness aspects are reviewed during development of new products or activities. The Bank's risk appetite pertaining to fairness risk is negligible. In 2022, the Bank received no fines nor warnings concerning non-compliance with voluntary regulations and codes with regard to providing information about services and product marking, nor concerning marketing communications. Every new product at the Bank is approved through a new product approval process, which includes input from all relevant business parties, gatekeepers, management, and the Board of Directors' Risk Management Committee. Moreover, the Risk Control Division annually presents an overview of new products or activities which went through the Bank's new product checklist in various approval tracks, for discussion by management and by the Board of Directors' Risk Management Committee.

Highlights of Bank work to promote fairness and optimal solutions to customers:

- Ensuring continuous dialogue with the customer, while making accessible the various contact channels and ensuring the quickest possible response times for customer inquiries.
- Beneficial familiarity with the individual customer and personalization of the products and services offered to each customer, based on their needs.
- Ensuring that the customer understands and is familiar with the products and services offered to them, by providing a clear, simple, and detailed explanation of the costs, terms, risk, and opportunities arising from the product or service, and obtaining prior consent for transactions in the account.

- Making the products and services accessible to people with disabilities.

Following the publication of the Supervisor of Banks' letter on "Consumer fairness in a changing financial environment" in September 2022, which emphasized the importance of customers understanding the implications of recent interest rate and inflation changes, this matter was discussed by Bank management. The Bank issued policy and guidance for branches to ensure that customers are familiar with investment products and are fully aware of the various terms and conditions. Thus customers will gain in-depth understanding of all the implications and consequences resulting from their financial decisions, with an emphasis on the following topics:

- **Mortgages** – Tailoring the mortgage to customer needs, providing confirmation and information about locking interest rates and presenting comparative data related to the Bank of Israel forecasts, including the anticipated total interest.
- **Deposits** – In-depth understanding of customer needs and characteristics while tailoring the deposit accordingly, providing full and detailed disclosure to the customer with emphasis on the deposit interest rate, the deposit term, and exit points for the deposit.
- **Loans** – Specific reference to a volatile interest rate environment when extending a loan at variable interest rate (Prime) and verifying that the loan type and repayment terms requested by the customer are suitable for their purpose and needs, their financial situation and their ability to make credit repayment.

Full disclosure

The concept of fairness and transparency towards customers is primarily based on providing all the necessary information regarding financial products and services in a clear and accessible manner for every customer. This enables customers to make the best decisions for themselves. The Bank makes sure that agreements with customers comply with legal requirements and with directives of the Supervisor of Banks regarding full disclosure and are clear and easily understandable. As part of the Internal Audit Division's work plan, audits are also conducted of information with regard to various products and services offered to customers. These audits include sampling of customer agreements. In the event that there are agreements in which an update is required, including the issue of due diligence and fees, the issue is reflected in the audit report.

The publication of marketing messages about products and services, as well as providing updates to existing customers, are made in accordance with Group values and provisions of the law and of the Supervisor of Banks, and include all of the information required in accordance with mandatory proper disclosure.

The Bank monitors its customers' perception and sense of fairness in order to analyze the Bank's position and image as a fair bank compared to other banks. The internal reputation survey of the Bank, conducted quarterly by the Kantar Research Institute among major bank customers in Israel; The survey conducted in 2022 among the public at large, found that Bank Mizrahi-Tefahot is perceived as a bank about which it is most appropriate to say that it is fair to its customers, similar to previous years.



In 2022, we delivered **37,029** training hours on fairness with customers.



Bank products and services

The Group offers a range of financial products and services, including deposits and savings channels, as well as special benefits, according to needs of its different customers, their financial situation, their different life stages and the unique needs of different demographics.

Key products offered by the Group's different operating segments¹

Banking and finance – all of the banking services being offered to private and business customers and to corporations, including the management of current accounts and current loan accounts, the provision of credit and various types of guarantees, the receipt of deposits, State-guaranteed loans, foreign trade activity (import, export, documentary credit, etc.), loan operation, syndication transactions, factoring, activity with derivative financial instruments, including foreign-currency and interest-rate trading.

Deposits – The Bank promotes deposits by offering a wide range of deposits to customers of any bank, with various liquidity and terms. The deposits offered carry attractive interest rates, revised based on the Bank of Israel interest Rates, in line with customer needs and market conditions.

Capital market – security transactions for customers on stock exchanges in Israel and overseas, advisory service for capital market activity, provident fund and mutual fund operating services and mutual fund operation and distribution and trust services for mutual funds and debentures, which are among investment tracks available to Bank customers, including portfolio management for customers. At the Bank website, the Capital Market topic is made accessible to customers through content, articles and weekly economic reviews that may be listened to. The Bank also has a subsidiary, Etgar Portfolio Management of Mizrahi-Tefahot Group Ltd., engaged in investment portfolio management for securities and in providing investment advice to Bank customers and to customers of other banks.

Credit cards – All financial products and banking services provided in conjunction with credit cards issued to Bank customers by credit card companies in Israel. The diverse financial solutions are made accessible and are tailored for diverse customer needs.

Mortgages – Mizrahi-Tefahot leads the mortgage market in Israel, in which the Bank provides housing loans secured by a mortgage on a residence, from the Bank's funds, within the framework of government assistance programs, as well as loans for all purposes. In addition, the Bank provides financing solutions for selected populations, such as its pension mortgage for the elderly population and its mortgage for businesses.

Construction and real estate – Extensive banking activity with companies in the real estate sector, as well as unique banking services for the real estate sector, including the financing for real estate projects, urban renewal by the closed financing method, financing for rental real estate. The Bank also offers various types of credit tailored to the financing needs required for the business activity of construction and real estate companies.

1. The Group does not offer nor sell financial products and services that have been banned or prohibited.

Major infrastructure ventures – The Bank leads financing of major infrastructure ventures across a wide range of areas: solar energy projects, transportation ventures, desalination ventures and so forth. In such ventures, the Bank also considers environmental aspects.

High-tech – The Bank expands its activity among business customers in the high-tech sector in Israel and overseas (including start-up companies), through the High-tech Department in the Corporate Sector of the Business Banking Division and at overseas affiliates (USA and UK).

Mizrahi-Tefahot Invest – Mizrahi-Tefahot operates a real investment branch, in which the Bank considers making real investments in mature companies, real-estate companies, funds and investment in high-tech companies. The investment examination also includes ESG considerations, and the Bank will avoid investing in companies that do not comply with the Bank's policy on this issue.

Investment Advice – Mizrahi-Tefahot provides financial advisory services tailored to the customer's needs by certified advisors. Investment advice is provided nation-wide at Bank branches and through the Investment Center.

Pension advice – The Bank offers pension advisory services to all customers at no cost, provided by licensed pension advisors nation-wide. The Bank website includes an area dedicated to pension advice, including information and professional explanations in friendly, accessible language.

Insurance marketing (insurance incidental to mortgage) – Tefahot Insurance Agency (1989) Ltd. is an insurance agency, wholly owned by the Bank, which sells life insurance and home insurance policies to customers taking out a mortgage at the Bank.

Innovation in Bank products and services

The Bank acts to promote and adopt innovation in all its activities, with constant review of the pace of technology development and changes in consumer habits and preferences, in Israel and world-wide. Multidisciplinary teams in the Bank are tasked with advancing innovation in products and services, including assimilating innovation in operational processes, analyzing how innovation can be introduced into the Bank's real investment activities, digital and technological innovations and assimilating an organizational culture of innovation in all of the Bank's divisions Bank. Additionally, content and methodologies on the subject of innovation are incorporated into the Bank's employee training and management training programs.

We encourage our employees to take part in advancing innovation, improving work processes and customer-service processes. The Bank has launched an internal organizational program to promote innovation, in which a team of innovation ambassadors has been selected and trained from among the organization's employees and managers, innovative ideas are promoted in a unique "accelerator" process in integrated work teams.

The employees' and managers' training in the organization also deals with innovation. In 2022, we provided 15,179 hours of instruction on innovation-related topics.

Furthermore, the Bank operates a committee for "promoting initiatives for improvement, savings and streamlining", whose role it is to discuss employees' suggestions for improvement and streamlining of work processes. The committee convenes quarterly to discuss the suggestions submitted. The best suggestions are implemented in the system and entitled those who offered the suggestions to prizes awarded at a festive ceremony with the participation of the Bank CEO. This tradition was very successfully deployed at the Bank, which is an important value in the Bank's organizational culture. In 2022, employees suggested 1,139 proposals for improved efficiency, of which 71 were incorporated in work plans of different Bank divisions.

New products at Mizrahi-Tefahot

- **Car financing loans** – As part of the Union Bank merger, Mizrahi-Tefahot received the subsidiary, Union Bank Leasing, which provides car loans to individual customers, who may not be Bank customers, and financing leases for business customers.
- **Consumer credit** – As part of the Union Bank merger, Mizrahi-Tefahot received the loan operations to non-Bank customers, as part of a new Consumer Credit Department launched by the Bank in late 2022.

Mortgage products

As Israel's leading mortgage bank, the Bank acts to customize financial solutions for its customers and for the public in Israel, so as to enable them to strike a balance between their needs and their financial capabilities in the short and long term.

Based on the understanding that buying a home is a significant step for customers – and in particular for young couples, who mostly lack financial knowledge – the Bank strives to provide its customers with personal assistance from an expert banker to help them select the ideal track for them. The Bank has also developed an advanced digital tool, the Tefahot Touch app, to facilitate the customer journey in obtaining a mortgage and contacting the expert banker. The customer may, at any stage in the process, update documents, monitor the mortgage process from their PC and correspond with the banker at any time.

The Bank provides service to customers who wish to change the date of their monthly mortgage payment, replace a guarantor, make changes to their payment schedule due to financial difficulties, repay their mortgage ahead of time and so forth.

The Bank offers the following services, inter alia:

- **Retirement mortgage** – A product developed by Mizrahi-Tefahot Bank, allowing borrowers aged 60 and over who own a mortgage-free residential property to get a mortgage. During the year, the Bank promoted the product in order to increase its awareness among the target audience in response to needs at this post-work age (for more information, see the Unique Response for Different Demographics chapter).
- **Rural mortgage** – The Bank has extended its mortgage product offering for the Arab society, adapting it to their unique needs.
- **"Mortgage on hold"** – This product allows the customer to occasionally put their mortgage payments on hold, in order to make life easier for them in periods when expenses are higher or income is lower. In this way, the Bank makes it easier for the customer, giving them control over managing the mortgage and adapting it to their changing needs.

Products for the business sector and for high-tech companies

In the business sector, where financial management is complex and has unique attributes – the service of a human, personal banker. The hybrid banking system at the Bank uses all digital channels, in order to allow customers to have direct and available contact with their personal banker, who knows the business and its owner and provides an important professional anchor for them. In 2022, the business customer base increased both as a result of an increase in the number of new customers at the Bank and as a result of the merger with Union Bank.

In addition to the extensive professional infrastructure created by the Bank for the business sector, the Bank has developed direct banking tools and customized products, that have added value for business customers:

State-guaranteed loans to small and medium businesses – The Bank provides loans to small and medium businesses as part of State-guaranteed funds. These loans are used, inter alia, to create new businesses, to develop existing businesses and to promote businesses in outlying areas in Israel. This is an attractive credit offer, which allows businesses to evolve and progress. At the Bank, the business is assisted by professional bankers all the way to the actual loan origination. A new State-guaranteed fund (the 2023 Fund) was launched in late 2022, replacing the 2016 Fund.

"Mortgage for businesses" – The Bank offers a unique, innovative product, named "Mortgage for businesses", which helps the business owner in acquiring a property for their current operations, in lieu of leasing. The loan is repaid over many years.

Foreign trade – The Bank is expanding its foreign trade operations and offers advanced solutions for business customers. This so as to allow Bank customers to conduct import/export business in many countries around the world, including in emerging markets. Customers receive all the foreign trade services they require under one roof, including assistance and advice, from negotiations through closing of the transaction. We encourage customers to connect to the import payment service using the EDI (Electronic Data Interchange) system, which enables them to execute money transfers to suppliers and banks abroad simply and quickly.

Credit to small businesses for real estate – Out of our desire to provide rapid professional responses to credit applications from small businesses, small purchasing groups and small real estate development projects, we operate two specialized business units in the Bank: the small business mortgage department and the real estate development department in the business division, which provides credit to small real estate development projects.

Promoting high-tech companies – The Bank provides services to business high-tech customers (including to start-up companies) through its High-tech Department at the Business Banking Division and through overseas affiliates of the Bank. Each year, hundreds of start-ups are created, and the Bank offers diverse financing options appropriate for such companies. The Bank also finances startup companies during their growth stages via a variety of financing models. We encourage entrepreneurship and innovation in the Israeli economy and intend to help these young companies succeed. The Bank's High-tech Department, has amassed expertise over the years in financing startup companies via a venture lending model, under which the Bank provides credit for several years and, inter alia, sometimes receives options in this companies. The Bank is active and provides financing to start-ups in various segments, including: agricultural technology, air purification and monitoring. This is part of our overall strategy of expanding the Bank's activities to with technologies that help improve people's standard of living and quality of life.



Development of social products with shared value

The Bank recognizes the importance of identifying risk and opportunities facing the Bank and provides loans for development, construction or launching of products with a positive environmental and social impact, whereby the Bank takes part in generating shared value with its customers. The Bank, being a major financial institution, is aware of its accountability for economic stability and growth and supports micro and small businesses by providing loans to businesses in outlying areas and through various funds which promote social goals. The Bank also promotes social businesses and NGOs that help under-privileged populations.



In 2022, the Bank provided social credit

amounting to NIS **4.11** billion, to promote social causes¹.

Promoting small businesses

- **Credit for small businesses – "The Northern-Southern Fund"** – The Bank promotes small and medium businesses in outlying areas, by turning these regions into attraction hubs, by creating employment, increasing revenues and improving quality of life.
- **Development of small businesses from socially outlying areas²** – The Bank provides credit for micro and small businesses located in towns with low-medium socio-economic rating, thereby assisting in promoting the economy and employment in these areas.
- **Government-backed fund for small and medium businesses** – Since 2012, the Bank has been active in the Government-backed fund for small and medium businesses. In 2016, the Bank won in the new tender conducted by the Government and started providing loans in this context from May 2016. In December 2022, the Bank started operating in the new State-guaranteed fund for small and medium business customers.

1. Data included under Social Credit has changed since the previous 2021 Report – in the current year, this data excludes high-tech companies that promote social causes, and the area of "Development of small businesses from socially outlying areas" and "Lending for social services and infrastructure in socially outlying areas". The credit amount indicated is for on-balance sheet credit only.

2. Businesses located in towns included in clusters 5-1, according to the Central Bureau of Statistics' socio-economic index for 2017.

- **The COVID Fund** – From April 2020 to May 2022, the Bank provided loans to businesses, designed to bridge the cash flow gap created due to the COVID outbreak.

Community assistance services

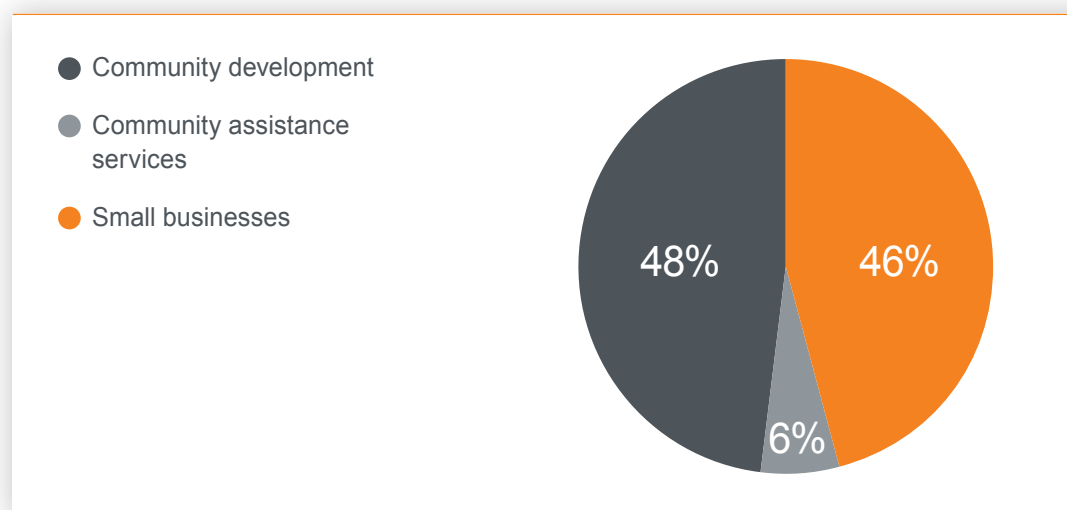
- **Credit to NGOs and assistance organizations** – The Bank provides credits to NGOs operating to benefit Israeli society. The Bank also provides credit to businesses providing assistance in healthcare and welfare areas.

Community development

- **Loans in cooperation with IVN Yozma Fund** – The Bank provides loans in jointly with the Fund, which focuses on the development, investment and support for social businesses that focus on vocational training and employment for youth and youngsters at risk, people with special needs, paroled prisoners, the elderly and single-parent families. In 2017–2022, the Bank provided loans amounting to NIS 1 million for Yozma Fund.
- **Lending for social services and infrastructure in socially outlying areas¹** – The Bank provides loans to promote education, healthcare, welfare and culture and for infrastructure development in outlying areas.
- **Ogen social lending fund** – The Bank has provided a credit facility to Ogen for provision of social loans to borrowers that cannot obtain loans otherwise.
- **Social investments by US branch** – In 2022, Mizrahi-Tefahot USA made social investments, as required by the Community Reinvestment Act (CRA), in dedicated mutual funds that provide mortgages to under-privileged populations and loans to small businesses in the US.
- **Social bonds** – The Bank's core investment portfolio includes a custom portfolio of bonds issued for social objectives:
 - **Teaching math and Hebrew to youth in Rahat (Rahat bonds)** – In 2019, the Bank became an anchor investor in social bonds issued to finance the "Math in Rahat" project, created by SFI. The debentures purchased by the Bank are used to invest in a project to enhance high-school math studies at high level (4 and 5 units) and to enhance Hebrew language studies at 7 high schools in Rahat (a total of around 1,200 students). To date, a total of NIS 2.6 million has been invested, out of which a total of NIS 0.8 million in 2022. The total amount to be invested through completion of this project is NIS 3.6 million.
 - **Training Jewish Orthodox men for the high-tech market (Developers bonds)** – In 2021, the Asset and Liabilities Management Committee approved the Bank's investment in another social bond – Developers bonds. In 2022, NIS 1.25 million was transferred. This bond is issued by a sister company of the issuer of the social bond currently in the portfolio held to maturity (Rahat bond). This bond is designed to promote increased share of Jewish Orthodox men in the high-tech market, by training them as programmers and helping them find employment after their training is complete.

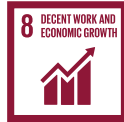
1. Segmentation in conformity with recommendations of the Community Reinvestment Act (CRA) in the USA and in conformity with SASB standard, adjusted for characteristics in Israel. This category includes lending in towns included in clusters 5-1, according to the Central Bureau of Statistics' socio-economic index for 2017, for services in education, healthcare, culture and welfare, for community and public facilities and for infrastructure development in such towns.

Social lending for 2022





Financial inclusion and financial education



Financial inclusion means ensuring equal access for all to financial services at reasonable cost. Financial inclusion is important for individual wellbeing and for stability of the financial system. It may improve individual wellbeing by providing conditions for emerging from poverty, reducing inequality in society, promoting business opportunities and supporting economic growth. Mizrahi-Tefahot Group acts to enhance financial inclusion, by providing a custom response for various demographics based on their needs, promoting under-privileged demographics and customers in crisis, making Bank services accessible and through financial education.

A unique solution for diverse demographics

The Bank defined Arab sector, the Ultra-Orthodox Jewish sector and senior citizens as demographics on which the Bank wishes to focus over time and to deepen the relationship. This is based on the understanding that these populations have social and cultural characteristics, as well as unique financial needs, that require a custom financial response.

Arab society

The Bank sees great importance in providing a response customized to the specific needs of Arab society, and expands its operations in branches in Arab towns.

In order to improve access to Bank services for Arab society, and to further remove language and cultural barriers,

the Bank is acting to recruit Arab society employees, as part of its diverse employment strategy. Furthermore, Based on its understanding of unique mortgage needs in Arab society, in 2021 the Bank launched a unique product named "Rural mortgage". The Bank realized that roadblocks may exist in providing residential mortgages in Arab society and that such mortgages have unique features, including how land is recorded, significant low-rise construction, purchase of rental properties in cities with mixed population and variance within the sector (traditional / non-traditional, religious affiliation).

In the past two years, the Bank has offered a range of solutions in order to make its mortgage products accessible in Arab society and expanded the presence of mortgage bankers to branches in Arab towns as well. There were also conferences and round table meetings at branches serving the Arab society, and several custom advertising campaigns designed to promote this unique mortgage product.

Identifying these unique needs and intensifying the contact with Arab society resulted in 23% increase in loans originated in the Arab society in 2022 compared to the previous year.

The connection with Arab society was also reflected in meetings and in financial education. In 2022, the Bank incorporated special activities designated for Arab sector as part of the "Let us



meet at Mizrahi-Tefahot" program. These activities were broadcast via digital platforms tailored for the Arab society and containing customized content. Within the framework of these activities, nine dedicated "Let's Meet" programs were broadcast.

As of the end of 2022, the Bank has branches in the following Arab towns: Kfar Yassif, Nazareth, Shefaram, Sachnin, Baqa Al Gharbiya, Um El Fahem, Kfar Kassem and Taibeh, and a remote ATM in the Arara Council. The Bank also has branches in cities with mixed population.

Ultra-orthodox Jewish society

The Bank intensifies its ties with the Jewish Orthodox community by expanding activity in the existing branches and opening new ones. In 2022, two new branches were opened, in Elad and in Romema Neighborhood of Jerusalem, and a branch was opened in Modi'in Illit which is currently focused on mortgages and later on would also provide commercial activity.

The Bank specifically addresses the Orthodox Jewish society through specific media, by adapting the language of the marketing messages. This segment has been addressed through a range of channels. such as Orthodox press, radio, online and mobile websites, billboards and posters in cities identified with this society. The Bank has developed responses to the unique needs of the sector: dowry loans, determination of income taking into account scholarships received from studies at the Kollel, adjustment of the payment schedule to current and future ability, pension mortgage and in addition, the bank creates collaborations to finance designated residential complexes.

The Bank also continued to include activities focused on the Jewish Orthodox sector in its "Let us meet at Mizrahi-Tefahot" program, with content and speakers customized for the needs of this population. In 2022, two online sessions were delivered, regarding mortgage and general-interest topics. The Bank also conducted a special conference for mortgage advisors in the Jewish Orthodox sector, and delivered special mortgage-related presentations "Tefahot and Tschulent".

Senior citizens

As part of the plan to expand activity among senior citizens, the Bank uses multiple channels:

- **Making banking services accessible** – In conformity with regulation and beyond statutory requirements, customers aged 70 or higher are given precedence in the call center and in providing service in branches.
- **Pension advice services** –The Bank offers a pension advisory service, provided by licensed pension advisors, which is customized for needs of customers who are senior citizens, at no additional cost.
- **Specific area for senior citizens on the Bank website** – In 2021, a dedicated area was launched on the website, listing the information and services offered by the Bank for senior citizens.
- **"Digital banking empowerment for senior citizens"** - The Bank produced 3 training brochures on "The easy way to digital banking": These brochures are aids for senior citizen customers on using digital channels offered by the Bank. Customers who are interested can receive personal training on digital activities at the Bank's branches.
- **Pension mortgage** – In 2020, the Bank developed a product that provides a solution for the retiring public: a new unique financing plan with maximum flexibility called "Pension Mortgage", which enables financing of current financial plans or financing of a large one-time expense and at the same time, the borrowers keep the property they own. In 2022, the Bank continued to expand the number of branches that provide this product solution and promoted awareness of the product in various media channels and through special conferences to highlight this topic.

Promoting under-privileged populations and help customers in crisis

The Bank is committed to supporting under-privileged populations in Israel. This is due to the Bank being part of Israeli society and because some Bank customers come from these populations. The Bank also took action to identify business and private customers who encountered difficulties due to the Covid-19 crisis, and provided unique solutions to help them get through this period.

Promoting under-privileged populations

The Bank provides support for under-privileged populations in Israeli society, including debtors, abused women and population in need, both directly and through organizations that work with these populations.

- **Assistance for abused women** – The Bank complies with the voluntary convention launched by the Banking Association in co-operation with the Bank of Israel, to facilitate dealing with financial issues for abused women staying in shelters and in temporary housing. The purpose of this covenant is to assist women who reside in shelters for abused women, both through a special contact person who is available to help these women in real time, and through agreement in principle, subject to certain conditions, to delay legal proceedings against these women. In 2022, Mizrahi-Tefahot Bank received 31 applications from shelters providing assistance to women and from shelters for abused women – which were handled by the special contact person. Bank Yahav received 21 applications.
- **Retaining interest for Holocaust survivors who receive reparations** – A plan for retaining a uniform, attractive interest rate for customers (Holocaust survivors who receive reparations) and allowing such deposits to be renewed indefinitely.
- **Commissioner of Insolvency's voucher payment system** – The Bank won the tender to provide voucher payment services to individuals or businesses in insolvency proceedings. As part of the service, the Bank allows debtors who have been required to pay a monthly payment as part of the insolvency proceedings to pay the vouchers at the cashiers of some of its branches.
- **Deferral of mortgage payments** – Assistance for customers in need at any time, such as the deferral of their mortgage payments before holidays, a time when household expenses rise and it sometimes becomes difficult to pay off the mortgage.
- **Services for those eligible for Ministry of Construction and Housing Assistance Program** – The Bank acts as an extension of the State in servicing eligible Ministry of Construction and Housing recipients. These services include loans within the Ministry's assistance program, including location-based loans and contingent grants and loans for designated populations (residents of the periphery, new immigrants, persons with limited mobility etc.) Note that Mizrahi-Tefahot Bank is a key player in eligibility loan origination, and the Bank's extensive branch network makes it accessible to those eligible for Ministry of Housing programs.

Assistance for customers in crisis

It is Bank policy to provide fair service in line with the customer's situation, especially in cases of financial hardship and in times of crisis. The Special customers Sector of the Business Banking Division, tasked with handling customer debt collection and managing controlled accounts, acts in conformity with this policy and meticulously adheres to values in the Code of Ethics, including maintaining human dignity, reliability and fairness in providing respectful, sensitive service to customers in times of crisis.

In order to reach agreement with customers in debt with which they are able to comply, the Bank employs a regulated and lengthy procedure for the treatment of customers before transferring them to the treatment of the Special Customers sector. First, the branch holds conversations and meetings with customers in order to get them to repay the debt without requiring legal action. After the branch has exhausted its attempts to get the customer to repay the debt, and with debts of up to NIS 200 thousand, the account will be transferred for treatment at the National Collection Center in order to make further attempts to settle the debt.

Only should this fail, the customer account is referred for handling by the Special Customers sector. The Bank invests significant effort in exhausting different ways to collect the debt in its entirety, prior to going to Court. Staff of the Special Customers sector adhere to the legal procedure for debt collection. They also undergo training and professional enhancement on legal, economic and regulatory aspects, provided by in-house and external training providers. Staff of this sector and attorneys representing the Bank regularly receive refreshers on debt collection procedures and on Bank policy. The Special Customers sector monitors economic and regulatory changes and revises their procedures as required. The sector reports annually to the Board of Directors on legal handling of accounts of customers in debt.

In order to promote agreements with debtors, representatives of the Special customer Sector and attorneys representing the Bank meet with customers, conduct joint campaigns with the Enforcement and Collection Authority and review applications for agreements from both customers and relief organizations. The Bank has an ongoing relationship with aid organizations, including the "Pa'amanim" organization and the "Yedid" association, which accompany customers in debt. During the year, the Special Customer Sector representatives held meetings with associations and organizations that lend to debtors and as needed, several meetings were held in order to help the customers reach beneficial arrangements that they could comply with.

In 2022, the Bank initiated a series of support and assistance measures for its customers, with an emphasis on the mortgage sector, where soft collection was made using a unique outline for deferring payments – allowing customers to pay a partial payment each month for up to 12 months and allowing customers to decide on a percentage of the payments (100%/50%/25%), and in that way enable them to close or reduce the debt during this period. This has enabled many customers to leave the debt cycle and at the same time get through the post-COVID period in the best possible way.

Ad for mortgages, out of all payments in arrears cases referred to the Collection Center in 2022, only 4% were referred to the unit for legal handling. All the other cases handled by the Collection Center settled their debt and resumed their payments in good standing or continue to be handled by the Collection Center, most of them with active arrangements in place and a high level of compliance with the arrangements. In general, the Bank makes every effort to avoid evictions, and strives to reach agreements with borrowers even during the legal treatment stages.

In 2022, the Bank continued with the inclusive policy it adopted during the crisis period and held meetings with both its debtor customers and with the aid organizations, in order to reach beneficial agreements with customers that will lead to debt repayment to the Bank according to their capabilities.

In 2023, the delayed payment outline, created at the outset of COVID, will end and many customers would resume making current payments in full. The Bank is prepared with creative solutions for those customers who would struggle making the full monthly payment, including by allowing additional time to put their payments in order. The Bank also helps customers during the delayed payment period by offering a new outline, "Back to making payments", which would allow them to continue making regular mortgage payments. The Bank proactively contacts customers who have suspended their mortgage due to COVID and who are about to resume making payments, to help them prepare for payment resumption. This outline is designed to help customers in debt and to prevent hardship in

making payments. In addition, the Bank allows customers who have taken loans from the Corona Fund to defer payments or reschedule payments, in accordance with rules set by the Ministry of Finance.

Promoting accessibility for persons with disabilities

Mizrahi-Tefahot Group believes in providing equal service to all customers, while adapting these for individual needs of each and every customer, including for persons with disabilities. To this end, the Group acts to make its products and services accessible to any person desiring to become a customer of the Group.

The Group ensures the implementation of the Equal Rights for Persons with Disabilities Law, and places emphasis on ensuring that buildings, infrastructure and environment are made accessible, and that the service provided to the public is made accessible, so as to allow persons with disabilities to conveniently use such service. The subject of accessibility is managed by an Accessibility Coordinator, who was duly certified.

Making the Bank's products and services accessible is reflected at all levels:

- **Making facilities physically accessible** – In this regard, the Group acts to make branches, ATMs, service stations and its website and app accessible for customers, so as to allow persons with disabilities to also conveniently use these. As of the end of 2022, approx. 99% of the branches of Bank Mizrahi-Tefahot and Bank Igud¹ and 100% of Bank Yahav's branches are accessible for people with disabilities, both regarding the building and in terms of auxiliary devices. The branch yet to be made accessible have been approved by the Equal Opportunity Commission and is in the process of being made accessible with the relevant authority. The Bank handles every instance of a problem through its logistics department, which operates a branch maintenance center. The center's representatives inspect branches regularly and provide solutions to logistics problems.
- **Making banking services accessible** – The Group acts to make banking services accessible, in conformity with the Equal Rights to Persons with Disability Law. As of the end of 2022, all of the ATMs of Mizrahi-Tefahot Bank and Bank Yahav are accessible by people with disabilities.
- **Accessibility by phone** – The Bank offers accessible service to clients who find it hard to obtain service by phone, such as clients with hearing disabilities. To this end, the phone service was adapted – the call routing information was recorded at a slower pace, in clear speech with no background music.
- **Accessible service stations** – Bankers' service stations and the ATMs across the Group are physically and technologically accessible by people with disabilities, in compliance with the statutory requirements. Accessibility software has been installed in the automatic service stations and audio-frequency induction loops have been installed at bankers' accessible service stations for hearing-impaired customers, as well as a supporting tray.
- **Accessible online services** – Mizrahi-Tefahot Group makes the utmost effort and invests significant resources to provide to all customers an equitable, fair, accessible and professional service. The Group makes the required adaptations to make its website and app accessible, in conformity with the Equal Rights to Persons with Disabilities Law and regulations enacted based there upon, and with the Bank's service values. The Bank website is compliant with requirements of the Equal Rights to Persons with Disabilities Regulations (Adjustments for service accessibility), 2013. The websites of Mizrahi-Tefahot Bank and of Bank Yahav have been made accessible for persons with disabilities, as recommended by Israeli Standard 5568 for online content accessibility,

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

and in conformity with guidelines of the WCAG 2.0 standard at AA level, as defined by W3C.

- **Training employees to promote accessible service** – The Group banks conduct annual training for their employees regarding accessibility in order to refine the Bank's accessibility services and provide proper service to all customers, including those with disabilities. In 2022, all Group employees completed refresher E-learning on providing accessible service, and new hires received extensive training on this matter, as well as training as part of their induction course.
- **Accessibility surveys** – From time to time, as part of a comprehensive survey of maintenance in the Group's branches and in accordance with work procedures and a formulated work plan, the maintenance inspectors conduct visibility surveys in the branches, which also include aspects of accessibility. These surveys did not raise significant gaps this year. In addition, in each new property leased by the Bank, accessibility adjustments are made immediately as required, through a licensed accessibility consultant. Moreover, branch managers and security officers have been instructed to regularly and proactively conduct surveys of the branch accessibility and to flag any faults that require immediate resolution.

In 2022, the Group received five justified complaints (at Mizrahi-Tefahot Bank) regarding accessibility issues that were handled as required and in accordance with Group procedures.

Financial education

Mizrahi-Tefahot attach great importance to promoting financial education among the Israeli public and we make an effort to provide our customers and the public with tools for proper financial conduct, tools for economic empowerment and proper budget management. Providing tools for smart, responsible financial conduct helps reduce the cases of financial crisis and supports the financial robustness of Bank customers. Sharing the Bank's knowledge and expertise in the financial world would allow customers, both individual and business, to develop and make progress – as well as the community around.

Bank activity for the public at large

- **"Let us meet at Mizrahi-Tefahot"** – As part of its identity as a compassionate bank acting to bring the customers closer to the Bank and its branches, we created a social project designed to empower, enrich and bring people together in the environment of the Bank's branches. As part of the "Let us meet at Mizrahi-Tefahot" project, special activities are held at Bank branches after business hours, with presentations from leading presenters on diverse topics – both general interest and financial ones. Residents of the neighborhood and vicinity of the branch are invited to attend these activities, free of charge. In order to inform the community of these activities, the Bank operates a special website listing information about presenters, presentation schedule and details of activities for various audiences. As part of these activities, the Bank offers sessions with content adapted for target audiences in various demographics, in response to their individual needs.



In 2022, the Bank held **77** activities
as part of "Let us meet at Mizrahi-Tefahot"

attended by **8,600** people.

- **"Sixties Get-together"** – A series of meetings and lectures designed for senior citizens. Our "Sixties Get-together" was designed as part of the Bank's strategy of focusing on personal and compassionate relations, with our objective being to provide a high-quality experience for this population.
- **"Let us meet" with the Arab society and with the ultra-orthodox Jewish society** – Within the framework of the "Let us Meet at Mizrahi-Tefahot," we hold special activities for the Arab society and for the ultra-orthodox Jewish society, while customizing the content and lecturers to the target audience.
- **Financial preparation for retirement for the elderly** – The Bank supported groups offering financial preparation for retirement for the elderly, in collaboration with Joint Eshel.
- **Forum on financial education in Arab society** – The Bank gave presentations in Arabic to increase financial awareness in Arab society, at dozens of towns across Israel, as part of collaboration with the Supervisor of Banks at the Bank of Israel, the Association of Banks in Israel and the banking system. These presentations are designed to allow Arab citizens to get tools for responsible financial conduct.
- **Promoting financial literacy with regard to mortgages** the Bank believes that one of its responsibilities is to impart knowledge to help various population groups reach informed decisions about buying real estate based on knowledge and understanding. To this end, we offer a variety of activities and presentations on mortgages to customers of all banks. Expert Bank staff in this field deliver the presentations, designed to be helpful for mortgage buyers. In addition, working with a personal banker provides an address for customer inquiries at the Bank, on any matter.
- **Pa'amonim** – The Bank has been co-operating with Pa'amonim to provide training on economic recovery for families, helping them succeed and achieve financial robustness. Bank employees are also invited to volunteer as advisors nation-wide, with their training being financed by the Bank, as a donation to this NGO. In 2022, the Bank made a donation to Pa'amonim within the framework of the "Partners by Choice" project, designed for delivery of presentations on financial topics to at-risk youth.

Bank activity among youth and young adults

The Bank believes that promoting Bank clients and the communities in which the Bank does business is affected by the Bank's positive social activity and by providing tools for correct financial conduct. Providing tools for smart, responsible financial conduct helps reduce the cases of financial crisis and supports the financial robustness of Bank clients. Sharing the Bank's knowledge and expertise in the financial world would allow customers, both individual and business, to develop and make progress – as well as the community around.

- **"Money Road" training kit** – A program which provides youth with training on financial issues. An updated kit is offered on the Bank's website, which is designed to help teachers, instructors and counsellors teach teens financial literacy using the kit's contents. This kit is also translated into Arabic. In 2022, "Money Road" kit training was delivered by Bank employees and students who received tuition scholarships from the Bank, in exchange for training groups of youths at high schools.
- **Value of Money for elementary schools kit** - adapted for activities in elementary school classes (3rd to 6th grades). We designed this kit for our employees who want to offer financial literacy activities at their children's schools.
- **Financial training for "Sherut Leumi" volunteers** – the Bank's cooperation with Sherut Leumi as part of the "Building a Future" program. The purpose of the program is to provide

tools for wise economic conduct to young people and adults in preparation for civilian life upon completion of service. As part of the program, 45 Sherut Leumi staff members were trained by the Bank's representatives, who provided financial education content to over 3,100 students and volunteers nation-wide.

- **Reinforce financial education for students** – The Bank intensified links with institutions of higher education, by co-operating with colleges and universities, delivering lectures to students by volunteer employees and managers and by providing scholarships for students at several universities and colleges in financial fields of study. The "Breathe easy at Tel Hai College", a center for providing financial advice to students, operates at Tel Hai College. The center offers workshops on proper economic conduct for students, as well as personal workshops and meetings to increase awareness of this topic. This center employs students who have received a tuition scholarship and financial training from Bank employees. The students who receive scholarships from the Bank reciprocate by volunteering in the community in the field of financial education. In 2022, 150 students attended workshops on proper economic conduct offered by the center.
- **Financial presentations on the bar for youngsters** – In 2022, the Bank delivered a series of presentations on the bar regarding mortgages, including such presentations designated for youngsters.



In 2022, the Bank delivered,
62,000 hours
 directly and indirectly,
 of training and workshops on financial education
 to **10,200** attendees.

Bank operations with its business customers

As part of the Bank's strategic focus on the business segment, the Bank acts to assist businesses by making information and assistance accessible to them:

- **Conferences, events and meetings** – In addition to on-going contact with customers, the different regions and branches conduct meetings and conferences for business customers in the areas of real estate, high-tech and foreign trade. The conferences are customized for the business sector and are intended to enrich relevant worlds of content alongside exposure to the Bank's products.
- **Supporting business customers** – As part of Mizrahi-Tefahot Bank's support for business owners, the Bank delivered three custom presentations for business owners, designed to help them in promoting their business. An extraordinary activity was also held in which we invited select business customers to screening of World Cup football matches.

Some 4,000 Bank business customers attended various conferences, events and custom presentations for the business segment.



Mizrahi-Tefahot's social strategy in the community reflects the Bank's strategy: "to move forward and remain a human being" and the value of compassion which is promoted by the Bank. The Bank promotes values of mutual help and volunteer initiatives in Israeli society, and in particular among Bank employees and their families. Employees play an active role in volunteer activities, which they regard as a key value, investing their time and skills.



The central motif in our social strategy is innovative initiatives to promote a more compassionate society that encompass several core topics:



Social-business initiatives



Initiatives by children, teens and students



Initiatives in the community



Education and society

Social-business initiatives

As one of Israel's top three banks, Mizrahi-Tefahot Bank impacts the economy, has financial knowledge and extensive familiarity with the business world and attributes considerable importance to the promotion of financial initiatives among the Israeli public. To this end, the Bank harnesses the professional knowledge of its employees and manager, and invests in social-business ventures designed to promote intelligent financial conduct.

- **Social-business initiatives** – We support initiatives that employ or help under-privileged populations, such as people with disabilities, the Arab society, the ultra-orthodox Jewish society etc.
- **Initiatives promoting wise financial conduct** – Promotion of initiatives to encourage wise economic conduct among children and youth, senior citizens, social bodies in their infancy, underprivileged populations, the Arab society and so forth. For more information on this topic, see chapter "Financial inclusion and financial education".

Below are select projects conducted in 2022:

- **Project "Business with value"** – In 2022, for the ninth year, Mizrahi-Tefahot Bank and IVN Fund collaborated in running the "Business with value" program for growing social business ventures. In this program, social businesses or NGOs that promote under-privileged demographics receive support in an innovative, ground-breaking way. The selected ventures receive training and mentoring in various areas for one year, as well as a grant to help develop their business.
 - Since the launch of this program in 2014, the Bank has supported 36 ventures, of which 33 are still in operation.
 - Four ventures moved on to other IVN programs – the Yozma Fund and the Tandem Fund.
 - In 2022, some 100 businesses and NGOs applied to the program. Of these, four NGOs were selected to receive assistance and professional support from Bank employees and business consultants on various topics, including: creating a business plan, organizational development, marketing, managing human resources and so forth. These NGOs also received a financial award, for expanding their business, in conformity with the business plan. This year, members of the Corporate Social Responsibility Committee visited two ventures that had received Bank support as part of this project, and heard first-hand about their evolution.
- **Developing social entrepreneurship in outlying areas** – The Bank collaborate with Presentense, an organization that promotes social business entrepreneurship. In this program, the Bank supports two groups for promoting entrepreneurship in Lod and in Akko. The program in Lod consists of an entrepreneurship lab for development of social ventures, in collaboration with Ness. In Akko, the Bank supports an entrepreneurship lab for Jews and Arabs, for development of ventures in the city, in collaboration with Mati Western Galilee. Bank employees and managers take part in this program as presenters or advisors in their professional field.
- **The Fair of Light** – Digital NGO Fair for the community. The fair was held virtually for the first time before the Hannukah holiday on the website of the "And Joy Studio" (a social business selling gifts that employs people with disabilities) and in collaboration with other NGOs. All proceeds from sales at the fair were transferred to NPOs and social businesses. The Bank has sponsored the social page on the And Joy website, has provided gift vouchers to customers for purchase of social products on the website, and has invested in marketing this Fair on social media. This advertising brought the Fair to the attention of millions in Israel, with actual sales amounting to NIS 1,200,000, which increased revenues of these NGOs.

- **Purchasing of gifts from NGOs** – The Bank customarily purchases holiday and special-occasion gifts for its employees from social businesses and NGOs, with purchases made, to the extent possible, from suppliers and factories in outlying areas. Our employees also purchase gifts from various social businesses and NGOs for the various holidays. In 2022, total purchasing from NGOs and social businesses amounted to NIS 277,000.
- **"In Good Company" center** – Together with the Midot-SFI organization, the Bank initiated and established the "In Good Company" center" for the promotion of social businesses and organizations. This is a virtual center whose goal is to encourage social innovation and create an infrastructure for the promotion, development and professional empowerment of various bodies operating in the social realm, while creating a social impact for NGOs, social businesses, entrepreneurs, impact companies, etc. In 2022, five online presentations were delivered, on topics of entrepreneurship and innovation, along with a practical workshop. Moreover, a launch event took place in person, to launch a competition designed to promote social entrepreneurship and innovation, sponsored by the Bank. In this competition, out of 200 applicants, eight winning ventures were selected and received a monetary prize as well as mentoring. In total, 750 participants took part in activities of this center in 2022.

Initiatives by children, teens and students

Mizrahi-Tefahot Bank is a market leader with an innovative, forward-looking approach, and therefore focuses on initiatives where investing will have a significant favorable impact on Israeli society and especially on the next generation – initiatives of children, teens and students.

Below are select projects conducted in 2022:



"ZAZIM" – youth movements for the community

The objective of this project, in co-operation with the Youth Movement Council in Israel, is to encourage youth movement participants to volunteer for society and their community. In this project, which was started in 2012, youngsters submit proposals for involvement projects in community work, which would be supported by the Bank. Out of 300 proposals submitted in 2022, the Bank selected 69 projects to support. Furthermore, as part of community involvement at the Bank and to encourage family members of Bank employees to take part in community involvement, the Bank personally invited children of employees to take part in the ZAZIM project.

- **"LATET Youth"** – Since 2012, the Bank has partnered in an educational program for social entrepreneurship, volunteer work and empowerment of youth, in co-operation with the NGO named LATET. As part of the program, youth initiate and operate social projects for the benefit of the communities in which they live, with assistance from the Bank. In 2022,

this activity took place at 43 towns nationwide, with 2,200 participants from various parts of Israeli society, including youth at risk, youth with disabilities, Druze, Muslim and youth from underprivileged towns.

- **"Spacelab" Project** – in collaboration with the Ramon Foundation. Starting in 2021, and in this year as well, the Bank is sponsoring the program in two schools in the city of Lod. This program, attended by 60 pupils, provides tools for development of science skills. Emphasis is also placed on building skills and important work methods: individual and group research ability, making a presentation, consultation with experts from academia and the space industry and more.
- **Unistream** – In this year, too, the Bank has joined Unistream NGO in adopting two of the NGO's youth entrepreneurship groups in the "SUN" program in Jerusalem and Lod, and has sponsored (in the past two years) the annual culmination event of this NGO.

"Initiatives in the community" – employee involvement

The Bank encourages social involvement initiatives among our employees, their families and among the general public. The Bank recognizes the importance of volunteering, as a tool for community involvement, and therefore fosters co-operation with social organizations and institutions with which the Bank co-operates, to reinforce a long-term relationship. Moreover, the Bank acts to expand the range of volunteer activities, both in terms of the nature and scope of such activities, so as to allow each employee to find their place and to reinforce their involvement in and commitment to such activities. Our employees' volunteering activities focus on two main spheres:

- Employee involvement in projects as part of our strategic plan: financial training, mentoring for social businesses, purchases of NGOs' products, volunteering to advance social causes, etc.
- Employee volunteering initiatives in diverse areas that reflect the Bank's core value of compassion.

Most of our employees' volunteering activities are in a group format and are held via face-to-face meetings and during visits at the various social clubs and entities throughout Israel.

Management of volunteer work

Volunteer work at the Bank is managed by the "Mizrahi-Tefahot in the Community" unit of the Organizational Development and Training Department. The unit is responsible for: identifying needs for volunteering; contacting social partners; initiating projects; integrating activities; supporting the volunteers: and for managing the volunteering budget and the donations. Every unit/branch that "adopts" a social organization appoints a community relations representative. These unit representatives are in charge of keeping in contact with the adopted organization and execution of the activity program, which mostly takes place during business hours. This year, the Bank conducted a recognition event for volunteering employees.

Employee volunteering and involvement

- **"Adoptive units"** – Long-term volunteer activity, where Bank units and branches adopt social organizations and various institutions in their cities, acting to benefit under-privileged populations. This includes regular activities to provide assistance and mentoring by volunteer employees, holding social events, unique activities in advance of holidays and centralized activities for under-privileged populations in various regions in Israel. Currently there are 80 adoptive units and branches at the Bank.



"Initiating Together in the Community"

Peak Volunteering Days for HQ and branch employees. In 2022, volunteer days were held all Bank regions and HQ units. Each unit conducted a unique group volunteer activity in a geographical area and in a volunteer field to which it was suited. Some 200 employees attended these activities. Hundreds of the Bank's employees participated in peak day volunteering at various NGOs throughout the country.

- **Employee involvement in community relations projects** – As part of Group policy to empower the values of volunteering and giving to the community and educating the young generation on these values, the Bank also encourages ad-hoc activities for employees. The Bank continued to invest, throughout the year, in diverse projects, initiated by the Bank or by the actual units. Thousands of Bank employees and their families take part in these activities.
 - Thousands of our employees borrowed books from "rebook" libraries. The Bank has joined the "All Good" NGO in operating a venture for book lending to Bank employees. These libraries are operated by members of "Shekulo Tov" who are being rehabilitated.
 - About 85 Bank employees and their families volunteered at various NGOs during the summer months.
 - Managers of the Bank volunteered to be mentors for NGOs that ran into hardship.
 - The "You and I will Change the World" lecture series – Hundreds of Bank employees have participated in a new and unique series of online lectures to become acquainted with diverse populations in Israeli society at the initiative of the Community Relations Unit, as part of promoting diversity and inclusion in the Bank's organizational culture.
- **Financial training** – Employees of the Bank provide financial training within the following frameworks to entities that have been adopted by the Bank: training in financial literacy to employees' children at their schools; scholarship students of the Bank provide financial literacy training to groups of teens at high schools; training to groups of at-risk teens; training of soldiers who have completed military service, etc. These training sessions are delivered based on content in the "Money Road" kit put together by the Bank. This kit is current and has also been translated in to Arabic.
- **Individual volunteer work** – The Bank co-operates with NGOs and organizations, such as "Memory in the living room", Eran and Pa'amoni, through training that allows employees to volunteer as part of the NGO activities, even outside of business hours. Employees found to be a good fit, after professional screening processes, take part in this volunteer activity.
- **Encouraging Bank retirees to volunteer** – The Bank emphasizes keeping in touch with Bank retirees, and believes that they can contribute significantly to the community even after retiring from the Bank. Retirees are invited to take part in volunteer activities, such as providing financial assistance in conjunction with the connection with Pa'amoni. The Bank also holds a

special fair prior to retirement of employees, offering those retirees who are interested several options to volunteer with different social organizations with which the Bank has a relationship, such as Yedidim, Hatzalah, Yadid LeChinuch, Yad Sara and others.

- **Encouraging family members to volunteer** – Beyond encouraging Bank employees to volunteer, the Bank also invites their family members to volunteer with social initiatives, such as the "Young Summer" initiative to promote volunteering by employees' children in middle school and high school, and the "Volunteer Family" to encourage family volunteering in the summer.



Employee volunteer work

28,200 hours of volunteer work by Group employees as part of activity in the community.

67% of Bank employees volunteered for various activities during 2022

39% of Bank employees regularly volunteer.

Bank employees volunteered an average of 6 hours (per employee) in 2022.

In 2022, 63% of the Group's total volunteer hours were during work hours

Promoting education and society

According to the Bank, its branches are more than a financial institution, but also a place for building a supportive, stable community; therefore, the Bank emphasizes promoting education and society and reinforcing its relationships with local communities in which the Bank operates.

Below are select projects:

- **"Let us meet at Mizrahi-Tefahot"** – In order to meet residents in the vicinity of Bank branches, the Bank offers a wide range of activities are being offered at Bank branches, by leading lecturers in their fields. In 2022, the Bank held 77 activities as part of "Let us meet at Mizrahi-Tefahot", attended by 9,000 people.
- **Local initiatives** – The Bank's HQ in the cities of Lod and Ramat Gan there is a large concentration of employees, so it is important for the Bank to actively participate in many local initiatives in these cities. Our employees take part in various community activities and volunteer at schools and after-school child-care facilities in these cities within the Bank's "adoptive units" program.

- **"Adopt a combatant"** – In 2022 as well, the Bank has adopted the Tzabar Battalion in the Givati Brigade as part of the "Adopt a combatant" project. In addition to the financial contribution, the Bank maintains an ongoing relationship with the battalion, including participation in seminars for recently discharged soldiers, sports days, the purchase of gift certificates for lone soldiers and those in need on the holidays, pictures from the children of the Bank's employees on the holidays, etc.



"Gdolim BeMadim"

As from 2022, the Bank takes part in the "Gdolim BeMadim" program operated by Yad LaYeled HaMeyuchad NGO. In this project, the Bank adopts a group of 16 youngsters with special needs from Yuvalim school in Ramla, who volunteer for military service at the Homeland Command base, known as Mizrahi-Tefahot Unit. This unit is "adopted" by a group of employees who are in constant contact with the youngsters who enlist, and meet them at special times throughout the year. In addition, a donation by Bank employees was matched by Bank management and provided to a venture that prepares these young people for employment after their military service.

- **Scholarships for students** – This year too, the Bank continued to award scholarships to outstanding students from various schools. We cooperated with the Feuerstein Institute in the Hebrew University in Jerusalem, which provides scholarships to students of Ethiopian origin so as to promote higher education in this community. In 2022, the Bank awarded 60 scholarships to outstanding students in different educational institutions.

Measuring activity effectiveness and impact

In addition to measuring satisfaction with activities for the community, the Bank also measures the effectiveness and impact of projects in which the Bank is involved: The Bank sends out surveys to relevant respondents after activities are completed, to evaluate participant satisfaction in the interest of constant improvement. Upon completing a major activity, the lesson learning process takes place with all relevant parties, based on feedback received from people in the field.

Monetary donations

The Bank provides monetary donations to NGOs to promote social causes, in conformity with the Bank's social strategy. Annually, the Bank sets a budget for charitable donations; Decisions on approval and amount of charitable donations are made by the Bank's Charitable Donations Committee, which convenes from time to time. Applications for charitable donation must comply with some ground rules: the NGO making the application must be a registered NGO with permit for receiving charitable donations (pursuant to Section 46A to the Income Tax Ordinance) and must hold a valid proper management certificate. The charitable donation is for a specific cause, and the NGO undertakes to only utilize the Bank's charitable donation for the purpose specified in the application. The donation is not intended for political activity. Applications may be sent to Mizrahi-

Tefahot Bank's Charitable Donation Committee at the email address listed on the Bank website.

Community involvement at Yahav Bank

As part of Yahav's Bank involvement with the community, it works to develop long-range relations with social organizations and partners and focuses mainly on the empowerment of at-risk youth or youth with disabilities. In this spirit, the Bank works to reduce disparities and promote equal opportunities.

In 2022, connections with the community were strengthened by charitable donations to NGOs and to social organizations acting to assist under-privileged populations, with focus on empowerment of at-risk youth and people with disabilities and on food provided to those in need.



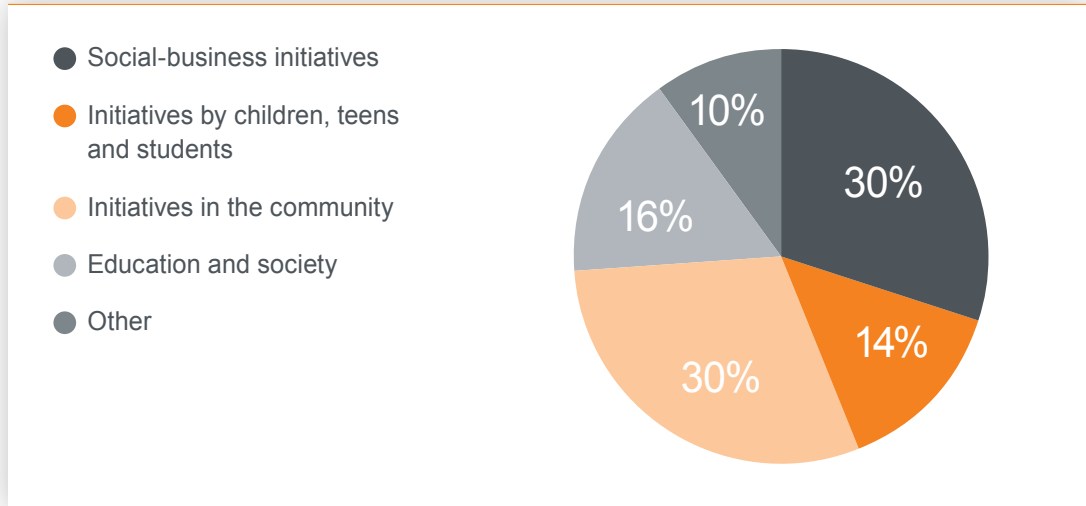
Community involvement at overseas affiliates

Operations of Group affiliates in Los Angeles and London with regard to the community, are focused on charitable donations to the community and on volunteering.

Contribution to the community – In 2022, Mizrahi-Tefahot USA made social investments, as required by the Community Reinvestment Act (CRA), in dedicated mutual funds that provide mortgages to under-privileged populations and loans to small businesses in the US.

Employee volunteer work – In 2022, 45% employees in the USA affiliate volunteered for 49 hours in their local community. Moreover, overseas affiliates also support social businesses and disadvantaged populations, to promote financial education, to promote education and social activity, and to empower children and youth.

Investment in the community by activity type for 2022



The Group's social investments in 2022

amounted to NIS **20.4** million, compared to NIS 17.2 million in 2021.

This investment consists of cash donations amounting to NIS **18.7** million

and cash-equivalent donations at a cost of NIS **1.7** million.

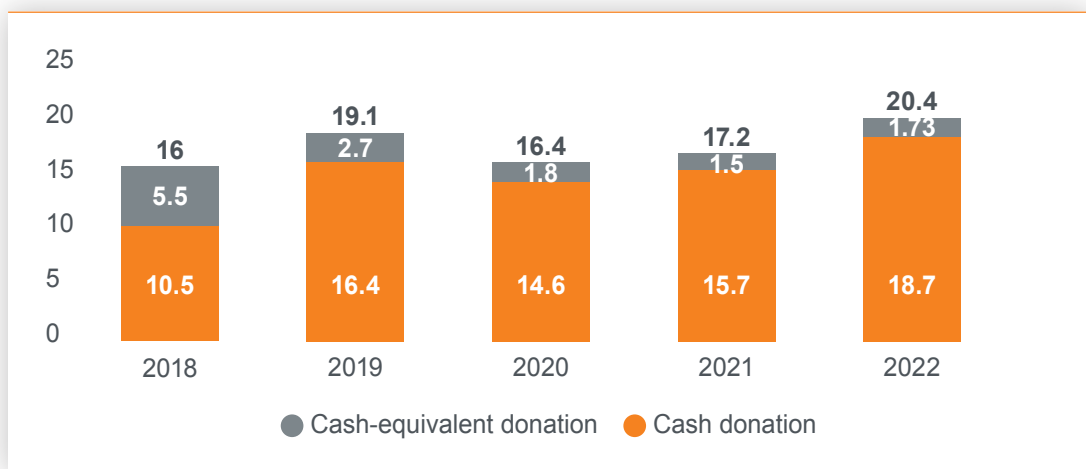


Mizrahi-Tefahot Group is a major player with significant impact on Israel's economy, and attaches great importance to orderly and responsible supply chain management. The Group incorporates ESG criteria in the procurement policy and in the supply chain management, with the understanding that suppliers also have an impact on the Company and the environment. Engaging with businesses and companies operating in accordance with corporate responsibility values enables the Bank to increase its circle of influence on the ESG aspects in its supply chain.

Procurement at the Bank is mostly conducted by the Logistics Department, which is in charge of procurement processes and major transactions. Direct procurement is also conducted by HQ units and branches, with professional supervision by the Procurement Department.



Social investment by the Group over time (NIS in millions)



Responsible supply chain management

Responsible supply chain management is applied as follows: promoting local procurement from small businesses, prioritizing responsible suppliers and supplier control. The Bank has an agreed payment policy with suppliers and the Bank ensures timely payment to suppliers, as agreed and committed to ahead of time, usually sooner than prescribed in the Payment Standards Law. In 2022, purchase orders opened to the Groups suppliers amounted to approx. NIS 1.9 billion.

Promoting procurement from local and small businesses

In conformity with Group policy and its responsible supply chain concept, the Bank prefers to do business with local suppliers, to promote micro and small businesses and to diversify its suppliers from outlying areas.

The Bank recognizes the importance of small businesses as growth engines for the Israeli economy as a whole and takes action to assist them, and sees an advantage in choosing small and medium-sized suppliers in view of their flexibility and ability to provide a quick and professional response to the Bank's needs. When purchasing for branches, the Bank selects local suppliers from that geographical area, thereby expanding its list of suppliers from outlying areas. The Bank also acts to expand its pool of small business suppliers. It also holds conferences for micro and small businesses in collaboration with external entities. The Bank implements a policy of preferring local suppliers (made in Israel), so that the absolute majority (97%) of all Group suppliers are local ones.

Promoting responsible procurement in 2022



3,660 active Group suppliers

of which 20% for Bank Yahav and 14% for Union Bank¹

30% of all suppliers are new suppliers

97% are local Israeli suppliers

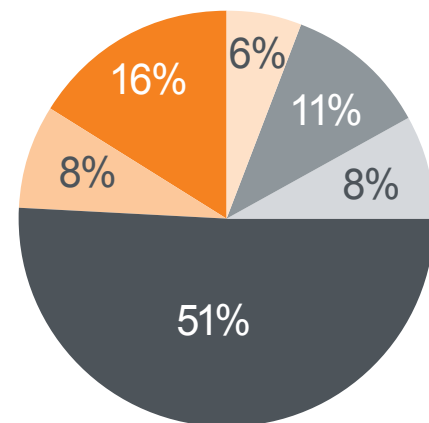
22% of the businesses are in outlying regions²

68% of suppliers are micro and small businesses³

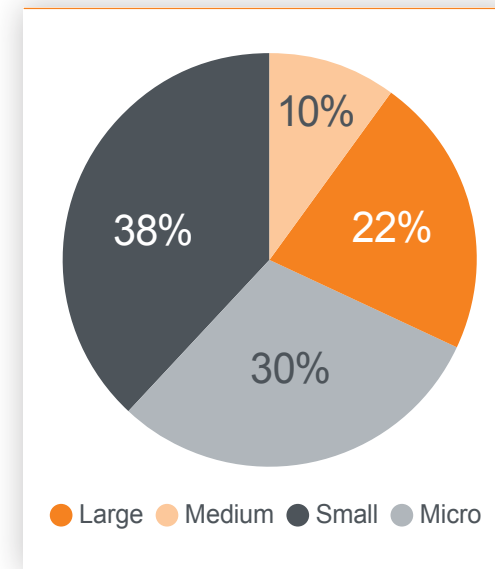
41% of total purchasing is paid to small and micro businesses

Composition of suppliers by geographic location

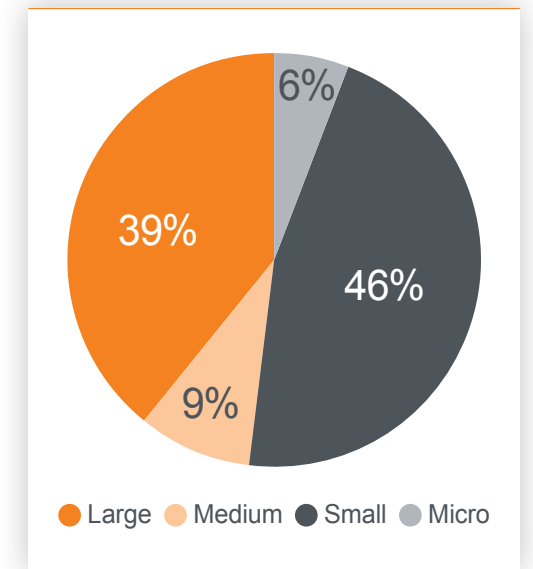
- South
- Shfela
- Jerusalem and environs
- Center
- North
- HaSharon



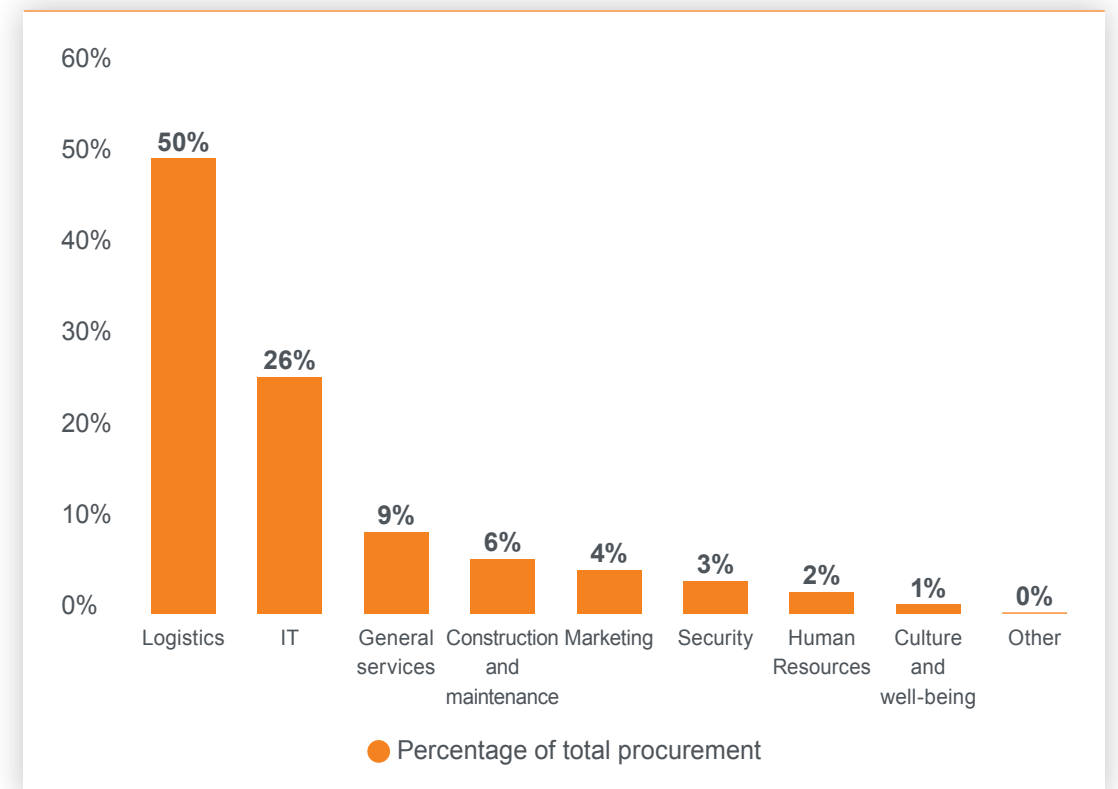
Composition of Group suppliers by business size



Payments to Group suppliers by business size



Procurement at Mizrahi-Tefahot Group



1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.
 2. Clusters 1-5 according to the Central Bureau of Statistics' socioeconomic index for 2017.
 3. According to the definition commonly used in Israel, as per Government Resolution no. 2190.

Prioritizing responsible suppliers

- **Preserving human rights and compliance with the law** – The Bank's procurement policy stipulates a mandatory condition, whereby a business license and permits must be in place and appropriate employment conditions, including compliance with protective legislation, safeguarding employee health and safety, payment of minimum wage, prohibition of child labor, prohibition of discrimination and ensuring employee rights. The Bank only contracts with suppliers who operate in compliance with all relevant laws and regulations. Furthermore, the Bank, when signing agreements with suppliers, makes sure that such agreements include a requirement for suppliers to fully discharge their obligations as employers towards their employees or anyone on behalf thereof, including the suppliers' obligations to comply with all statutory provisions applicable to employers with regard to their employees and laws which govern employment and employee rights. Suppliers that enter engagement agreements with the Bank undertake to comply with the values of reliability, professionalism, optimal service, excellence, transparency, fairness and respecting human dignity, as part of their routine work with the Bank – values that reflect Mizrahi-Tefahot Bank's code of ethics.
- **Prioritization of suppliers from an ESG point of view** – the Bank considers its impact on the economy of paramount importance in terms of society and the environment. Therefore, the Bank is interested in engaging with suppliers who also recognize the importance of their impact on the environment and society. The Bank considers various parameters when contracting with suppliers, such as contribution to the community, giving priority to procurement of equipment with a high energy efficiency rating.
- **Code of Ethics** – the Bank prioritizes suppliers who operate based on an internal Code of Ethics, and in addition, the Bank's agreements with suppliers require their commitment to operate in accordance with the Bank's Code of Ethics. These values are detailed in the engagement agreements.

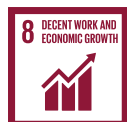
Supplier control

- **Control over suppliers for lawful employment** – The Bank's Logistics Division Manager and Procurement Manager visit the Bank's major suppliers in accordance with the criteria defined by the Bank. Any supplier that fails to meet the criteria is liable to have their contract terminated. In recent years, we have visited all our major suppliers, with some suppliers also re-visited. This visit is accompanied by a questionnaire, designed to test suppliers based on the aforementioned criteria. Voluntary topics (such as, is there a Code of Ethics in place) are also asked about during such visits. In 2022, four visits were made to major suppliers, and the Bank is in constant ongoing contact with the regular suppliers.
- **Control of outsourced employees' employment terms** – The Bank ensures that employment terms of outsourced employees would be in line with all laws and regulations with regard to security, cleaning and catering staff. This is verified by a qualified payroll auditor, in conformity with statutory provisions, including requests made by employees seeking specific verification. Employees can use an anonymous, discreet mechanism to report violations and non-compliance by their employers. As of the end of 2022, all Bank suppliers in these areas were compliant with statutory provisions tested.
- **Control of suppliers With regard to environmental issues** – agreements with suppliers include all sections required by law from environmental aspects (such as removal of batteries and electric equipment). Any supplier that fails to meet the criteria is liable to have their contract terminated.

- **Control of suppliers with regard to corruption risk** – The Bank performs risk assessments, including with regard to corruption risk, among suppliers and sub-contractors engaged on a regular basis. The final invoices from these contractors for refurbishment work and cleaning service invoices are specifically and regularly reviewed by the supervisor in charge of these operations. In addition, contracts signed with architects and supervisors include a specific clause forbidding them from accepting any direct or indirect benefit from any third party.
- **Safety control and training** – The Bank constantly acts to control and guide the suppliers' employees on safety issues. A safety expert on behalf of the Bank performs controls and issues occupational safety instructions to contractors in the various projects. Activities with suppliers / external contractors on safety awareness and work safety. Proactive audits by the safety consultant on behalf of the Bank, conducted at any site where construction work is conducted for the Bank. Occupational safety training is provided from time to time to all external inspectors working with the Bank. Furthermore, the Safety Forum convenes quarterly, attended by Bank representatives from the Logistics Department, the safety consultant and supervisors from the company providing regular maintenance services to all Bank properties.

Risk management among suppliers

The Bank has policy in place with regard to managing suppliers and outsourcing (outsourcing is managed in conformity with the Bank of Israel Proper Conduct of Banking Business Directive 359A, effective as from 2020). This policy stipulates, among other things, aspects of corporate governance for supplier risk management, including the definition of the role of Risk Manager and the responsibilities and authorities of the relevant units of the various lines of defense. It also stipulates principles for risk measurement and management, including a periodic revision of the risk assessment.



Bank management regards all Bank employees and managers as a key component for achieving its business strategy and growth objectives for operations and profitability. The Bank is committed to investment in personal and professional development of its employees, ensuring employee wellbeing and providing optimal conditions for employee success. At Mizrahi-Tefahot Bank:

- Employees' needs are seen, taken care of and nurtured.
- Investments are made in employee development and training.
- A safe work environment is ensured.
- Action is taken to diversify the workforce and to ensure equality across all management levels.
- Safeguarding human rights.

Group commitment to all its employees, in Israel and world-wide, is reflected by development of a pleasant work environment with fair employment terms for all employees. The Group's capacity to listen to needs of its employees and consequently, to create a work place which provides a solution over time – turns the Group into a high-quality place of employment. The Bank's human resource management strategy is managed on two levels: one level is the treatment of the individual from the candidacy stage through retirement from the Bank, and the second level is the development of the various aspects of the human resource.

Mizrahi-Tefahot employees

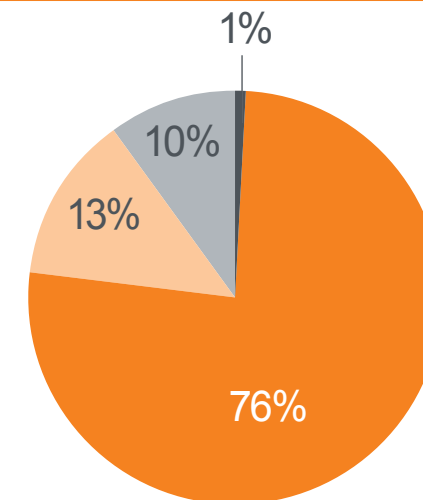
The Mizrahi-Tefahot Group continues to grow and be a leader of business excellence and considers its employees as the main factor in its success. The Group is committed to developing its employees professionally and personally and providing them with a proper and responsible work environment.

The number of employees of Mizrahi-Tefahot Group at year-end 2022 is 7,588 employees and managers.



Total employees of the group (at year-end 2022)

- Mizrahi-Tefahot (including the Technology Division)
- Yahav
- Igud¹
- Overseas affiliates

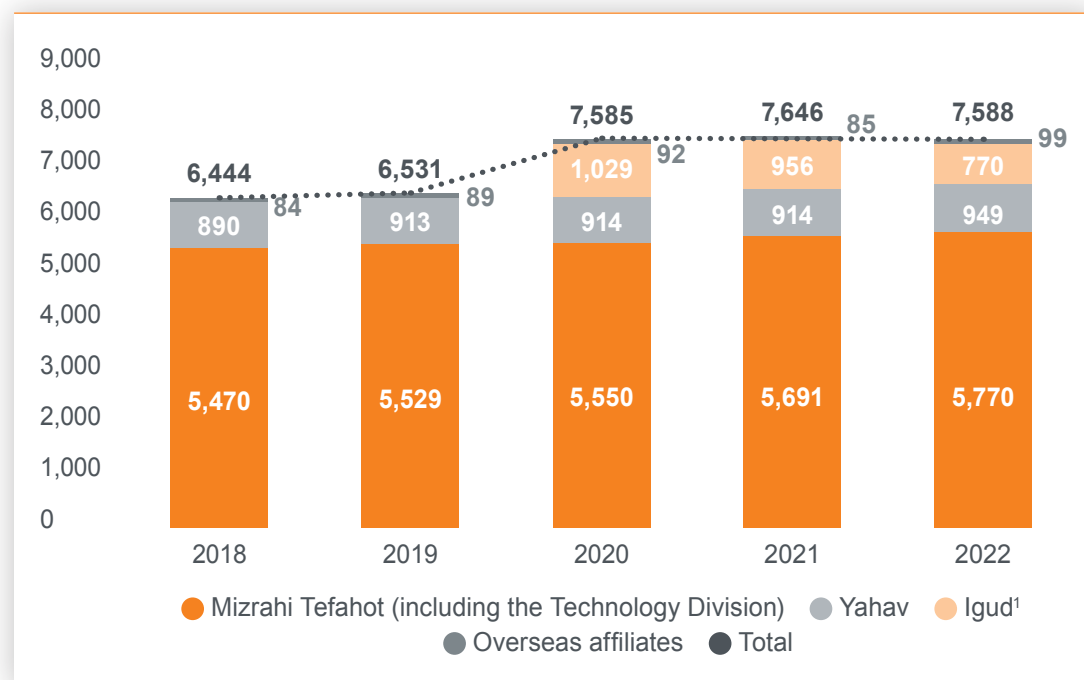


Composition of Group employees by rank and gender

	2020			2021			2022		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Managers	784	766	1,550	785	743	1,528	816	740	1,556
Employees	4,062	1,973	6,035	4,120	1,998	6,118	4,114	1,918	6,032
Headquarters	1,554	1,175	2,729	1,717	1,276	2,993	1,848	1,347	3,195
Branches	3,292	1,564	4,856	3,189	1,464	4,653	3,082	1,311	4,393
Total	4,846	2,739	7,585	4,905	2,741	7,646	4,930	2,658	7,588

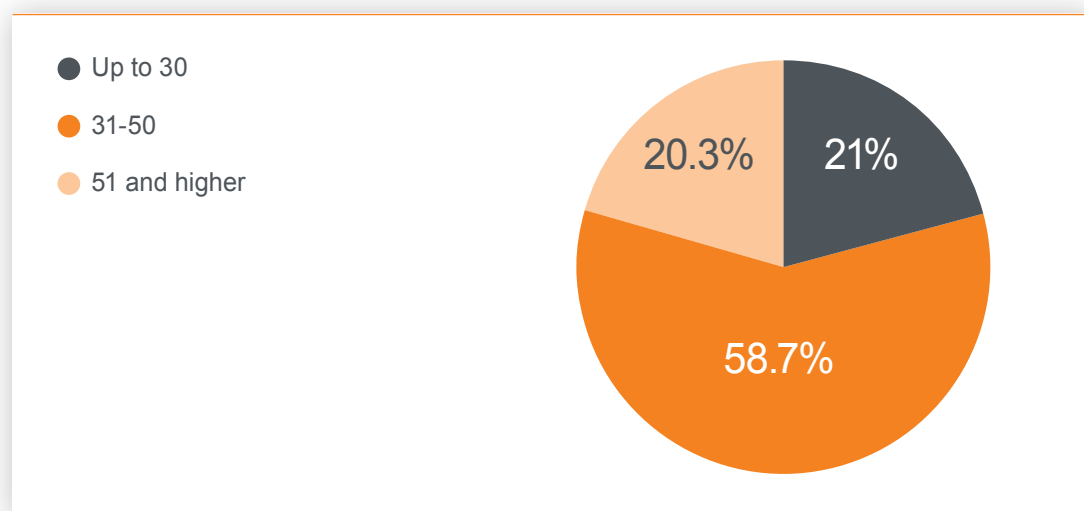
1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

Group employees over the years



94% of Group employees are full-time employees and the others are part-time employees. Most of the part-time employees are students, who work at the Banking Center (call center). Part-time employees under a collective bargaining agreement are entitled to the same benefits and rights as full-time employees. The average age of all Group employees is 40.9.

Group employees in 2022 by age bracket (in %):



1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

Composition of Group employees over the years by age:

	Age group	2021			2022		
		Female	Male	Total	Female	Male	Total
Non-managerial position	Up to 30	1,160	383	1,543	1,193	372	1,565
	31-50	2,318	1,249	3,567	2,289	1,199	3,488
	51 and higher	642	366	1,008	630	343	973
	Total	4,120	1,998	6,118	4,112	1,914	6,026
Group managers	Up to 30	9	8	17	24	2	26
	31-50	550	432	982	545	424	969
	51 and higher	227	302	529	250	317	567
	Total	786	742	1,528	819	743	1,562
Total employees	Up to 30	1,169	391	1,560	1,217	374	1,591
	31-50	2,868	1,681	4,549	2,834	1,623	4,457
	51 and higher	869	668	1,537	880	660	1,540
	Total	4,906	2,740	7,646	4,931	2,657	7,588

Geographic diversity

Mizrahi-Tefahot Group employees in Israel by geography, in 2022:

	Residential region in Israel and abroad	Number of employees	Percentage of total employees
Israel	South	787	10.4%
	Jerusalem region	1,388	18.3%
	North	794	10.5%
	Shfela	1,514	20.0%
	Sharon	932	12.3%
	Tel Aviv metro area	2,074	27.3%
Total in Israel		7,489	98.7%
UK	London	75	1.0%
USA	Los Angeles	24	0.3%
Total – overseas affiliates¹		99	1.3%
Total – Mizrahi-Tefahot Group		7,588	100%

1. Strict hiring of locals for management and other roles at Bank overseas affiliates. Local employees account for 90% of management at the London branch; and 100% of management at the Los Angeles branch.

Education

In 2022, the share of Bank Mizrahi-Tefahot employees (excluding the Technology Division) who hold a university degree was 76% and 10% were university students. Across the Group, 74% of employees had a university degree.

Contractors

As a rule, it is Bank policy that each Bank employee is an employee of the Bank for all intents and purposes. From time to time the Bank receives services from external companies to support the operation of projects for a limited time while employing a small number of employees. In 2022, the Bank received services rendered by 18 external contractors in professional positions. As part of Bank training provided to employees, external employees receive the same training as all other employees in areas including protection of privacy, preventing sexual harassment, AML, Economic Competition Law, preventing fraud and embezzlement, prohibited use of insider information, consumer regulations and fairness.

Employee turnover

The Group strives to maintain a low turnover rate among employees, even under current labor market conditions. The table shows employee turnover rates for each age bracket, an indication that the Group is a constantly desirable work place. The employee turnover rate at the call centers is relatively high and affects the turnover rate for the entire Group. Therefore, data in the table excludes staff at banking centers.

Employee turnover in the Group by gender and age (Data in this table excludes Union Bank and banking center employees).¹

	Age group	2021			2022		
		Employees and managers hired by the Bank	Employees and managers terminated	Employees and managers who resigned	Employees and managers hired by the Bank	Employees and managers terminated	Employees and managers who resigned
Male	Up to 30	157	15	70	157	18	102
	31-50	95	26	74	100	21	91
	51 and higher	6	2	5	13	4	5
Total male		258	43	149	270	43	198
Female	Up to 30	277	36	123	324	46	168
	31-50	94	36	79	156	24	139
	51 and higher	7	0	3	8	1	7
Total female		378	72	205	488	71	314
Total under 30		434	51	193	481	64	270
Total 31-50		189	62	153	256	45	230
Total 51 and over		13	2	8	21	5	12
Total		636	115	354	758	114	512

1. The data in this table do not include [the employees of] the banking center and Union Bank. The employees at the banking center are students. Due to the merger, Union Bank employees were not included.

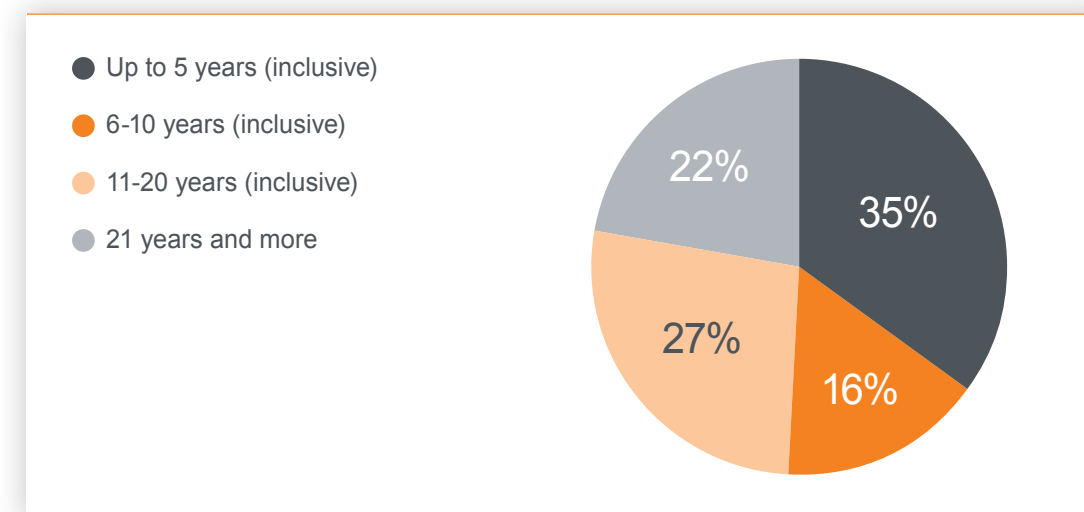
In 2022, out of the employees and managers who concluded their employment at the Bank (excluding banking centers), 373 resigned, 187 of whom were temporary employees. Moreover, the Bank did not continue employment of another 77 temporary employees. All other employees either retired after reaching the statutory retirement age or within the framework of voluntary early retirement plans. No permanent employees or managers were fired.

In 2022, the rate of departure in the Group (not including Union Bank and the banking centers) is 10.1% (employees who resigned / fired) and 11.5% including employees who retired or died. The total departure rate of the Mizrahi-Tefahot Group, including the banking centers and Union Bank, is 13.2% (employees who resigned / fired), and 14.3% including employees who retired or died. The departure rate is affected by COVID and by changes to the labor market typical of 2022.

Seniority

35% of employees are new employees at the Group (up to five years), along with employees who have been with the Bank for over 21 years and constitute 22% of the work force. The integration of veteran and experienced employees, alongside new and young ones, allows for preservation of knowledge, organizational memory and professionalism over many years, along with new ideas, growth and development. Average seniority at the Group is 12.7 years.

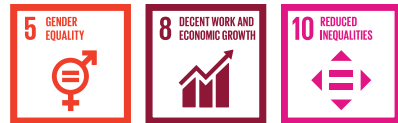
Composition of Group employee seniority as of 2022



Promoting fair work environment and employment terms



The Bank regards its employees and managers as partners in the Bank's success and therefore strives to promote them and to create a supportive, respectful work environment. This commitment is reflected by implementation of key principles in Bank operations: Caring for employee rights and ensuring fair employment conditions.



Human capital management

As part of the Bank's commitment to its employees, a special policy document was created with the main principles dealing with the treatment of the human resource. These principles include the Bank's commitment to promoting a fair work environment and employment conditions, safeguarding workers' rights, a commitment to comply with all labor laws in the countries in which the Bank operates and even providing better working conditions than required by labor laws. In addition, the policy document deals with all work relations with managers and employees that are handled collectively and with maintaining continuous dialogues with its employees and their representatives. Moreover, the Bank commits to only employing employees of working age according to the law in the countries of operation and it does not adopt practices of forced employment.

As part of the risk management policy, Bank management receives reviews of human resources at the Bank, from total positions and staffing and monthly human resource changes, to the departure and absenteeism rates. These reviews are presented in accordance with the schedule specified in the policy, and include pre-determined risk thresholds.

The Manager, Human Capital and Resources Division, assisted by the Manager, Human Resources Department, is in charge of policy and control with regard to labor relations at the Bank, and human resource managers of units are in responsible for taking care of employees. Automated controls verify that employee rights are maintained, including avoiding excess work hours and ensuring that annual leave is taken.

The Human Capital and Resources Division uses data analysis for human capital management (People Analytics) for all the Bank's manpower needs, including workforce strategy, identifying skill gaps among employees, measuring the recruitment process, performance evaluation, employee departure risk and so forth. This data analysis is regularly reported to management, and includes constant review of the Bank organizational structure by a dedicated unit, as well as implementation of recommendations for changes by adjusting staffing for new roles.

Right of association

As part of ensuring employee rights, the Bank ensures employees' right of association.¹ Bank employees are represented by one of three different Employee Unions: Mizrahi-Tefahot Employee Union, Council of Managers and Authorized Signatories and Mizrahi-Tefahot Technology Division Ltd. Union.

Employees of Bank Yahav are part of the employee labor union. The collective bargaining agreement includes employment aspects for Bank employees not working under an individual employment contract, with regard to employment terms customary at the Bank. The representative body of Bank Yahav employees is authorized to sign, on behalf of Bank Yahav employees, any collective bargaining agreements applicable to Bank Yahav employees.

Bank managers are aware of the guidelines and procedures that ensure operations of these Employee Unions and act accordingly.

The employment agreements include all aspects of the employment of the Bank's managers and employees and they relate to all the employment conditions customary in the Bank, including the subject of work hours, employee remuneration and equal opportunities.

Collective labor agreements apply to 92% of Mizrahi-Tefahot Bank's employees, to 92% of Technology Division employees, to 90% of Bank Yahav employees and to 73% of Union Bank² employees. All other Bank employees are employed in conformity with individual employment contracts.

In 2022, the process of onboarding Union Bank employees at branches and Mizrahi-Tefahot headquarters continued. Discussions with Union Bank labor unions regarding the onboarding agreement also continued. Moreover, discussions took place with the Bank labor union and with the Bank Managers Union, ahead of renewal of the payroll agreements.

Promoting employment security

The Group strives to promote employment security among its employees. Inter alia, the Bank applies a policy whereby each employee is an employee of the Bank for all intents and purposes. This policy also applies, naturally, to banking center employees, most of whom are students characterized by a higher turnover. When a new hire starts working at the Bank, they are classified as "Trainee". After a relatively short time of only 3 years, the Bank decides to grant tenure to employees, in accordance with procedure. As of the end of 2022, 69% of Group employees were tenured. Moreover, the collective bargaining agreement provides a solution in cases of downsizing due to streamlining.

Composition of Group employees by employment agreement:

Employment agreement	2020			2021			2022		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Fixed	3,457	1,907	5,364	3,439	1,875	5,314	3,397	1,817	5,214
Provisional	1,152	495	1,647	1,230	524	1,754	1,287	477	1,764
Employees subject to individual contract	242	332	574	236	342	578	246	364	610

1. For more information on collective bargaining labor relations, see the 2022 Annual Report in chapter "Corporate Governance, Audit, Additional Information on the Bank and its Management", page 301.
2. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

Maintaining employee health and safety

The Bank attaches great importance to maintaining employee safety, health and security – as an integral part of their employment conditions. The Bank has appointed multiple experts to manage health and safety issues, as required by law.

Road safety, driving and vehicle maintenance

The maintaining of our employees' safety is also reflected in road safety. As part of the work plan regarding transportation safety, the Bank provides instruction to employees who use a Bank car or a leased car about the car's safety systems and about careful driving. In 2022, practical driver training was delivered for professional drivers with high mileage, as determined by the Road Safety Officer, along with ongoing individual trainings for drivers and members of management. The Bank also sent eLearning kits on road safety to regular drivers, as well as communications on safety, winter driving and refreshers on safety procedures. The safety status of the Bank's vehicles is mapped on an ongoing basis by the Transportation Safety Officer, who sends periodic updates regarding winter driving, driving during vacations and more. Moreover, the Bank sends an annual postcard to employees whose children are of legal driving age, with emphasis on accompanying new drivers with regard to driving safely and adapting the driving to conditions around you. In 2022, the Bank provided 9,084 hours of instruction on safety-related topics.

Work-related accidents – In 2022 there were 56 work-related accidents at the Bank, of which 33 accidents en-route to/from work. These work-related accidents resulted in a total of 311 absence days by involved employees. The Lost Time Incident Rate (LTIR) is 1.39.¹

In 2022, there were no deaths among Bank employees, including at the work place, due to work-related accidents or outside of the Bank.

Addressing operational distress situations at the branch

As part of safeguarding employee safety and security, Bank employees attend training on dealing with operational distress situations at the branch. As part of training of branch staff when they join the Bank, they receive training on conduct during a robbery. The Bank also disseminated additional material and E-learning kits, delivers training on this topic at branches and conducts debriefing of events.

In 2022, the Bank delivered 3,067 training hours to 1,182 employees and managers on mental robustness, addressing stress and crisis situations.

Absence data (in days) in 2022 for the Group in Israel:

		Paid leave	Military reserve service	Absence due to illness (including work-related accidents)	Absence rate due to sick days (in %)
Mizrahi-Tefahot (including Technology Division)	Female	62,642	108	68,864	7.5%
	Male	34,499	2,293	26,752	5.1%
	Total	97,141	2,401	95,616	6.6%
Bank Yahav	Female	11,098	4	10,162	5.8%
	Male	4,526	165	2,809	4.5%
	Total	15,624	169	12,971	5.5%
Union Bank¹	Female	9,251	19	7,217	5.7%
	Male	4,929	80	2,787	4.2%
	Total	14,180	99	10,004	5.2%
Total – Group in Israel	Total	126,945	2,669	118,591	6.3%

Protecting employee privacy

As part of the employment security provided to employees, the Bank also maintains the privacy of information on the employees that exists in the various systems, which are managed in terms of information security in a database stored as a customer database (an extremely high level of information security). Therefore, the information in the personal files of the employees is segregated and the authorizations thereto are according to the need and the level of authorization defined for the position. Moreover, work processes at the Human Resources Department with regard to privacy protection are in line with all Bank standards for handling information. Upon onboarding of a new employee at the Bank, when signing the onboarding forms, the employee is informed of the privacy protection procedure and the employee confirms that they are aware that their personal information is stored in Bank repositories in conformity with this procedure.

In addition, when carrying out external engagements or actions that require the sharing of information on employees with an external supplier, the contracting party is required to act in accordance with the relevant procedure, and the matter is referred to the Legal Division and the Privacy Protection Officer as required.

1. Lost Time Incident Rate calculated per 200,000 work hours per 100 employees.

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

Ensuring employment conditions

Ensuring wages and social benefits in conformity with legal requirements

In all areas of operation, including at its overseas affiliates, the Bank adheres to equal pay to employees in conformity with statutory provisions and consequently also complies with the binding minimum pay. Note that for employees employed under the collective bargaining agreement, pay is updated annually. The collective bargaining agreement governs, inter alia, provisions with regard to work hours and employee remuneration. The Group also adheres to all statutory requirements with regard to taking parental leave, work hours and other labor laws.

The Bank also provides increased social benefits, for example, the convalescence pay to Bank employees is higher than required by law, as is their number of sick leave days.

During new employee onboarding, the Bank provides the employee with full details of their rights and terms, with full reference to role requirements, position in the organizational hierarchy, supervisor, payroll components and terms, work hours, social benefits including pension contributions, benefits and reference to role sensitivity and to mandatory continuous leave.

Going on parental leave

Going on parental leave is in conformity with the Law and return from parental leave is to the same position; any changes are made in co-ordination with the employee.

Parental leave data¹

	2021			2022		
	Female	Male	Total	Female	Male	Total
Going on parental leave	607	4	611	464	8	472
Of which, number of employees who resumed work after completing parental leave	260	4	264	182	7	189
Took parental leave during the year and stayed out on parental leave/unpaid leave after the end of the calendar year.	299	0	299	234	1	235
Took parental leave during the year and chose not to resume their work	48	0	48	45	0	45
No. of employees who took parental leave last year and were still working at the Bank 12 months after they had returned to their jobs	334	1	335	392	1	393

1. Data for the entire Group, excluding overseas affiliates.

Organizational changes

The Bank informs employees in advance of organizational changes, so that all parties involved may find the optimal solution in co-operation. All re-organization takes place with professional assistance, sharing change leadership with managers. Employees who are required to transfer to another position due to organizational changes are notified long in advance, and if training is required, the Bank provides the training to the employee. Upon termination, the advance notice period takes into consideration the employee's needs and system constraints – but no less than required by law.

In addition, each unit's Human Resources Manager works to proactively locate employees for the various positions and maintains a database through which he examines options for staffing future positions. Managers periodically hold personal conversations with employees in which they discuss their aspirations for development in their work at the Bank. Depending on the employee's desires and skills, the Unit Manager and the Human Resources Manager can recommend a development path for him through existing training at the Training Center. In addition, during the annual feedback conversation that the manager conducts for the employee, great emphasis is placed on the development track at the Bank. Positions available at the Bank and tenders for management positions are regularly sent to all Bank employees, who are invited to nominate themselves for any role. Any employee may review, with their manager or with the Training Center, their existing knowledge gaps in order to be promoted, and may request professional training to help them bridge such gaps. In 2022, 97% of the managers appointed were promoted from among the Bank's employees, 60% of whom are women.

The Bank offers, in conformity with the collective bargaining agreement, early retirement programs and voluntary retirement with increases severance pay. Employees are personally assisted by the Employee Wellbeing Officer, who helps them consider their retirement terms and to make a decision in this matter. Ahead of Bank relocation to MATA, an organization-wide review is conducted and a steering team has been appointed for this matter. The team reviews the relocation process and expected challenges, and considers a range of solutions for employees.

Employee remuneration

The Bank leads multiple measures to remunerate and provide positive incentives to employees, including:

- **Pay promotion** – Once a year, in accordance with the recommendation of management, the Board of Directors decides on promotion or pay increase across the organization, based on performance in the past year. This is done in conformity with the various collective bargaining agreements, for employees and managers employed by individual contract, for managers based on the agreement signed with them and for tele-bankers with experience at the Banking Centers.
- **Individual bonus** – Once a year, in accordance with the Group's financial standing and taking into account other business considerations, the Board of Directors decides on bonuses to be awarded, their rate and how they are to be distributed. Bonus eligibility and amount are determined, for each employee, based on their achievement of goals and on their supervisors' recommendation. Part of the bonus is paid uniformly to all employees, and another part is paid based on personal performance of the employee and their contribution to the Bank's success.
- **Options to managers** – The granting of options to officers and managers in the Bank Group (including department/branch managers and above) is designed to adapt the remuneration incentives to the Bank's strategic plan, to the Bank's long-range targets, to the Bank's results over time and to the employees' actual contribution to achieving the Bank's targets. The Bank's Board of Directors may approve an employee stock option plan from time to time, under which the Bank may grant stock options to managers of the Bank (including to the CEO and to officers) and of subsidiaries.

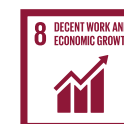
- **Outstanding employees** – The Bank recognizes outstanding employees with special attention. Outstanding employees receive a special bonus, in addition to the annual bonus, and are invited to an award ceremony in the presence of the CEO, in which they are honored for their achievements and contribution to the Bank. Outstanding employees are selected by recommendation of their supervisor, their achievements and their contribution to the Bank.
- **Individual awards** – The branches offer a program of incentives and remuneration, based on excellence in various benchmarks, in branch activities and in special drives. Remuneration is typically paid at the branch level and is designated for team building and leisure activities for branch employees. Bank headquarters awards individual prizes in recognition of employees who posted outstanding achievements in their work.



Diversity, equality and avoiding discrimination in employment



Mizrahi-Tefahot Bank believes that promoting diversity and equality in the workplace generates social and economic value for the Bank, for employees and for all of society. Hiring employees of diverse demographics allows Bank customers to receive service while recognizing their unique needs and providing them with an appropriate response.



The Bank regularly promotes equal opportunity in the work place with the recognition of the great importance of the value of equality. We do not discriminate against any employee on the basis of religion, nationality, race, ethnic origin, gender, age, gender identity, place of residence or any other attribute. We constantly strive to promote equality in the workplace through equal-opportunity recruitment, equal employment, equal pay and through promoting gender equality.



Recruitment of high-quality staff

Mizrahi-Tefahot Bank acts to recruit high-quality staff, in accordance with requirements of the position and the required skills, and is in constant contact with various entities in order to locate high-quality candidates for various positions. Candidates are located through multiple recruitment channels (head hunters, job websites, social media, universities and colleges, NGOs, employee referrals and others), so as to expand the candidate pool and to recruit the most appropriate candidate for the position. In 2022, the Bank invested in employee recruitment NIS 3.4 million.

Equal hiring

Mizrahi-Tefahot Bank recruits employees from all walks of life, through marketing and custom programs for employee recruitment from the local community. In order to promote diversity at the Bank and to achieve the diversity targets set by the Bank, the Bank appointed a Diversity Manager.

The Bank applies a recruitment process which provides equal opportunity to candidates from different demographics in Israeli society, and does not discriminate against any employee by national, religious, cultural or ethnic affiliation, by race, gender, sexual orientation, disability nor any other attribute. Moreover, in order to align the recruitment processes with all candidates, adjustments are made to the recruitment and selection processes, to ensure equal opportunity for all candidates, so that candidates are recruited based on their qualifications and on needs of the Group. Such adjustments are typically in the form of additional time or the option to take the test in your native tongue (such as Arabic).

In order to emphasize this topic to managers, in 2022, Bank managers received an eLearning kit on equal opportunity employment. This kit provides managers with an overview, extensive information and hands-on practice with regard to the Equal Opportunity Employment Law, which prohibits any discrimination whatsoever. This applies to the onboarding stage and throughout employment at the Bank, as well as in promotion, training and remuneration.

The Bank actively recruits employees from various demographics and sectors that are under-represented in the labor market as a strategic step, and to this end also cooperates with designated NGOs and other organizations. Below are some examples of initiatives launched by the Bank to recruit diverse employees:

Employees from Jewish Orthodox sector – As part of its strategy to create a diverse work environment, the Bank acts to include employees from Jewish Orthodox sector. As part of this effort, the Bank joins forces with Bereshit, the employment guidance institute in Bney Brak; Kivun, the employment guidance institute for the Jewish Orthodox public in Jerusalem; and with Mafteah, development centers for Jewish Orthodox employment of JDC Israel. The Bank also participates in employment fairs designed for hiring from Jewish Orthodox sector, including at Lev Academic Center in Jerusalem and at the Jewish Orthodox campus of Ono Academic campus. The Bank also advertises on the Glatt Jobs website, a site dedicated to job searching for the Jewish Orthodox population. These hiring methods are used in conformity with Bank needs.

Dedicated teams consisting of Jewish Orthodox women were established at the Banking Center (mortgage call center). Most of the candidates have no background and experience, and receive their banking training on the job. When establishing the team and throughout their employment, the required adjustments were made to include them in the workplace, by way of adjusted shift times and work environment.

Employees from Arab sector – As part of its strategy to create a diverse work environment, in 2022 the Bank continued to recruit employees from Arab sector. As part of this recruitment effort, the Bank co-operated with NGOs "Kav Mashve" and "Al Fanar", that refer Arab candidates to the Bank.

Inclusion of students – The Bank has multiple programs designed to promote students and help them find employment. The Technology Division provides special training for students in computer science, which trains select students to specialize in the computer disciplines needed by the Division. This four-year program includes in-person studies, a significant project, a period of on-the-job training and a mentoring period, concurrently with completing their university degree studies. Students who successfully graduate the program are hired to join the Technology Division's permanent staff of employees. To date, 70 students participated in this program and most of them were hired by the Bank and work on various projects.

Inclusion of Bank retirees – In 2022, the Bank recruited Bank retirees, through labor providers, for various projects to assist at branches. These retirees are employed by the Bank at the full-time equivalent position matching their skills and wishes. This allows them to fill their day with meaningful work, as part of the system that cherishes their experience.

Integration of employees with disabilities – the Bank is committed to promoting equal opportunity employment for persons with disabilities. In order to comply with statutory provisions of the Employment of Persons with Disabilities Law, the Bank put in place a strategy for including employees with disabilities and locating relevant positions for them in different units. Furthermore, the Bank has appointed an officer responsible for employment of persons with disabilities.

The Bank maintains work relations with the Support Center for Employers of Disabled Persons, at the Ministry of Economics – as well as with various NGOs which specialize in assisting in placement of such employees. Each year, the Bank hires several employees with disabilities in various positions, and adds special positions for new employees with disabilities. In order to ensure inclusion of employees with disabilities, the Bank's work environment is accessible, and is further adapted when additional needs arise.

In recent years, Mizrahi-Tefahot Bank has made considerable efforts to recruit and hire employees with disabilities for a wide variety of roles in the Bank, and found that managing employees with disabilities poses complex managerial challenges that differ from the usual managerial challenges. Therefore, a forum for managers was formed in the Bank, which accompanies employees with disabilities to provide them with managerial tools that will enable them to optimally manage their employees. This forum is attended by 25 managers from various Bank units. The forum enables managers to share managerial issues that they are facing, and provides management workshops to provide solutions to problems raised by the managers. Bank Yahav is a member of "The Valuable 500" project, which promotes accessibility and the hiring of people with disabilities by major companies worldwide.

Equal, diversified and fair employment

The Group strictly complies with statutory requirements regarding equal and fair employment, acting on equal basis with regard to employee benefits as well, subject to various employment agreements. Part-time and full-time employees are eligible for the same benefits, and their employment scope does not affect standard benefits, including vacation reimbursement, holiday gifts, employee gifts etc. Other than standard benefits, some specific benefits are based on scope of employment, with differences between full-time and part-time employees, such as vacation pay, clothing allowance, paid leave and sick leave.

Moreover, employing staff from different sectors requires a work environment that reflects cultural sensitivity and adapts itself to the religious and cultural needs of its employees. Non-Jewish employees may take advantage of five paid leave days at the Bank's expense during their holidays, in addition to holidays according to the Jewish calendar, which are not business days at the Bank. As part of promoting equality, the Bank adheres to a policy for avoidance of discrimination, both with regard to discrimination against employees and against customers, including action designed to reduce gender inequality, avoid vulnerability due to preference based on ethnic or cultural background, eliminating prejudice against persons with disabilities and so forth. The Bank also operates an anonymous call center for employee inquiries as needed.

In 2022, no complaints of discrimination were received from employees and external employees.

Employee diversity

Employee diversity allows the Bank to achieve social and business goals. Recruitment of employees from diverse demographics offers business advantages, and diverse employment allows the Bank to provide a professional solution in line with needs of all Bank customers. Thus, for example, employee recruitment from Arab society has positive business impact, reflected in providing an appropriate solution for this society at branches and call centers. Thus, in order to provide customized service to Jewish Orthodox customers at branches in Jewish Orthodox cities, the Bank also recruited employees from the Jewish Orthodox society who are familiar with needs of these customers. The Bank benefits from strong commitment of these employees, thanks to recognition of their unique features and ensuring a work environment that matches these features.

In order to promote this topic and deploy it across the organization, the Diversity Manager is tasked with mapping the special needs of each diversity demographic and to provide them with a suitable solution in the work environment. The Diversity Manager is also responsible for further promoting diversity in recruitment at the Bank.

Bank Mizrahi-Tefahot treats each and every employee equally and non-discriminatingly and therefore there is no record or classification of the employees by groups on the basis of ethnicity or sector. However, according to an analysis of ancillary data and according to a statement by the employees themselves, the following is an estimate of the data on employees from under-represented groups in Bank employment. It is important to note that it is likely that other employees from these and other groups that were not included in these data.



17.4% of all Bank employees are employees from under-represented groups, including employees from Arab society, Jewish Ultra-Orthodox society, employees of Ethiopian origin and employees with disabilities.

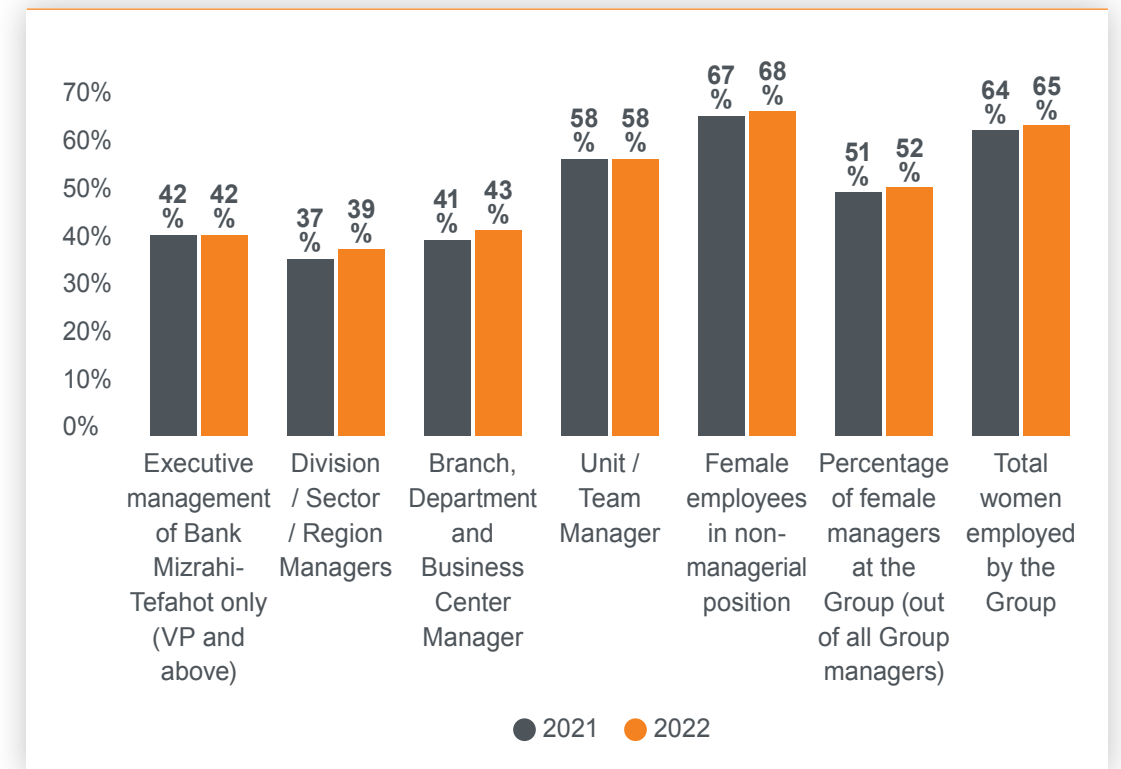
- 13%** of employees are from Jewish Ultra-Orthodox society
- 25%** of employees from Jewish Ultra-Orthodox society are in management positions
- 2.4%** of employees are from Arab society
- 11%** of employees from Arab society are in management positions
- 17.6%** of employees hired by the Bank in 2022 are from under-represented demographics
- 6.5%** of employees hired by the Bank in 2022 are from Arab society
- 8.2%** of employees hired by the Bank in 2022 are from Jewish Ultra-Orthodox society
- 5%** of employees hired by the Bank in 2022 are aged 45 or higher

Promoting gender equality

The Bank attaches great importance to promoting gender equality in the work place. The Bank has an equal opportunity employment policy, with employees hired and promoted based solely on their skills and on needs of the Bank.

	2022			Percentage of female employees at this rank
	Female	Male	Total	
Chairman, Bank President & CEO and executive management of Mizrahi-Tefahot Bank only	5	7	12	42%
Division / Sector / Region Managers	47	73	120	39%
Branch managers / department managers / business center managers	188	252	440	43%
Team managers / area managers	579	411	990	58%
All Group managers	819	743	1,562	52%
Non-managerial position	4,112	1,994	6,026	68%
Total employees	4,931	2,657	7,588	65%

Percentage of female employees in group, by rank





In 2022, the Group had **4,931** female employees, or **65%** of all Group employees.

Of all Group managers, **52%** are women

50% of Division managers are women

49%: The rate of female managers in income-yielding divisions (Retail, Business, and Financial)

60% of all employees promoted to a managerial position were women

38% of employees in technological (STEM)¹ positions at the Bank's HQ and in the Technology Division are women

50% of all employees in technological (STEM) positions at the Bank's HQ are women

Pay differences between male and female employees

Each employee's pay, in all ranks and positions, is determined upon hiring by the Bank, regardless of the employee's gender – but rather based on their skills, professional experience and their designated position. Group employees receive pay promotions based on equal criteria and on their skills, taking into account only relevant considerations.

And indeed, when we considered the salary of male and female employees in similar roles, from entering the organization to three years later – we found no differences in salary.

We also considered salary differences across the Bank, between the average salary for female and male employees at different ranks.

Salary ratio between women and men in the Bank, for 2022

Rank	Salary ratio
Executives	0%
Senior Executives	4.01%
Branch and department managers	4.23%
Employees ¹	12.29%
Employee in similar roles (up to 3 years' seniority)	0%

The data shown refers to full-time employees who have been employed by the Bank for 12 months or longer. The difference is due to the wide range of roles in each of the categories listed above, hence the variance in total salary paid for each role (regardless of gender). This variance is affected both by the rank and by the administrative standard rank for each role. Moreover, there is variance in pay based on individual employee attributes, such as seniority, additional pay with respect to children and so forth.

Preventing abuse and sexual harassment in the work place

The Bank sees the importance of ensuring a safe and pleasant work environment and strictly prevents any case of abuse or sexual harassment. The Bank has appointed a Supervisor for Prevention of Sexual Harassment, who was trained for this role and attends workshops in this field from time to time. The Supervisor is tasked with handling reports of sexual harassment in conformity with a procedure specified for this purpose. The Supervisor is also responsible for handling complaints filed by outsourcing contractors who work on Bank premises. In addition, every Human Resources Manager is a Supervisor for Prevention of Abuse for their division.

Every year, all Bank employees receive the procedure for preventing sexual harassment, including contact information of the Supervisor.

Bank management and the Board of Directors receive an annual report on sexual harassment at the Bank.

All new hires take part in training on this topic, through a mandatory eLearning kit. Courses and conferences for managers at the Bank include workshops on prevention of abuse and sexual harassment. New managers participate in a workshop on preventing abuse as part of the Bank's first management course.

In 2022, a procedure for prevention of abuse was created, details of the proceeding for elaboration of any such complaint. The Bank also provides an anonymous line for bank employees where it is possible to address any issue that requires clarification or infringes on the employee's rights, including sexual harassment, discrimination or issues related to compliance with the law, corruption, etc.

In 2022, only a handful of complaints were filed at the Group with regard to sexual harassment or abuse in the work place. Each case was reviewed and appropriate actions were taken to avoid any recurrence of such case and to increase awareness of this topic.

In 2022, the Bank provided 1,370 hours of training on preventing social harassment and abuse at work.

1. Employees in STEM positions use their knowledge of science, technology, engineering or math in their daily work.

1. Includes the echelons of team and area managers. The differences are due to parental leave / furlough. There are no gender-related differences in pay for new hires upon onboarding.

Caring for employee well-being



The Group acts to promote employee welfare at the Bank as well as assist in their personal lives in a variety of ways: employee benefits, work-life balance and caring for retiring employees.

Employees' benefits

The Bank emphasizes various circles that accompany the employee throughout their work, professional development, personal joyful occasions and, if needed, in times of crisis and distress. All Bank employees are entitled to benefits, without distinguishing between trainee, part-time or regular employees.

- **The work cycle** – various benefits upon reaching milestones during employment at the Bank: Upon hiring, upon reaching tenure, upon promotion, at milestones based on seniority and upon approaching retirement.
- **Annual Cycle** – benefits and gifts for holidays and other events based on the calendar.
- **Employees' family circle** – benefits for life events of employees and their families. This includes gifts given at events such as birthdays, weddings, births, etc., as well as upon starting in first grade and starting military / national service, as well as events for employees' families. Employees also benefit from contribution towards financing day care and kindergartens for employees' children and tuition reimbursement for their children's higher education.
- **Other benefits** – Bank employees enjoy various benefits in management of their bank account and credit facilities and loans at preferential terms.



Family event on the topic of sustainability

As a summer employee event, a show was held to promote awareness of the importance of preserving the Earth and the values of sustainability. Some 2,500 Bank employees and their children participated in the show.

Support for maintaining a healthy lifestyle

- **Fun team-building days** – The Bank makes sure that all employees go on fun days and team-building activities.
- **Gym at the Lod headquarters building** – At the Lod headquarters building, a gym is available to Bank employees, offering a variety of activities and courses during the week, at a nominal cost.

- **Workplace League** – The Bank has 12 sports teams that annually take part in the Workplace League. Some 150 Bank employees take active part in Bank teams, practice and competitions.
- **Medical check-ups for all employees aged 40 or over** – As part of our concern for the health and well-being of employees, the Bank bears the cost of medical check-ups for all employees aged 40 or older. 30% of the eligible employees take advantage of this benefit.
- **Awareness of disease and pandemics** – In case of an outbreak of disease / plague in Israel, the Bank informs employees on how to protect themselves. Handling of such cases is part of the Bank's business continuity plan, in conformity with directives of the Bank of Israel.
- **Assistance to employees with severe diseases** – The Bank's welfare officer is responsible for keeping in touch with employees suffering from severe diseases and for handling their requests and responding to their needs, such as helping employees whose families need financial assistance in covering medical expenses.
- **Help in times of crisis** – As part of our concern for our employees' families, our unit managers, with the assistance of the Human Capital, Resources and Operations Division, provide assistance to employees and their immediate environments and provide support to them also during difficult times and crises. In addition, a mutual aid fund was established at the initiative of the employees. Employees who wish to do so, pay a modest sum out of their salary into the fund, which helps employees in various crisis situations.

Benefits for employees of Bank Yahav and Union Bank¹

Bank Yahav and Union Bank are also diligent about providing benefits to their employees: entitlement to a continuing education fund, summer camps, scholarships, daycare centers, newspaper subscription, convalescence pay, annual bonus, benefits from the welfare and clothing fund, as well as benefits and bonuses for holidays and special occasions, such as a bonus in appreciation of years of employment at the bank, holiday gifts, gifts for personal special occasions and more. The banks also offer increased benefits to employees who retire before the statutory retirement age. Bank Yahav retirees enjoy various benefits, such as gifts on holidays or birthdays or attending extra-curricular courses and leisure activities. The Bank also provides a budget for the Retiree Council and for trips and lectures for Bank retirees. In relation to employees who are retiring at the statutory retirement age, the Bank offers to participate in the fee to a pension advisor.²

Work-life balance

A proper work-life balance and development of professional skills, as well as development of personal interests and personal growth directly affect employee well-being. The Bank encourages employees to maintain a balance between work and leisure, provides training for employees on this subject and ensures that employees have free time during the week for their family and other activities:

- **Work week** – The work week at the Bank, for a full time position, is only 39 hours long, compared to 42 hours as stipulated by law. For control purposes, the Bank monitors excessive overtime and alerts employees who exceed their maximum allowed time, with a copy to their manager. The Bank also ensures that employees take their paid leave and continuous leave, in conformity with the Annual Leave Law.

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.
2. Subsequent to Bank Igud's merger with Mizrahi-Tefahot Bank, a severance agreement was signed between Bank Igud's Management and its employees' committee, which defined a severance package containing increased severance pay and various benefits to be granted to exiting employees.

- **Additional paid leave** – Employees are granted annual paid leave as required by law and based on seniority, and even longer:
 - Paid leave during Hol HaMoed are only partially deducted from the remaining paid leave days.
 - Non-Jewish employees may take five days off every year, paid by the Bank, during their religious holidays. These days are in addition to holidays according to the Jewish calendar, which are not business days at the Bank.
 - The Bank offers additional paid leave to employees upon their wedding, their child's birth, Bar-Mitzva (or Bat-Mitzva) and wedding.
 - Regular employees at the Bank who study for a post-graduate degree while working are credited with paid leave upon graduation.
 - Automated controls verify that excess work hours are avoided and ensure that annual leave is taken.
- **Support for caregivers – employees who care for a sick family member** – As a rule, the Bank is considerate of employees and is flexible in crisis situations, when employees are required to care for a sick family member.
- **Vacation pay** – Bank employees are eligible to receive vacation pay, at a rate higher than required by law.
- **Vacation voucher** – Once every year, employees receive a voucher with a specified value, for booking a vacation in Israel or overseas, at their choice.

Caring for employees approaching retirement

As part of its responsible employment policy, the Group cares for employees about to reach retirement age (or as part of early retirement agreements).

Employees retiring at the legal retirement age are eligible to a pension from the pension fund. Contributions to this fund on behalf of Bank employees are made in conformity with the law.

Employees retiring before the legal retirement age (early retirement) have two tracks available to them: the early retirement track and the increased severance pay track. Retiring employees in these tracks are also eligible for Bank assistance in financing training courses and a meeting with a retirement advisor to maximize their benefits.

Employees who are nearing retirement or retire early are entitled to a retirement plan that includes personal guidance, a preparation workshop for retirement and counseling from the person in charge of retirement at the Bank, eligibility for cash refunds for tax/pension counseling and professional training as the employee chooses. All retiring employees are eligible to benefits in account management, holiday gifts as well as cultural events organized by the Retiree Council. The Bank also encourages managers to keep in touch with retirees in their departments and to continue to benefit from the latter's extensive experience and knowledge accumulated over the years, should the retirees so wish.

By law, men and women may work up to age 67, and this is the case at the Bank as well. In general, the Bank does not employ people after the retirement age, but in case of employees who are a critical source of knowledge, and if both the Bank and the employee wish to do so, the Bank would consider extending their employment beyond age 67. Currently, there are 26 such employees, including at the Technology Division, mostly in senior management positions.

Moreover, in 2022, the Bank recruited Bank retirees, through labor providers, for various projects to assist at branches.

Group retirement data for 2022 (excluding Union Bank¹)

	Female	Male	Total
Employees taking retirement	17	34	51
Employees taking voluntary retirement (in conformity with voluntary retirement program)	21	12	33
Total	38	46	84



1. In this framework, 154 employees retired from Union Bank: 4 based on their age and 150 by voluntary retirement.

Employee training and development



Bank management regards the development of its staff and constant improvement of the professional and personal skills of Bank employees and managers, as a critical component of implementing the Bank's business strategy, as well as a tool for reinforcing Bank values. The Bank strives to provide its employees with learning experiences and personal and professional development that would ensure that employees keep current with the changing work environment.

Human capital development at the Bank is based on three major pillars:

Training and mentoring of employees and managers – training and personal and professional development processes, led by the Training Center of the Human Capital, Resources and Operations Division, are provided throughout the employee's employment by the Bank: From mentoring and certification training when starting on the job, through various training programs throughout the career, preparing for the next position through professional or management cadres and through preparation for retirement.

Career development and employee promotion paths – As part of the Bank's policy, which advocates the promotion of employees, their cultivation over time and the staffing of positions and internal promotion from among the Bank's employees, the Bank offers career development paths for employees and managers.

Dialogue with employees – As part of the development and learning process for employees, the Bank maintains a dialogue with employees about their performance and goals, through evaluation and feedback processes. The Bank also encourages excellence and remunerates employees through bonuses, promotion, individual awards to outstanding employees and recognition of outstanding employees.

Training and mentoring of employees and managers

The Group's training program includes a variety of courses, training and general interest lectures for employees and managers, both on professional topics (whether or not regulatory mandated), on management issues to provide managers with skills, as well as on general behavioral topics for expanding their knowledge and for acquiring various personal skills. Each Bank employee (branch/HQ), including part-time employees, is assigned a customized training curriculum, consisting of training activities appropriate for their role.

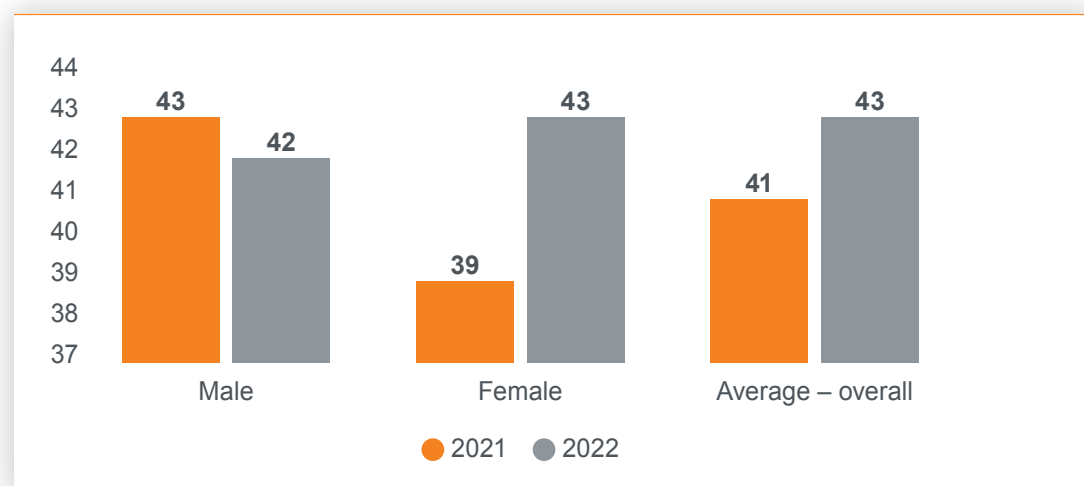
The training center applies advanced, diverse and innovative methods for learning. Learning applies a hybrid method, which includes a combination of online distance learning, in-class learning and digital self learning. In-class learning incorporates various methods to engage with learners, such as: simulation, gaming, active learning, discussions in pairs / teams and so forth. Self learning, both digital and interactive, is applied for learning professional content required for the job. Moreover, the training center promotes learning for general interest and individual development, using a platform to make diverse learning materials accessible, including a virtual library, training videos and podcasts.

The training center is a strategic partner for cross-bank processes with regard to change management, deployment and training:

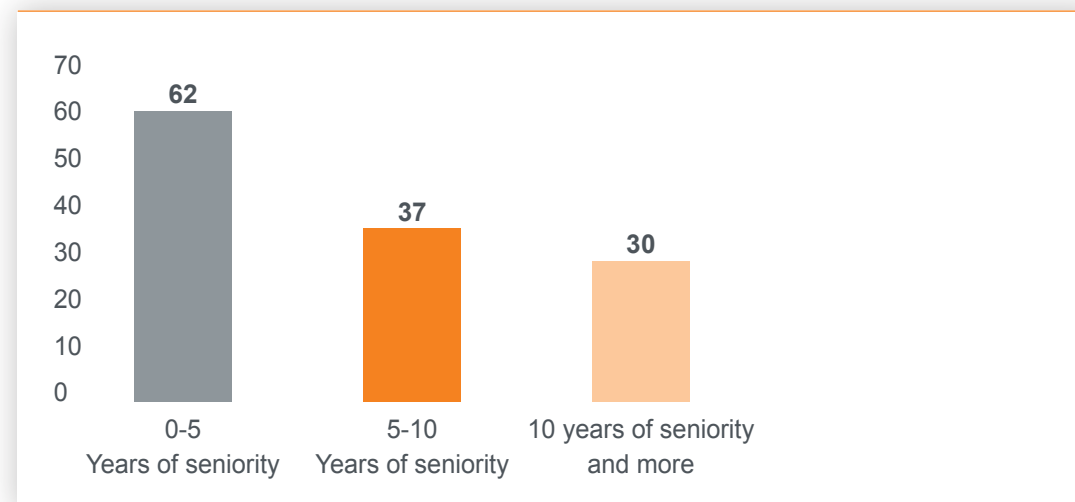
- **Training, seminars and workshops** – The Bank offers training and workshops which support the professional, behavioral and management skills required for the position at the highest standards. The courses delivered cover the various banking topics, management and leadership and so forth. During training delivered to employees, special emphasis is placed on regulatory training. The deployment method for each regulation is adapted for its complexity and for its relevant target audience. Training also refers to deployment of new content among employees and managers, as well as to maintaining and refreshing skills over time.
- **Personal mentoring program** – The Bank emphasizes professional and managerial mentoring. Every employee starting in a new position is mentored by a colleague and by the unit manager, using a structured, customized mentoring program. Employees attending managerial courses are mentored by other managers at various levels. Additionally, mobile tutors from the Training Center provide personal tutoring at the employee work stations and online training directly to employees at their work stations, once the needs are identified and the study topics are defined with the manager.
- **Learning organization** – The Training Center develops diverse projects, designed to deploy a "learning bank" culture where managers and employees regard learning as a continuous activity, which also takes place at their work station, as well as initiated by branch managers. Material is made available to managers and employees on the Bank's learning portal, mentoring is provided as part of entering a new position, computer-based kits for individual learning are distributed, "learning flashes" sent to manager training groups and so forth.
- **The "BINA" learning system** – Enables transparency for employees with regard to their planned personal training program and allows managers to constantly monitor the employee's professional development. Basic E-learning kits (mandatory for all new hires) and mentoring tracks adapted for different roles are delivered in the system. This system also provides additional material to managers and employees, for general knowledge in many areas.
- **Extra-curricular classes** – The Bank offers its employees various extra-curricular courses for enjoyment and for development of skills – even beyond what is needed for their position, such as language courses, Excel, VBA, presentation skills, decision making, negotiation skills and so forth.
- **Self learning** – A VOD library accessible to all employees, offering training videos on banking topics: international trade, investments, analysis of financial statements and so forth. This library was made accessible to employees in the fourth quarter of 2022, and since then has been accessed more than 2,700 times. In addition, a podcast system for learning and general knowledge on various topics has been launched, with employees able to connect to it from anywhere to enhance their knowledge. Moreover, custom additional knowledge is conveyed to managers in periodic management newsletters.
- **General interest presentations** – In 2022 as well, the Bank continued the Tree of Knowledge project, with presentations given by senior lecturers from business and academia. The content was delivered online. In 2022, we delivered 5 presentations. Each session was attended by 100 managers and employees.
- **Employee training outside the organization** – In addition to the courses that are taught within the organization, from time to time employees are sent to external training courses in order to expand their professional knowledge. In 2022, employees attended external training events, such as the CPA Convention, the annual convention of the Israel Bar Association, conference on economic crime and AML, annual CFO Forum convention, annual convention of the Real Estate Appraisers Association, conference on cyber security, Capital Market Conference and others.

- **Academic education** – The Bank encourages employees to complete and expand their academic education and contributed towards tuition costs for 130 employees in the last five years, of which 53 employees received financing to complete their BA degree. In 2022, 31 employees received funding for academic studies, of which 7 for undergraduate degree studies and 24 – for graduate degree studies. Of those employees who received funding for academic studies in 2022, 14% were promoted in rank and 40% changed their position in the past three years.
- **Personal support and advice** – Branch / department managers receive, upon starting in a managerial position, personal support and advice and also attend individual consulting meetings as part of select training courses. Counseling and mentoring is provided both on an ongoing basis and in the context of specific activities, such as the Union Bank merger or reorganization and as required by various units.
- **Employee training at subsidiaries** – Bank Yahav creates an annual training plan for all employees, based on the Bank's work plan and needs. This plan is disseminated to all employees. Foreign branches have training plans adapted to the Bank's values and to regulatory requirements in their operating area.
- **Training to support retiring Bank employees** – The training center trains employees and managers about to return, in a training course to prepare them for the retirement process. Furthermore, a meeting is held at end of each year, for employees and managers who retired during the calendar year.

Average training hours by gender



Average training hours in 2022 by years of service



In 2022, the Bank delivered **47,821** training days, compared to 42,960 training days in the previous year¹

55% of training hours were spent in independent learning (using courseware, workbooks, video clips, video games, and so on)

45% of training hours were hybrid (in-person or online)

The cost of investment in employee training at Mizrahi Tefahot in 2022 was **72.6 million ILS**

Average training hours per employee by echelon in 2022

	2021			2022		
	Male	Female	Total	Male	Female	Total
Managers	35	33	34	25	24	24
Employees	47	40	42	48	47	47
Headquarters	28	21	23	13	12	13
Branches	54	48	50	71	61	64
Total average	43	39	41	42	43	43

1. 1 training day = 9 academic hours.



In 2022, the Bank launched a series of educational podcasts offering enrichment on a variety of subjects accessible to Bank employees from anywhere and allowing them to expand their knowledge.

Review of training program effectiveness

In order to review, to improve professional skills and to streamline learning processes, a structured process is in place for testing the effectiveness of new learning content as well as of existing learning content. To this end, the Training Center applies the following measures:

- **Feedback** – At the end of each training session, participants take part in a verbal feedback session, and they are asked to complete the feedback form in the Bina system. In some cases, employees and managers are also asked to complete a feedback form after some time has passed, designed to test the contribution of training to improved performance, knowledge implementation and application in the normal course of their work. Feedback form ratings and comments are monitored and analyzed, resulting in the required modifications being made to future training sessions, with monitoring of their implementation. The weighting of feedback forms and ratings for all training and courses delivered in 2022 showed a high level of effectiveness and satisfaction.
- **Meetings on the subject of training effectiveness** – A meeting devoted to the effectiveness of training is held quarterly at the Training Center, attended by the manager of the Training Center, team managers and course coordinators. During the meeting, every coordinator presents a summary of the feedback on courses under their management. These summaries include verbal examples of feedback and statistics. Depending upon the feedback forms and comments, the actions to be taken are formulated with reference to the issues raised.
- **Focus groups** – Prior to specific courses (such as the advanced management program, the track for future managers at headquarters), employees and managers who had participated in previous courses were invited to discuss the course content and offer suggestions for improvement, if any.

Career development tracks

The Bank sees great importance in professional development and advancement; typically, Bank employees are hired for initial positions and progress along multiple career development tracks within the organization. The Bank offers multiple career development tracks for both employees and managers and reviews the training effectiveness over years.

- **Promoting employees to management positions** – the Bank encourages promotion of its employees to management positions and provides them with tools for this purpose. In 2022, 97% of the managers appointed were promoted from among the Bank's employees.
- **Manager development program** – This program is intended for branch, department and team managers. The program consists of multiple courses, individual advice and seminars on management.


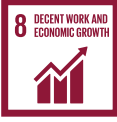


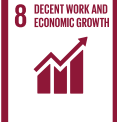
- **Training program for management cadre** – The Bank has developed programs to train suitable employees for future positions, in both their professional and managerial capacity. Employees and managers found suitable for promotion receive, as part of this program, diverse training, such as: branch management cadre, headquarters management cadre, advanced management course, Target program for training managers for senior positions and employee training program for future professional positions (business management cadre). The effectiveness of the courses and learning can be seen in the percentage of managers promoted over the past 6 to 8 years: 70% of branch managers and 48% of department managers are graduates of management reserve courses. 38% of the Bank's senior executives participated in the "Target" program, which is designed to train executives for senior management positions.
- **Manager training at Bank Yahav** – Bank Yahav operates programs to develop and retain key managers in the bank, by offering manager development courses at its headquarters and in branches throughout the year.

Dialogue with employees


The Bank attributes considerable importance to maintaining continuous communications with its employees and managers in order to expand the dialogue with its employees, as part of its policy of maintaining a responsible employment environment. In order to foster an organizational culture of open discourse, the Group acts as follows:








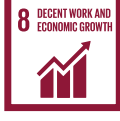


- **Round table meetings with Bank President & CEO** – In 2022, the Bank President & CEO met with Bank employees in sessions to openly discuss what happens at the Bank, at HQ and in branches. Further, direct meetings were held by executive management with employees during visits to various branches and units, including round table discussions in various forums. The Manager, Human Capital, Resources and Operations Division met with Union Bank employees for open discussion of the transition and onboarding process at the Bank. All these meetings provided valuable insight which contributed to learning and process development at the Bank.
- The Bank conducts an annual employee survey, in collaboration with BDI, for ranking of the Bank among the best companies to work for. The conclusions are presented to Bank management. The survey results are also reviewed by gender, hierarchy position and age group. The survey conclusions are presented to Bank division managers, and result in propositions to be implemented in the work plan.
- **Organization-wide surveys** – The Bank conducts surveys among different groups, such as a new hire survey, to study satisfaction with the onboarding process and the new role.
- **Providing feedback to employees** – The Group ensures that employees receive regular feedback about their performance. In 2022, 100% of Mizrahi-Tefahot employees received feedback in a personal conversation or meeting. Soon prior to the evaluation date, workshops are provided on this topic and an explanation of the evaluation process is disseminated. Workshops on employee evaluation and providing effective feedback are held as part of the management training process as well. The feedback is mutual feedback and allows employees to provide feedback on what is going on at the bank.
- **Communication with new employees** – The bank portal has a dedicated area for new employees with aspects and milestones that accompany the employee professionally and personally. In this area, a brochure for new hires provides information with regard to their rights, explaining their pay slip and pay components at the Bank, as well as information on promotion, remuneration and incentives. Also, in this area there is a reference to additional areas in the Bank portal that help the employee become acquainted with the Bank so that his absorption will be quick and pleasant.

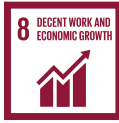









Achievement of 2022 goals

Specified goal	Response to SDGs	Status
Examination of employee well-being from the aspects of work-life balance and mental well-being, and forming of conclusions and recommendations for advancing the issue	 	In progress.
Update assessments for the Bank's financial education "Money Road" – adapt the format for elementary schools and translate the renewed assessments into Arabic.	 	Done.
Continued activity in the Arab sector in order to provide this public with solutions customized for its unique characteristics when carrying out mortgages.		Done.
Expansion of activity among senior citizens while creating collaborations with assisted living homes, increasing the number of bankers and branches specializing in providing credit solutions to this population.		Done.
Activities in the Ultra-Orthodox community – Learning the needs and adapting the Bank's services regarding mortgages, including collaborations to finance designated residential complexes.		Being done on regular basis.
Continued provision of the option to defer payments for customers in need when needed (mortgage).		Being done on regular basis.
Making the soft collection issues accessible for handling directly on the website.		Done.
Continue the "Let's meet at Mizrahi-Tefahot" activities and create enrichment activities on general topics, including activities adapted to the various sectors: Arab society, Ultra-Orthodox society, senior citizens and financial-banking lectures on various topics that are appropriate for business activity.		Done.
Strengthening of internal organizational communication by enriching employees' knowledge through online lectures that will introduce employees to content worlds outside of the banking world.		Done.
Establishment of a website for professional enrichment through digital courses		Done.
Examination of the future employee profile required in each division in view of expected changes in the future labor market and their effects on future professions		In progress.

Achievement of 2022 goals

Specified goal	Response to SDGs	Status
Continue activity to recruit and hire employees with disabilities and assistance for managers of those employees.		Being done on regular basis.
Expand recruitment of employees from under-employed demographics.		Being done on regular basis.
Expand the circles of support for bodies active in the field of business-social entrepreneurship (entrepreneurship competition, "In Good Company" center).	 	Done.
Examine new investments in social bonds		Done.
Expand the impact of scholarships awarded by the Bank to students from underprivileged populations through volunteer hours that will contribute to the community.		Done.
Real investments – Examine the Bank's investments according to the criteria for ESG aspects in the target companies.	 	Done.
A visit to three major regular suppliers		Done.
Produce a questionnaire on corporate responsibility that will be attached to requests for price quotes from suppliers for the purpose of decision making with all the considerations for selecting a supplier.		In progress.
Continue to sustain the high satisfaction among the Group's customers and continue to provide optimal service when handling customer complaints, while maintaining the Bank's fairness towards its customers.		Done.
Encourage the Bank's employees to volunteer in various projects for the community with the support of the Bank (for example, "Gdolim BeMadim", "Zikaron Basalon", peak days, etc.).		Done.

Specified goal	Response to SDGs
Examination of employee well-being from the aspects of work-life balance and mental well-being – both during ongoing work and as part of design of the new Bank building under construction in Lod.	 
Initiative to save lives – expand the number of schools and children taking part in the program, designed to promote road safety initiatives among children and youth.	 
Expand access to financial education kits for elementary schools.	  
Approve and start implementation of document on supplier management policy from ESG aspects.	
Incorporate innovative learning methods to improve employees' learning experience, both in person and online, through virtual content hubs, unique workshops and more.	 

Specified goal	Response to SDGs
Expand recruitment of employees from under-represented demographics.	 
Expand digital project and digital acceleration, to help create a new customer experience and assist in diverse services, to also be provided remotely.	
Implement innovation across the organization by training and assistance for the Innovation Team.	
Deployment of new Service Language, to promote services provided to all demographics, and expansion of service channels.	
Real investments – Examine the Bank's investments according to the criteria for ESG aspects in the target companies.	 
Incorporate ESG aspects, primarily climate risk, in considerations and deliverables of the investment advisory service.	
Enhance the professional toolkit available to social NGOs and businesses.	 
Increase the number of employees taking part in volunteering activities.	



Governance



Mizrahi-Tefahot Group adheres to accountable conduct and is committed to respecting statutory provisions and implementing proper corporate governance. The Bank adheres to ethical conduct by employees and acts to prevent corruption.



Being a leading financial institution in Israel, the Bank strictly maintains responsible conduct and disseminates across the Bank Group the commitment to comply with statutory provisions and to implement proper corporate governance. The Bank adheres to ethical conduct by employees and acts to prevent corruption. The Bank also strives to achieve its goals and to implement its business strategy while managing risk and remaining committed to its customers.

Mizrahi-Tefahot Board of Directors

As part of corporate governance management at the Bank, the Board of Directors is responsible for Bank business and for its financial resilience. The Board operates in conformity with the law, including Proper Conduct of Banking Business Directives, and in conformity with the Board of Directors procedures. As part of approval of the Bank's annual work plans, the Board of Directors is asked annually to approve the work plan with regard to ESG.

Profiles of Board members¹

- The Group Board of Directors consists of ten Board members – 8 male and 2 female.
- Eight Board members have professional competence and accounting and financial qualifications (the Audit Committee includes five such Board members), in conformity with provisions of the Corporate Regulations.
- The Board of Directors includes four external Board members, as this term is defined in the Corporate Law and in conformity with Proper Conduct of Banking Business Directive 301. All external Board members are also independent Board members.

1. For additional details about members of the Bank's Board of Directors, including their qualifications, education, experience and additional details about their incumbencies, and additional details about directors possessing accounting and financial expertise and professional qualification, as is required pursuant to the public reporting provisions and the Securities Regulations, see Regulation 26 in the Bank's Periodic Report for 2022 on the Israel Securities Authority's Magna website.

- Among the Board members are also Board members with experience and knowledge of risk management and credit risk. The Risk Management Committee of the Board of Directors includes members with significant experience with risk management, as well as a Board member with extensive experience and knowledge of technology and digital topics.
- All Board members do not report to the CEO, directly nor indirectly, and have no executive role at the Bank.
- In 2022, average attendance rate by Board members was 97.8%.
- No indictments are pending against any Board member, no legal proceedings are pending and there were no convictions of Board members in the past ten years.

Below are members of the Bank Board of Directors as of December 31, 2022:²

Moshe Vidman, Chairman
Estheri Giloz-Ran
Ron Gazit
Avraham Zeldman

Hannah Fayer
Jonathan Kaplan
Gilad Rabinovich

Ilan Kremer
Eli Alroy
Joseph Fellus

Independence of the Board of Directors and appointment of directors

The Board of Directors operates in conformity with the Corporate Law and in conformity with Proper Conduct of Banking Business Directive 301, which stipulates the list of matters which the Board is authorized to discuss and decide upon, so as to exercise Board independence. This is reflected in detailed Board of Directors procedures with regard, inter alia, to the composition and many roles of the Board of Directors, including actions the Board must take to realize its position. According to Directive 301, the Bank's employees may not be appointed as directors, and a director will not have an executive position in the Bank and will refrain from participating in the ongoing management of the Bank and will not be present at meetings of management and its committees, with the exception of their presence at the discussion on the Bank's overall strategy. In addition, the director will not address business matters to the Bank's employees, but only at meetings of the Board of Directors or its committees, except for inquiries to the Bank's CEO in specific cases and their documentation in accordance with Directive 301. Also, as a corporation with a control core – a controlling shareholder cannot serve as Chairman of the Board. A person may not serve as a director whose business or current occupation creates a permanent conflict of interest between him and the Bank or where there is a concern that they may create a conflict of interest on a permanent basis. Also, at least one-third of the Board members must be external directors. External Board members are appointed for a three year term in office, by Law, and each external Board member is appointed on a different date. Note that in corporations with a control core, such as the Bank, this may impede a hostile takeover.

On December 24, 2020, the General Meeting approved an amendment to the Bank's Articles of

1. In 2022 there were no changes to composition of the Board of Directors or Board committees.

Association with regard to the duration of a director's incumbency, whereby directors (apart from outside directors) will be appointed by the Annual Meeting and the duration of their incumbencies will be until the close of the third Annual Meeting convened subsequent to the Annual Meeting that approved their appointments, or until an earlier date approved by the Commissioner of Banks in that regard. The Bank may, by way of Extraordinary General Meeting, appoint additional director/s to the Bank, whether for the purpose of filling a vacancy that occurred for any reason, or whether as an additional director/s, provided that the number of directors will not exceed the maximum number prescribed in the Articles of Association. Shareholders may nominate candidates for Board membership, to be brought for approval by the General Meeting, and such candidates shall be on the agenda for the General Meeting, in conformity with and subject to terms and conditions stipulated in the Bank's Articles of Association and in statutory provisions.

In preparation for the appointment of a new Board member (internal or external), a special ad hoc committee is appointed, composed of those with no personal interest in the matter, and its role is to examine the Bank's needs for the composition of the Board of Directors and to discuss candidate suitability. In 2022, two ad-hoc committees were convened ahead of appointment of an external Board member and (with a different composition) ahead of appointment of internal Board members. An officer, as defined in the Companies Law, will not act to appoint a particular director or to prevent his appointment, except for his own candidacy for the position of director. No director of the Bank may be appointed nor serve as a director unless they have the required qualifications and the capacity to allocate the appropriate time for performing the role of a Bank director, considering, among other things, the Bank's distinct needs and its size.

Except for those who served as a director until the date of the annual meeting, a director will not be appointed at the annual meeting unless the Board of Directors has recommended an appointment or if he or a shareholder in the Company has nominated him as a candidate. However, the Board of Directors will be entitled to appoint directors to the Bank, if a seat on the Board of Directors is vacated after the previous annual meeting or with the approval of the Supervisor of Banks, provided that the term of office of a director who is appointed ends at the next annual meeting. The vote at the General Meeting on the appointment of directors and the termination of their term of office will be held for each candidate or director separately. These decisions will be taken by a simple majority of the participants in the vote, and abstentions will not be taken into account. If more candidates are selected than there are vacancies, the candidates who have won the highest number of supporters in the General Meeting will be selected.

In July 2022, the Bank Board of Directors approved policy on gender diversity, after discussing the importance of gender diversity as a value, including the need for appropriate gender diversity on the Bank Board of Directors. According to the approved policy, both genders shall be appropriately represented, with at least 30% of all Board members to be female. This policy shall be fully implemented by end of the annual General Meeting to be held in 2025, and no later than three years after the Board of Directors set this policy (on July 17, 2022).

The process of onboarding a Bank Board member is extensive, including regular updates to materials in the Board member onboarding file which every Board member receives upon being appointed. The onboarding process is well-defined and clear, and includes scheduling meetings with all of Bank management. The Bank Secretary's office also implements a focused process to identify and address needs.

Each subsidiary has articles of association that determine the manner of appointing its directors and the number of independent directors – if applicable. In addition, some of the subsidiaries are subject to regulations regarding corporate governance principles in accordance with its activities. Interested party transactions are regulated by law and incorporated into procedures, and the subsidiaries act accordingly.

The Board's work

The Board of Directors fulfills its functions by means of discussions by the Board of Directors plenum, at meetings held at least once a month (or more frequently, as necessary), as well as at meetings of its committees. In 2022, the Bank Board of Directors held 22 plenary meetings, 69 committee meetings and 17 seminars for Board members (on eight dates).

Diverse matters are brought for discussion by the Board of Directors or reported to the Board, the vast majority of those are presented after having already been discussed by the Bank's professionals and control functions and by the Bank's Management. Management recommendations are included, as applicable, in background material provided to Board members.

Operating procedures of the Board of Directors stipulate matters, with emphasis on risk management at the Bank, which must be reported to the Board of Directors; these procedures specify the frequency and form of such reports. These procedures also refer to immediate reports with regard to event types which require such reporting. Once a month, the Bank CEO presents his report, an overview of all Bank operations and special events and, if necessary, ESG issues. A comprehensive risk survey is presented quarterly to the Board's Risk Management Committee and to the Board of Directors for discussion, which presents: all of the Bank's risk, developments in risk management and control during the quarter under report, and occasionally, ESG-related topics.

Any material unusual events, whether economic, social or environmental, were presented to the Board of Directors as part of the quarterly risk document. In 2022, the Board of Directors received reports on the implications of higher inflation and interest rates on the Bank and on Bank customers. The Bank applies all statutory provisions with regard to avoiding conflict of interest among Board members. The Bank acts, in this matter, in conformity with provisions of the Corporate Law, 1999 and provisions of Proper Conduct of Banking Business Directive 312 "Banking Corporation's Business with Related Parties". The Bank's enforcement plan also includes detailed instructions on this matter.

Training and seminars

The Board of Directors has an annual training program and Board members are invited, from time to time, to attend external professional training. The seminar program for 2022 included ESG training, focused on global ESG trends and on the climate risk map. Other training was delivered by a wide range of in-house and external presenters on technology, strategy, financial and regulatory issues. Further ESG-related training is planned for 2023. The Bank also renewed membership of Mizrahi – Tefahot Bank Board members in the Israeli Directors' Union.

Advising the Board of Directors

The right of Board members to obtain information and to consult with various entities in the course of discharging their duties is in conformity with provisions of the Corporate Law and provisions of Proper Conduct of Banking Business Directive 301 by the Supervisor of Banks with regard to "The Board of Directors" and is included in operating procedures of the Board of Directors. In justifiable cases, the Board of Directors may be assisted by external advisors, as set forth in the Corporate Law and in Directive 301. Board members may, in special cases, obtain professional advice at the Bank's expense, if such expense reimbursement has been approved by the Board of Directors, all in conformity with and subject to provisions of the Corporate Law and in Directive 301. In 2022, external advisors were engaged in multiple cases.

Effectiveness of the Board of Directors' work

Effectiveness of the Board of Directors' work is evaluated in conformity with Proper Conduct of Banking Business Directive 301, once every two years. In late 2022, an evaluation of the effectiveness of the Board of Directors' work was performed with the assistance of an independent external advisor using anonymous structured questionnaires. The output from these questionnaires is a document consisting of points for improvement in various content domains. This document is discussed by the Board of Directors, after which the list of recommendations to be implemented is formed. The Bank Secretary's office monitors the implementation of these recommendations.



General Meetings of Shareholders

- The Bank convenes an Annual General Meeting of shareholders, by no later than 15 months after the last Annual General Meeting.
- The Bank's Board of Directors convenes an Extraordinary General Meeting at its discretion and at the request of any one of the following:
 - two directors;
 - one or more shareholders holding at least 5% of the issued share capital and 1% of the voting rights in the Bank, or one or more shareholders holding at least 5% of the voting rights in the Bank.
- Subject to the provisions of the Companies Law or of the Bank's Articles of Association, the requisite majority for passing a resolution during a General Meeting and during an adjourned General Meeting is a simple majority of all votes of the shareholders present during the General Meeting who are entitled to vote and who voted, without taking abstentions into account. A shareholder may vote at a General Meeting or at a Class Meeting, in person or by proxy, in accordance with the provisions of the Bank's Articles of Association and subject to the provisions of the Companies Law.

- One or more shareholders holding at least 1% of the voting rights during the General Meeting is entitled to request that the Board of Directors add a topic to the agenda of a future General Meeting, provided that the topic is appropriate for discussion by a General Meeting. Shareholders have the option to vote separately on each issue on the agenda of the General Meeting. The Bank does not have preferred shares.
- In 2022, two General Meetings were held:
 - In August 2022 – re-appointment of Mr. Joseph Fellus as external Board member of the Bank.
 - In December 2022 – discussion of the annual financial statements, review of the Board of Directors' report on the state of Bank affairs, re-appointment of Brightman, Almagor, Zohar & Co. as the Bank's Independent Auditor and report on pay and re-appointment of Board members.

Board committees

In 2022, the Board of Directors operated six standing committees:

Name	Credit Committee
Committee Composition	Moshe Vidman (Chairman), Hannah Fayer, Joseph Fellus, Jonathan Kaplan, Ron Gazit
Role	This committee is authorized to discuss general policy issues concerning credit, to formulate recommendations to be brought before the Board of Directors plenum, to discuss the annual and multi-annual work plan of the Credit Control Department and to receive periodic reports concerning credit risk. The committee is also authorized to discuss credit applications which are exceptional to the credit policy and to recommend their approval to the Board of Directors plenum.
Number of committee meetings	11
Meeting attendance rate	98%

Name	Risk Management Committee
Committee Composition	Moshe Vidman (Chairman), Gilad Rabinovich, Avraham Zeldman, Jonathan Kaplan, Joseph Fellus, Ilan Kremer.
Role	This committee is authorized to discuss issues and policy related to risk management and control at the Bank, capital planning at the Bank and internal control. The committee discusses recommendations submitted to the plenum of the Board of Directors and drafts proposals before the board meeting scheduled to discuss those topics. The Committee discusses, inter alia, the master policy on risk management and control framework, overall risk strategy, risk appetite, the assessment process of capital adequacy and the quarterly risk document. The Committee discusses and makes recommendations to the Board of Directors on approval of policy documents for the various risk factors, including: Overall management of financial risk, operating risk management, including management of business continuity, reputation risk management, online banking management, ESG policy, privacy protection, report by the Compliance Officer and uniform compliance policy. The Committee is authorized to approve new products that are subject to approval by the Board of Directors plenum.
Number of committee meetings	13
Meeting attendance rate	97%
Name	Remuneration Committee
Committee Composition	Hannah Fayer (chairperson), Estheri Giloz-Ran, Gilad Rabinovich, Joseph Fellus.
Role	This committee is authorized to discuss and make recommendations to the Board of Directors with regard to remuneration policy and procedures, as required by the Corporate Law and in conformity with Proper Conduct of Banking Business Directives. The remuneration policy is required to be in conformity with the Bank's organizational culture, its long-term strategic goals and its control environment – such that remuneration incentives would not encourage risk taking beyond the Bank's specified risk appetite and would allow the Bank to maintain a robust capital base. The committee convenes at least once per year to review the implementation of the remuneration policy. Once every three years, the committee shall make its recommendations to the Board of Directors with regard to approval or revision of the current policy. This committee also makes recommendations to the Board of Directors with regard to guidelines for employment and retirement terms of Bank executives and employees and also approves officer remuneration, prior to approval by the Board of Directors and by the General Meeting of shareholders, as the case may be.
Number of committee meetings	6
Meeting attendance rate	100%

Name	Audit Committee
Committee Composition	Joseph Fellus (Chairman), Estheri Giloz-Ran, Hannah Fayer, Avraham Zeldman, Gilad Rabinovich.
Role	The roles and responsibilities of this committee are: discuss any faults identified in conducting Bank business and to propose ways to remedy these faults to the Board of Directors, to specify arrangements with regard to handling complaints by Bank employees with regard to any faults identified in conducting Bank business, to review the quarterly and annual reports to the public, to discuss them and recommend their approval, to approve transactions and actions as specified in the Corporate Act and to approve transactions with related persons in conformity with Proper Conduct of Banking Business Directive 312. The Board of Directors also appointed the Audit Committee to be the entity responsible, on behalf of the Board of Directors, for supervision of the work of the Compliance Officer, including information privacy, execution of the enforcement plan of securities laws and anti-trust laws, as well as its implementation. The Audit Committee supervises the Independent Auditor's work. It also recommends the salary and type of services requested from the auditors. The Audit Committee supervises public inquiries related to corruption.
Number of committee meetings	22
Meeting attendance rate	99%
Name	Technology and Innovation Committee
Committee Composition	Gilad Rabinovich (Chairman), Eli Alroy, Ron Gazit, Estheri Giloz-Ran, Moshe Vidman, Jonathan Kaplan
Role	The Committee's purpose is to discuss and to advise the Board of Directors on strategy, risk appetite and IT policy and management, by the Bank and by entities controlled thereby, including overseas affiliates (hereinafter: "the Bank Group"). The Committee discusses, inter alia, matters of information and cyber security, technology infrastructure at the Bank Group, administration and use of data bases, technology innovation in support of business innovation, and aligning these with the overall strategy and policy of the Bank Group, including goals, annual work plans and resources.
Number of committee meetings	7
Meeting attendance rate	97%

Name	Union Bank Absorption Committee
Committee Composition	Avraham Zeldman (chairperson), Gilad Rabinobich, Eli Alroy, Jonathan Kaplan, Joseph Fellus, Moshe Vidman.
Role	This committee was established in 2020. Upon the completion of the tender offer for the acquisition of Union Bank's shares and its becoming a wholly-owned subsidiary of Mizrahi-Tefahot, the Bank's Board of Directors decided to form an ad hoc committee tasked with the absorption of Union Bank's operations and with monitoring its implementation. The committee concluded its work in Q1 of 2023.
Number of committee meetings	8
Meeting attendance rate	100%

Remuneration policy

Remuneration of Board members, including external Board members, with the exception of the terms of office and employment of the Chairman of the Board of Directors (as described below) is given in accordance with the Companies Regulations (Rules for Remuneration and Expense Reimbursement for Independent Board Members), 2000 ("Remuneration Regulations").

On July 6, 2021, the General Meeting of Bank shareholders approved, after approval by the Board of Directors and recommendation by the Remuneration Committee, the revised officer remuneration policy at the Bank (hereinafter: "revised officer remuneration policy"), which is effective for three years until December 31, 2023.

The revised officer remuneration policy is in conformity with the Corporate Law, 1999, the Remuneration of Officers in Financial Corporations Law (Special Permission and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Remuneration), 2016 ("the Executive Remuneration Law") and Proper Conduct of Banking Business Directive A301 "Remuneration".

The revised officer remuneration policy is based on the general principles which the Bank's Board of Directors, saw fit to adopt with regard to officer remuneration at the Bank, after recommendations by the Remuneration Committee and with due attention, among other things, to the Bank's strategic plan and to current employment terms of officers at the Bank.

Terms of office and employment of the Chairman of the Board of Directors for the period as from December 1, 2015 were approved by the General Meeting of shareholders on March 8, 2016. On February 14, 2017, a revision of the remuneration terms was approved, and they now include fixed remuneration only.

In conformity with the revised officer remuneration policy, the maximum remuneration of the Chairman of the Board of Directors and of the Bank President & CEO, as defined in Section 2(b) of the Executive Remuneration Law (i.e. excluding payments for severance pay and provident funds by law) would be less than 35 times the lowest salary of any full-time Bank employee, including contractors. The maximum remuneration of other (non Board member) officers, as defined in the Executive Remuneration Law, will not exceed the amount specified in section 2(a) of the Executive Remuneration Law, which currently stands at NIS 2.5 million (plus linkage differentials to the Consumer Price Index, as set forth in the Executive Remuneration Law).

In conformity with the revised officer remuneration policy, the maximum variable remuneration for officers shall not exceed 85% of the fixed remuneration, except under unusual conditions, where the maximum variable remuneration may not exceed 170% of the fixed remuneration. The Bank's

Board of Directors also stipulated that the maximum variable remuneration for officers who are gatekeepers would not exceed 55% of fixed remuneration and that such officers would be eligible for an additional fixed component equal to two months' salary. The remuneration of officers, other than Board members, includes two major components: monthly salary (and associated components) and performance-based variable remuneration (based on the Bank's performance targets, on individual performance benchmarks and including discretionary remuneration, including objectives that promote goals related to ESG), including a monetary bonus and which may include long-term equity-based remuneration not to exceed one half of the performance-based variable remuneration. In conformity with the revised officer remuneration policy, eligibility of officers to receive options would be determined based on company-wide benchmarks, with a weighting of up to 43% for gatekeepers, and up to 55% for other officers, as well as on individual performance targets, with a weighting of up to 57% for gatekeepers and up to 45% for other officers. The remuneration package may also include remuneration related to retirement.

The mid-term remuneration (annual bonus) and the long-term remuneration are designed to align the interests of officers with those of the Bank, to strengthen the link to overall Bank performance and to bolster the officer's contribution to achievement of such performance, in line with the Bank's risk profile. According to the revised officer remuneration policy, once the conditions set forth in the policy have been fulfilled, part of the variable remuneration payment would be divided into multiple installments. The policy further stipulates that the variable remuneration may be subject to restitution, in whole or in part, under circumstances listed in the remuneration policy.

The Bank's remuneration policy applies to certain subsidiaries of the Bank with the required changes. In July, 2021, the Board of Directors resolved, after receiving the recommendation from the Remuneration Committee, to approve a remuneration policy for three years, until December 31, 2023, for all Bank employees, other than officers who are subject to the revised remuneration policy for Bank officers, as noted above (hereinafter: "the revised remuneration policy for all Bank employees"). The revised remuneration policy for all Bank employees discusses remuneration terms of key employees at the Bank and those of other managers at the Bank and of other Bank employees. According to the revised remuneration policy, the terms of office or employment of all Bank employees include fixed and variable remuneration, as customary at the Bank, as well as retirement terms and any other benefit, payment or commitment to make a payment, provided with respect to the aforementioned office or employment. Provisions for return of variable remuneration, as stipulated with regard to officers, would also apply with regard to return of variable remuneration by key employees at the Bank.

The pay for most Bank employees is based on collective bargaining agreements. For information regarding remuneration to the Bank's employees, see Notes 22 and 23 to the Bank's 2022 financial statements.

Internal Audit

In conformity with statutory and regulatory provisions, the Bank operates its Internal Audit Division, reporting directly to the Chairman of the Bank Board of Directors. The authority and duties of the Internal Audit Division are set forth in the appointment letter discussed and approved by the Bank Board of Directors, including the authority and right to initiate audit at any Bank unit or operation, and to demand and receive any document and information required for it to discharge its operations. Furthermore, employees of the Audit Division have, for the purpose of discharging their role, direct access to required records and information related to the Audit topic. The Internal Audit Division operates based on a risk-focused multi-annual work plan, from which an annual work plan is derived. Considerations in determining the multi-annual audit plan include the following: mapping of activities carried out by different Bank units, assignment of potential risk to each activity and setting audit frequency.

The work plan, prepared by the Internal Audit Division, is brought annually for approval by the Board of Directors' Audit Committee and is approved by the Board of Directors plenum. Among the risk examined, the audit also includes issues related to ESG, such as processes for prevention of discrimination, human capital management (including recruitment, employment, training and retention of employees, wages and taxation), consumer fairness, etc. In addition, the Division coordinates the handling of employee complaints with an emphasis on embezzlement and fraud. These complaints are received by the Division from a number of sources, including a hotline whose details are published on the Bank's portal (including anonymous phone calls or fax inquiries), direct inquiries and inquiries through the website, which is open to the general public. Inquiries that raise suspicions of improper activity are examined by the Audit and are included in the Division's semi-annual report to the Board of Directors' Audit Committee.

The Internal Audit Division compiles the audit reports based on generally accepted professional standards: Various statutory requirements, including the Internal Audit Law and directives of supervisory authorities, including directives of the Supervisor of Banks. Audit reports are regularly sent to the Chairman of the Board of Directors, the chairman of the Audit Committee, the Bank President & CEO and head of the audited unit. A copy of each report is also sent to the CRO, to the Compliance Officer and AML Officer, to the Manager of the Risk Control Division and to the Manager of the Financial Information and Reporting Division. Work processes at the Audit Division are carried out in conformity with procedures duly approved by the Board of Directors' Audit Committee.

In 2022, the work plan for the Internal Auditor and for the independent Auditor consisted of 81,807 hours. Of these, 70% were for the Bank's Internal Audit plan.

Internal control

Dedicated policy documents govern the Bank's internal control system. This framework determines the reporting chain in case of material or unusual events and specifies principles for internal control culture at the Bank. The Bank's policy documents for various risks explicitly specify the roles of the various corporate governance layers for handling internal control (including: compliance, AML, legal, operations, fraud & embezzlement) – including roles of the Board of Directors, management and roles of the specified three lines of defense at the Bank responsible for implementing the internal control framework and for review of the effectiveness of the Bank's internal control system.

These custom policy documents govern, inter alia, current and periodic reports by the Bank's Chief Legal Counsel to the Bank President & CEO, to the Board of Directors and to Board committees, based on the information type and inherent legal risk. Furthermore, the Bank's Audit Committee annually meets exclusively with the Bank's Chief Legal Counsel.

Independent Auditor

The Bank's Independent Auditor, since 1995, are Brightman Almagor Zohar & Co. In 2022, the reappointment of Brightman Almagor Zohar & Co. as the Bank's Independent Auditor was approved by a simple majority at the General Meeting of shareholders. This contracting is discussed annually, and once every three years the Bank considers the need to replace its Independent Auditor. The Audit Committee supervises the Independent Auditor's work. It also recommends the salary and type of services requested from the auditors.

Tax policy

The Bank is committed to maintain fair tax practices in all countries where the Bank operates, in compliance with the spirit of the Law. The Bank pays tax in accordance with the requirements of the tax laws in Israel and in other countries in which the Bank Group has activities, and also applies the Convention for Avoidance of Double Taxation to which Israel is a party. Tax audits are conducted periodically, based on the work plan of the Bank's Internal Audit.

Transactions with related parties within the Bank Group are carried out at market prices, so that the Bank does not transfer profits between areas of activity for the purpose of reducing the tax liability, including the preparation of reports in accordance with various regulatory principles establishing this conduct. The bank avoids tax planning and no tax havens have been used. In addition, the Bank submits a country-by-country report once a year in accordance with OECD guidelines.

The Bank implements the compliance directives relevant to the issue of customer taxation and generally does not provide tax advice to its customers. In order for this to be implemented, the Bank publishes new procedures for all Bank employees to inform regarding the change and the manner of operating, as necessary. The Bank proactively acts to prevent tax avoidance by Bank customers, in cases where such concerns are raised.

The Bank operates in transparency with the tax authorities and in full cooperation, including provision of the required disclosures regarding the Bank's activities. The Bank cooperates with ongoing audits carried out by the tax authorities and provides to tax authorities any information required by such audits.

Tax liabilities of Bank subsidiaries is determined based on applicable tax rates in those countries. For overseas branches, the Bank supplements the tax indebtedness based on the tax rate in Israel.

Tax payment

In 2022, actual tax paid to the Government of Israel amounted to NIS 2,182 million.

In addition to the aforementioned payment, the Bank has paid tax in the USA and in the UK in amounts not material for Bank operations, which accounts for 1% of total tax paid by the Bank Group.

Government support

In 2022, the Group received no subsidies, tax relief, incentives or other economic benefits from the Government of Israel nor from governments of other countries in which the Group operates. Furthermore, the Bank received no economic aid from export credit agencies.



The Code of Ethics includes the base values for Bank operations, including fairness, integrity, transparency and human dignity. The Bank's Code of Ethics is deployed across the organization by various deployment and training activities, including an Ethics Committee headed by the Manager, organizational Development and Training Department, which meets monthly to discusses ethical dilemmas that arise from the field, and to outlines policies and actions for deployment of values of the Code of Ethics.

Bank values which guide its operations:

- | | |
|--|--|
| Commitment to the Bank | Credibility |
| Loyalty to Customers | Fairness |
| Human dignity | Transparency |
| Excellence, Professionalism and Service Orientation | Social and community responsibility |

The Board of Directors and management of Bank Mizrahi-Tefahot promote a high level of ethics and integrity across the organization. The Bank operates in an environment of multiple stakeholders to which the Bank is committed. Bank staff are involved with areas of importance to many lives, and operate subject to constantly evolving legislation and regulation. The purpose of the Code of Ethics is to establish Bank operations on high individual and organizational standards – the Bank strives for maximum alignment of the value in the Code of Ethics with the nature of day-to-day activities of Bank staff, and strives for excellence. Bank employees are committed to working in conformity with values in the Code of Ethics, with all Bank stakeholders – customers, employees, managers,

investors, business partners, suppliers and the community at large. The Code of Ethics helps the Bank promote a set of values to help balance all of these commitments. The Code of Ethics is no substitute for working in conformity with laws, regulations and Bank procedures – but rather complements these. Bank managers provide an exemplary behavior in conformity with valued in the Code of Ethics, and are accountable for ethical conduct within their unit and in their surroundings. Such accountability does not detract from each employee's accountability for their own behavior.

The Code of Ethics reflects the Bank Spirit and its organizational culture, was first published in 2008, defines appropriate rules of conduct for all Bank employees, based on analysis of events observed in the field and is a tool for handling issues and dilemmas arising in the normal course of work. The manager of the Human Capital, Resources and Operations Division is the officer responsible for the topic of ethics in the Bank.

In December 2019, with the aim of revising the Bank's strategic plan as a result of changes that occurred in the Bank and in its business environment, the Code of Ethics was revised and refreshed, in collaboration with its employees, and distinct values were incorporated into it that serve as a foundation for the business and intrapersonal conduct in the Bank. The revised Code of Ethics was presented to and approved by Bank management and by the Board of Directors, and in 2020, extensive implementation operations were carried out, and the Code of Ethics website and study units were adapted according to the updated code.¹

The Bank's Code of Ethics has become an integral part of the Bank's organizational culture and is deployed across the organization by various training activities, including an Ethics Committee headed by the Manager, organizational Development and Training Department, which meets monthly to discusses ethical dilemmas that arise from the field, and to outlines policies and actions for deployment of values of the Code of Ethics." The dilemmas that come up for discussion in the committee deal with various aspects of the organization's activities – the business activity and the interface with customers, dilemmas that deal with the interface with suppliers and the ongoing work of all employees.

Deployment of the Code of Ethics in 2022

In 2022, the Bank continued its deployment operations, with special emphasis on ethical issues related to the merger with Union Bank – both in terms of employees and in terms of customers and suppliers. Overseas branches have also undergone an extensive process of deployment throughout the year.

Details of deployment of the Code of Ethics in 2022:

- **Signing the Code of Ethics** – All employees sign the Code of Ethics and every new employee hired also signs it.
- **Ethics Committee** – The committee, headed by the Manager, Organizational Development and Training Department, meets once a month to discuss ethical dilemmas and inquiries that have been received by the Committee.
- **Reporting to the Management and to the Board of Directors** – According to the work plan for assimilating the Code of Ethics, the chairperson of the Ethics Committee presents a biannual report to the Management and to the Board of Directors about the assimilation of the Code of Ethics and about ethics-related incidents that occurred.
- **Ethics-related training** – All Bank employees and Union Bank employees who have transitioned to the Bank, are trained on Mizrahi-Tefahot Bank's Code of Ethics. In 2022, 18,430 hours of training on the Code of Ethics and on ethical topics were conducted. Every new Bank employee, whether in a full-time or part-time position, is required to learn the Code of Ethics

1. The complete Code of Ethics is available on the Bank website.

using the Bank's Code of Ethics courseware and to participate in classroom training. Use of the E-learning kit on Ethics is monitored. Training sessions on the Code of Ethics are delivered in each introductory professional training course.

- **Ethics activity** – In 2022 as well, the Bank conducted activities with the aim of highlighting the Bank's focus on ethics. This year, Ethics Week was dedicated to cross-unit activities – a discussion of an ethical dilemma with the participation of representatives from a variety of units at the Bank. This activity led to enrichment of the discussion and added additional perspectives on this matter.
- **Proactive discussion of ethical dilemmas** – As part of the work plan, a proactive discussion of ethical dilemmas is conducted once per quarter, at Bank units in Israel and overseas. These are regularly reported to the Ethics Committee.
- **Assimilation of ethical aspects in employee evaluation** – In the employee evaluation questionnaire, which is one of the sources used to make organizational decisions (such as promotion, remuneration etc.), ethical aspects of the employee's conduct are also addressed.
- **Ethical dilemmas** – Presentation of ethical dilemmas on the Code of Ethics website.
- **Manager training** – Manager training includes discussions of ethical issues relevant for managers, based on values in the Code of Ethics.
- **Executive meeting on ethics with members of management** – Meetings of managers from different units with a member of management to discuss ethical dilemmas. Five management meetings took place in 2022.
- **Communications channels** – We encourage our employees to talk to us about any issue, including about ethics-related issues, at any time and through a variety of channels. Various persons at the Bank can be contacted directly: the Chairman of the Ethics Committee, the Internal Audit Division and the Compliance Division. Inquiries are made possible through an online form for anonymous inquiries, email, telephone voicemail, fax and using an internal mail envelope. These make anonymous contact possible. External parties may contact the Ombudsman regarding ethics-related issues through the Public Call Center, the Bank website, by post, email and fax. The Bank has a procedure in place which guarantees protection of the information provider and inquiries may also be sent anonymously. Information about ways to send inquiries is listed on the organizational portal, on the notice board at overseas affiliates and is made public in branches. Moreover, in conformity with a new directive by the Bank of Israel, the Bank issued a public statement with regard to public complaints, worded as specified by the Supervisor of Banks. The Bank maintains constant contact with the person who filed the complaint, unless this is not feasible (as in the case of a complaint made anonymously). In 2022, three inquiries were received from Bank employees, including dilemmas regarding ethics. These inquiries involved: receiving gifts and fairness and transparency towards customers, and were discussed by the Ethics Committee and an answer was sent to the inquirers.

Measuring the effectiveness of assimilation of the Code of Ethics

The Bank constantly reviews the implementation of the Code of Ethics through meetings, focus groups and diverse training. We updated our Code of Ethics in 2019 after holding a dialogue with employees and managers, who analyzed the extent of its assimilation and the relevance of its various principles and recommended updates or additions to the Code of Ethics. The activities performed examine the degree of assimilation of the updated values among the employees and their activities in accordance with the Code of Ethics values. We also hold an ongoing dialogue through forums of managers and employees and through quarterly meetings within our units. Among other things, we analyze the quality of assimilation of the Code of Ethics and the accuracy of the work plan are examined accordingly.



The Bank preserves human rights in all areas of operation. This is a cornerstone of Bank life and one of its key values. This statement is in line with the Bank's participation in the UNGC Global Compact initiative, and describes the actions carried out by the Bank to safeguard human rights and the actions the Bank has avoided in order to ensure respect for human rights.

The Bank acts proactively to protect human rights with respect to all Bank stakeholders the Bank's employees, customers and suppliers. The Bank has well-specified policy on safeguarding human rights and preventing discrimination, which is applicable to all Bank employees. To implement this policy, the Bank delivers regular training to employees in order to enable them to handle issues related to human rights, in all aspects of their work. In 2022, Mizrahi-Tefahot Group delivered 15,768 training hours on policies and procedures with regard to human rights aspects relevant to Bank operations.

Safeguarding human rights among Bank employees¹

The Bank protects human rights with respect to its employees through a human resources policy that deals with the treatment of human capital. The policy includes the Bank's commitment to ensure a diverse workplace that provides equal opportunities for all employees. Promotion of the human rights issue among the employees is reflected in various areas of activity, including:

- Ensuring an equitable workplace that provides for equal recruitment, equal remuneration, equal promotion opportunities for all employees without discrimination on the grounds of religion, nationality, race, origin, sex, age, gender identity and place of residence.
- The Bank is concerned with the health and well-being of the employees throughout their employment period and also after they retire. In this regard, the Bank also maintains a work-life balance and maintains employee dignity and privacy.

1. For more information see chapter "Investing in employees" in this report.

- Right of incorporation – The Bank preserves the rights of its employees to be incorporated into a workers' committee and a collective employment agreement.
- Training for all employees on human rights issues, including the prevention of sexual harassment and abuse, inside information, equal opportunities at work, accessible service, consumer directives and public inquiries, dedicated training for security personnel regarding the limits of the use of force, etc.
- All employees have signed the Bank's Code of Ethics, whose values emphasize the protection of human rights, fairness and transparency within and outside the organization.
- Establishment of an anonymous line for bank employees where it is possible to address any issue that requires clarification or infringes on the employee's rights, including sexual harassment, discrimination or issues related to compliance with the law, corruption, etc.

Safeguarding human rights among Bank customers¹

The Bank is committed to the success of all its customers and acts to generate value for them over time in all of its operating segments. This commitment is reflected in fair conduct while maintaining human rights and by creating a range of channels for providing service and products customized to the needs of every customer. Promotion of the human rights issue among customers is reflected in various areas of activity, including:

- Accessible physical spaces and infrastructure of the Bank's branches and services – The Bank's branches and self-service stations are built in an accessible and secure manner, so that every customer can access and receive the services.
- Maintaining equal opportunities in relation to customers and their handling and ensuring the prevention of discrimination in receiving services.
- Equal access to the Bank's products and services and the provision of services tailored to a wide variety of populations, including vulnerable populations with a wide geographical distribution.
- Management of extensive information security layers, designed to safeguard information privacy for all customers, as well as annual training for Bank employees related to the maintaining of privacy and respect for customers wherever they may be, while adapting to the customer who sits before them.
- Human rights aspects in financing and providing credit – The Bank does not finance nor maintain accounts of businesses engaged in illegal gambling, binary options and pornography, in Israel nor overseas.
- In 2022, the Group received 14 complaints concerning discrimination (ten at Mizrahi-Tefahot Bank and four at Bank Yahav). Of these, only one complaint was found to be justified. Note that the complaints regarding discrimination at Mizrahi-Tefahot deal with discrimination on the basis of sector, and most deal with the receipt of credit or with approval to open an account. Some of the complaints are found to be justified, although the reason for the failure was not discrimination, but another reason (that is, a delay in opening the account due to the quality of the service, or some other failure in conduct, that occurred at the branch because of the business conduct, but unrelated to the ethnicity of the customer).

1. For more information see chapter "Investing in customers" in this report.

Safeguarding human rights among Bank suppliers¹

The Bank acts to promote a responsible supply chain, with attention given to diversification among suppliers, responsible financing and development of supplier capabilities. The Bank strives, in as much as possible, to consume products and services from suppliers who respect and ensure human rights and ethical conduct. Promotion of the human rights issue among suppliers is reflected in various areas of activity, including:

- In most of the Bank's engagement agreements with its suppliers, the Bank requires that its suppliers act according to values of reliability, professionalism and service orientation, excellence, transparency, fairness and respect for human dignity.
- Periodic visits to major suppliers. The visit is accompanied by a questionnaire designed to examine whether the suppliers are operating in accordance with the specified criteria. Voluntary topics, such as: if there is an ethical code, they are also examined in these visits.

1. For more information see chapter "Responsible supply chain" in this report.



We are diligent about implementing the statutory provisions and the rules of corporate governance. The Legal Division provides guidance in implementing statutory provisions and about their repercussions on the Bank Group's activities. The Risk Control Division is involved in the assimilation processes in the relevant Bank units and ensures that all Bank units are complying with the statutory provisions and the Bank's procedures.

The Bank has a compliance policy in place, approved by the Board of Directors. This policy refers to matters of compliance, AML, terror financing, cross-border risk, fairness, protection of privacy and internal enforcement of securities laws and in economic competition laws. The policy applies to the entire Group, mutatis mutandis. The Bank appointed a Chief Compliance Officer, who operates in conformity with a letter of appointment, which guarantees their authority and independence, as part of proper corporate governance. The Compliance Officer acts in accordance with a letter of appointment and according to the applicable obligations in the course of his duties, as defined in Proper Conduct of Banking Business Directive 308. The Compliance Officer is subordinate to the CRO and reports directly to the Board of Directors, its committees and the Bank's management, in accordance with Bank procedures.

Involvement of the Board of Directors in deployment of compliance culture and proper conduct

The Bank's compliance policy is approved by the Board of Directors annually or more frequently, and the work plan and training plan of the Compliance Department are brought for approval by the Board of Directors annually, including multi-year plans. As part of its role, the Board of Directors approves Bank policy on management of compliance risk, ensures that reports and supervisory measures are in place for implementing the risk handling framework, and specified how the compliance policy is to be communicated. The Compliance Officer provides quarterly updates to the Audit Committee, as part of the quarterly Compliance Officer report, and updates the Risk Management Committee twice annually. Moreover, the annual Compliance Officer report is presented to the

Board of Directors. The Compliance Officer also meets in person with the Board of Directors' Audit Committee, at least annually.

Management of policy on compliance culture at the Bank and subsidiaries

The Bank maintains mapping of the regulatory provisions and every division is responsible for the regulatory management and compliance under its purview. To ensure enforcement at the Bank, Compliance Controllers have been appointed in regions and in some business divisions, who mostly report directly to the Compliance Officer. The Bank appointed Compliance Trustees – branch compliance bankers at branches and compliance trustees in Bank headquarters. These Compliance Officers undergo compliance training several times a year and are responsible for performing first-line controls, for identifying compliance risk, for taking appropriate risk-mitigating actions and for handling customers in conformity with our procedures.

In addition, the Compliance Division has detailed second-line control plans that examine the Bank's various activities, according to a risk-based approach.

The Bank conducts operational risk surveys with reference to embezzlement and operates a current system for embezzlement monitoring.

The Bank regularly maintains and updates the mapping of compliance risk and internal enforcement, performs gap surveys and implements comprehensive control, assimilation and enforcement plans and takes a variety of actions to reduce these risk.

Moreover, the Compliance Officer is involved in approving new products, approving procedures and in handling relevant transactions.

Internal Audit reviews, inter alia, compliance with statutory provisions, Bank of Israel directives and other regulations, Bank policy and procedures, in conjunction with a multi-annual risk-based work plan. Audit reports refer both to implementation of the directives in field units and to implementation control processes applied by the control units, including the Risk Control Division and the Compliance Department.

Managing compliance at subsidiaries

The Compliance Officer regularly supervises implementation of the policy at Bank subsidiaries and at overseas affiliates, through regular meetings, quarterly reporting by subsidiaries, involvement in formulating policy documents and work plans at subsidiaries, and regular control over implementation. They also ensure that subsidiaries and overseas affiliates have been given the tools for implementing the Group compliance policy, and that relevant employees have the appropriate knowledge and experience in their jurisdictions. In case of any regulatory changes, the Compliance Officer monitors the reporting by subsidiaries of such changes and the status of their preparations.

Implementation of compliance at the Bank

For implementation of compliance aspects at the Bank, Mizrahi-Tefahot Bank acts in multiple ways:

- **Orderly implementation of procedures** – We are diligent about abiding by statutory provisions according to our compliance policy and by means of our SOPs, procedure updates, work processes and supporting IT systems. Employees are informed of all these through circulars and content-focused training and various training aids, as required in view of the complexity of such change and the most appropriate means for implementing it.
- **Employee training and information sheets** – As part of the assimilation of a culture of compliance, the Bank conducts training for its employees on diverse topics: compliance, prevention of money laundering and terror financing, bribery and corruption risk, compliance with international sanctions, fairness to customers, privacy protection and so forth. The Bank

also acts to prevent discrimination against various populations, including operations involving minorities and under-privileged populations. Such training is provided as part of banking training delivered as part of training of Bank employees, and in more focused training, based on role and department. Our employees are required to complete courseware and pass exams on the various compliance topics as part of their onboarding process and during their employment, with the frequency depending on the roles that they are performing. The Compliance Department validates the courseware it is responsible for and updates it as needed. Moreover, soon after new employees start their work at the Bank, or upon changing their role, employees attend professional training sessions, including compliance-related content. Additionally, the Compliance Department disseminates brochures and information sheets from time to time containing emphases on compliance with statutory provisions, and holds compliance seminar days for managers, specific functionaries at branches and for headquarters employees. Some of these brochures are also displayed in public areas in the Bank's buildings. In 2022, the Bank provided 106,645 training hours on regulatory compliance-related topics.

- **Control over implementation** – Monitoring the effectiveness of implementation of statutory provisions and procedures is applied, inter alia, by implementing controls over compliance with provisions in various areas. In conformity with corporate governance rules, controls are applied by employees of the line of business, in conformity with the type and attributes of the transaction, and by employees of the second line, who apply controls on various compliance topics and challenge the operations of the first line, focusing on risk-based activities.
- **Identifying and mapping compliance risk** – We constantly monitor risk in order to immediately identify any rise in risk levels (inter alia, due to the multitude and complexity of bank operations or the volume of activity or due to complex legislation) in order to strengthen the control processes and focus our efforts to mitigate these risk and avoid violations.
- **Handling exceptions** – The Bank handles any exceptions identified by controls, at both HQ and branches. This includes implementation of recommendations for improved processes and controls, verifying that faults are corrected, lessons learned and disciplinary action taken, if needed.
- **Anonymous hot line for employee inquiries to Internal Audit** – Internal Audit operates anonymous telephone and fax lines for employee regarding irregularities or events suspected of not being appropriate that include a severe deviation from statutory provisions, Bank of Israel directives or Bank procedures, inappropriate conduct, criminal action and so forth. The Bank has specified protection for whistle blowers.
- **Anonymous hot line for employee inquiries to Compliance Department** – The Bank operates an anonymous phone and fax hot line for employee reporting, as needed, with regard to fraud and manipulation of securities, FATCA and other compliance issues.
- **Internal Audit** – The Bank conducts independent Internal Audit of units and material processes at the Bank, including with regard to compliance with statutory provisions, Bank of Israel directives and other regulations, Bank policy and procedures, both at business units and at control units. Our Internal Audit Department is headed by our Chief Internal Auditor, who was appointed in July 2011 by the Audit Committee and Board of Directors, based on her education and experience (for additional details, see the Financial Statements – Disclosure about the Internal Auditor).
- **Fair competition** – The Bank conducts its business fairly. The Bank strictly adheres to statutory and regulatory provisions applicable to the Bank, including the Economic Competition Law.

The Bank does not promote any public agenda and does not apply any lobbying. The Bank has an internal enforcement plan with regard to economic competition laws.

- **Fairness** – We enforce a policy of fairness during all of our activities with all stakeholders, especially with our customers, and we are diligent about selling products and services that are customized for customers and their needs, with full disclosure, communication and proper contact with the customer. Fairness is one of the values in our Code of Ethics.
- **Compliance forum** – The Bank operates a forum, headed by the Chief Risk Officer and attended by heads of business divisions or representatives thereof, representative of the Legal Division, the Chief Compliance Officer and representative of the Internal Audit Division, designed to present events and cases related to compliance and to discuss them, to discuss material compliance risk and to describe material regulatory changes and preparations for the implementation thereof.
- **Cross border forum** – This forum engages in the management of cross-border risk in the Bank. It is headed by the Risk Control Division Manager and is comprised of the business, legal, retail, technology, human capital, resources and operations division managers, as well as the Chief Compliance Officer and other representatives from these divisions. The cross border forum receives reports and updates about the Bank's fulfillment of its obligations deriving from cross-border risk provisions and delineates the Bank's activities in this regard.



Compliance risk management

The Bank has in place custom policy documents in various areas of risk management and control, in support of implementation of statutory and regulatory provisions. In these documents, the Bank's Board of Directors set guidelines for risk management, in line with the Bank's strategic plan, as well as the principles for risk monitoring and control – Policy which, inter alia, specifies the risk appetite and has determined that the Bank has zero tolerance to improper implementation of statutory and regulatory provisions. The Compliance Department performs reviews to ensure that the Bank remains fully compliant with the regulatory provisions.

We manage compliance risk, which encompass AML risk, terror financing risk, cross-border risk, fairness risk and privacy protection, by identifying, analyzing and documenting compliance risk that are inherent in the Bank's business operations, including developments pertaining to new products, business practices, business lines or new customers, and material changes in any of the above. Moreover, the Bank regularly maintains and updates the mapping of compliance risk, maintains comprehensive control and enforcement programs and takes various actions to reduce such risk. The Bank conducts legal and operational risk surveys with reference to embezzlement and operates a current system for embezzlement monitoring.

The Bank deals fairly with all stakeholders, including Bank customers. The value of fairness is enterprise-wide and is based on application of basic values: integrity, fairness and transparency. The Bank maintains extensive control over its lines of business and acts to maintain effective enforcement programs with regard to securities laws and economic competition laws adapted for the Bank and its unique circumstances, as part of overall risk management at the Bank. This is so as to ensure complete compliance with directives applicable to the Bank.

In the past five years, 2018-2021, no significant fines were imposed on the Bank or on any of its subsidiaries due to a failure to comply with laws and regulations. After the period reviewed in this report, in February 2023, the Bank was informed by the Supervisor of Banks of a decision to impose a monetary sanction on the Bank, amounting to NIS 700 thousand, for alleged breach of Section 25 of Proper Conduct of Banking Business Directive 450 regarding debt collection procedures. The amount of this monetary sanction has been reduced from the original NIS 1,000,000 which the Supervisor of Banks had announced previously, in line with their authority due, inter alia, to the fact that in the five years prior to the breach, no monetary sanctions were imposed on the Bank, and due to action taken by the Bank to remedy the deficiencies so as to avoid recurrence thereof, after the Supervisor of Banks has contacted the Bank in this matter.

On March 22, 2021, the court in the United States (Los Angeles) issued an order to dismiss the deferred indictment filed against companies in the Bank Group pursuant to the DPA signed on March 12, 2019 between the Bank and the US Department of Justice for the termination of the DOJ's investigation of the Bank Group's businesses with its American customers. The court order was issued following the motion filed by the DOJ upon the expiration of the two-year agreement defined in the DPA, which stated, inter alia, that the companies in the Bank Group had fulfilled their obligations pursuant to the said agreement. On May 11, 2021, a ruling was given as part of derivative proceedings conducted in Israel with regard to the inquiry. The ruling gave the settlement agreement with the insurers of the directors' insurance and with the officers the validity of a judgment.

Political donations

As part of proper management, the Mizrahi-Tefahot Group does not endorse positions or topics relating to public policy and does not operate lobbies in this regard. The Group makes no contributions to any political parties, politicians or official institutions. Such contributions are prohibited in Israel and the Group complies with the law. The Group only operates in the public arena as required and only in the context of Bank business.



The Bank is committed to business conduct in conformity with applicable laws to its operating segments, and to maintaining the highest standards of ethics, integrity, fairness and professional attitude. The Bank believes that achieving results and business success is of importance, as is the way in which they are achieved.

The Bank constantly strives to prevent occurrence of corruption events – by employees, customers and third parties. Corruption cases include, inter alia, offering bribes, money laundering, forgery of accounts and documents, fraud and embezzlement, use of insider information, breach of sanctions or terror financing.

The Bank specified a policy on addressing aspects of operational risk and internal control and created control and continuous monitoring processes. The Bank identifies areas with potential for conflict of interest and acts to minimize them.

Preventing corruption at Mizrahi-Tefahot

Bank Mizrahi-Tefahot pays great attention to this area and accordingly has a structured Bank policy on this matter. The Bank constantly monitors activity at all branches, to identify any risk of corruption and to prevent any cases of bribery, fraud and embezzlement. The matter is discussed and supervised by the Board of Directors' Audit Committee. In 2022, all employees received mandatory training on prevention of fraud, embezzlement, breach of statutes and procedures.

In 2022 as well, the Bank took action to identify these types of risk. As part of policy on management of bribery and corruption risk, the Bank closely monitors and controls activity in customer accounts exposed to bribery and corruption, including Red Flags and a procedure for reporting any unusual activity.

This matter is handled by several units at the Bank, which handle different issues:

- **Fraud and embezzlement by employees** – Unusual cases are monitored by the

Risk Control Division and referred as needed for handling by the Internal Audit Division. The Audit Division conducts inspections in cases where this is required.

- **Fraud cases by Bank customers** – the Internal Audit Division examines and investigates fraudulent incidents of Bank customers that come to the audit from various sources (including customer inquiries, bank inquiries, etc.). If such fraud is identified, it is addressed by Mizrahi-Tefahot Security Services, operating in the Human Capital, Resources and Operations Division, as well as by the Retail Division.
- **Activities of Bank customers, suspected of being connected to bribery and corruption** – are monitored and handled by the Compliance Department and by Internal Audit.
- **Cases of theft and robbery** are monitored and handled by Mizrahi-Tefahot Security Services, the Information and Cyber Security Department.
- **Cases related to information and cyber security** – are monitored and handled by the Information Security and Cyber Departments of the Risk Control Division and the Technology Division.
- **Ethics-related cases** – are handled by the Chair of the Ethics Committee.
- **Communicating policy on prevention of corruption** – In 2022, all employees received mandatory training on prevention of fraud, embezzlement, breach of statutes and procedures.

In any case of suspected breach of integrity, the Internal Audit Division conducts a review of such event. The Bank reviews these cases with debriefs and lessons learned from relevant cases, in order to avoid their recurrence. Moreover, where required, a complaint is filed with the Israeli Police and/or reports are sent to the relevant authorities.

For the early detection of corruption cases, if possible, their prevention, deterrence and treatment, the Bank operates several systems for managing and controlling corruption incidents, which include:

- A system for detecting embezzlement and fraud, which detects exceptional events for examination in accordance with the business laws on which it is based.
- An advanced call transcription system that streamlines and improves control effectiveness. This system is being used in the Banking Center and in the unit controlling trading room activity.
- The operational risk portal is used to collate all relevant events, in conformity with Bank of Israel directives, and to classify any unusual / material events for the Bank to analyze, investigate and report internally as required.
- The Risk Control Division performs ongoing risk surveys of operating processes in all of Bank units, in coordination with the unit managers, for the purposes of identifying operating risk inherent in their activities, for assessing the gravity of those risk and for defining risk mitigation actions.
- Operational risk management committee, headed by the Bank President & CEO.
- Operational risk steering committee – Headed by the Chief Risk Officer, convenes regularly at least once every quarter, to receive an overview of events that took place, action taken and recommendations to be implemented, as well as recommendations on revision of operating processes, with emphasis on processes to improve customer service, with appropriate monitoring and risk mitigation.
- The Information Security and Cyber Security Steering Committee, headed by the Chief Risk Officer, convenes quarterly to discuss information security and cyber security issues, to analyze incidents and to issue recommendations for action.

- Internal Control Forum – a periodic forum that is responsible for integrating all internal control processes in the Bank and for discussing material, organization-wide issues.

Accountable conduct by Mizrahi-Tefahot employees

The Bank has procedures in place, designed to instill ethical conduct and to prevent bribery and corruption; These procedures are accessible to all Bank employees, including subsidiaries, and they include: Bribery and corruption risk procedure, procedure for handling fraud, embezzlement and breach of statutes and procedures, as well as procedure regarding employee rights and obligations, which makes reference to receiving benefits. Overseas affiliates and Bank Yahav have their own internal procedures, based on Group management.

Prevention of corruption and/or receipt of benefits

Group employees are required to refrain from receiving any benefits in conjunction with their work with customers or suppliers. The Group has clear procedures on this matter. Gifts, benefits or special terms may only be extended to customers in accordance with the relevant procedure, according to a clear authorization ranking and in conformity with Bank of Israel directives. In order to avoid deviation from these procedures, the Bank communicates and provides training to employees on this matter.

As part of Bank operations to prevent bribery and corruption, and to ensure ethical conduct by employees and managers, the Bank has issued a Code of Ethics and procedures accessible to all employees, that govern, inter alia, forbidden gifts from customers and suppliers, terms and conditions for private engagement with customers and suppliers, receiving loans from charity funds, charitable donations, air travel and limits on per diem and accommodation expenses. The Bank has no agents in its overseas operations and is assisted by suppliers, advisors or business partners to represent the Bank in front of customers and Government authorities in commercial aspects.

Prevention of embezzlement and corruption

The Bank has policy documents and procedures for handling embezzlement, fraud and breach of laws and procedures, in which the Bank specified the guidelines and rules for identification, management, monitoring, reporting and control of exposure to such risk. As described above, our organizational structure maintains separation between functions, work processes and mechanized systems and employs additional tools designed to mitigate these risk. These activities are incorporated in multiple policy documents with regard to risk management, such as: human resource management, rotation, contiguous leave, management of operating risk and so forth. The Bank regularly monitors operations of all branches, designed to identify unusual transactions in customer accounts or to identify unusual activity by employees.

The Bank regularly monitors operations of all branches, designed to identify unusual transactions in customer accounts or to identify unusual activity by employees. As described above, we operate several systems to perform monitoring of operations. In case of suspected embezzlement or irregularities, there is mandatory reporting to Internal Audit, who conducts a review of the case. Furthermore, Bank policy for addressing fraud and embezzlement is applied, stipulating ways and required reporting for handling such suspicion, including reporting to the Bank President & CEO, to the Chair of the Audit Committee and to the Chair of the Board of Directors. If any breach is discovered of statutory provisions, regulatory provisions or Bank procedures, the Bank takes disciplinary measures against such employee, in line with the severity of the breach and in line with the values included in the Bank's Code of Ethics. Findings of such investigation are reported and brought for discussion, based on the circumstances, to management and to the Board of Directors. In addition, a debrief takes place and lessons are learned to avoid similar occurrences in future. In cases of suspected embezzlement, a complaint is filed with the Police and the event is reported to the Bank of Israel in conformity with regulation and with Bank procedures.

In 2022, the Bank conducted reviews based on a structured work plan across the Group, including with regard to corruption aspects.

Training and increased awareness of employees

In order to reduce and prevent cases of corruption among Bank employees, and in order to provide appropriate tools for addressing such cases, the Bank takes diverse actions:

- **Regular dissemination of operating procedures to employees** – The Bank specifies rules of conduct for employees, disseminating them to all employees based on the nature of their banking role.
- **E-learning kits for employee training** – The Bank disseminates E-learning kits for employees on diverse topics, including: Fairness, preventing fraud and embezzlement, bribery and corruption risk, information security, economic competition and prohibited use of insider information.
- **Advice and ongoing training** – The Compliance Expert Center is the one address at the Bank for providing answers on any matters related to compliance risk. The Compliance Department accompanies ongoing activity in all aspects of risk compliance, by providing ongoing advice and guidance and by delivering in-person training to all branch and headquarters employees, from initial training of the employee through advanced stages and change of roles. Our Compliance Department's managers and employees provide an extensive volume of training courses to various employee groups in the Bank and periodically test branch and headquarters employees on the level of their knowledge.
- **Deployment of the Code of Ethics** – The Bank deploys the Code of Ethics at its different units through various means, based on a well-organized plan of the Bank's Ethics Committee, which consists of representatives of employees and managers at different divisions of the Bank.
- **Training** – In 2022, the Bank delivered 22,524 training hours to Bank employees on preventing corruption. Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.

Actions to prevent bribery and corruption

- **First-line and second-line controls** – The lines of business and the Compliance Department maintain control circles for operations, designed to ensure full compliance with regulation. The Compliance Department applies controls in accordance with annual risk-based work plans.
- **Event debriefing** – The Bank has a methodology in place to learn lessons and to take action as required to avoid their recurrence in Israel or overseas.
- **Anonymous hot line for employee inquiries to Internal Audit Division** – The Bank operates anonymous phone and fax lines for employees to anonymously contact the Internal Audit, if necessary. We inform all of our employees about the existence of these communication lines on the Bank's portal. An option to apply to the internal audit on the subject of embezzlement is available on the Bank website, which is open to the general public and also allows an anonymous inquiry. In 2022, there were a small number of cases regarding ethical conduct. In these cases, significant measures were applied based on the case severity, up to termination of employees.
- **Prevention of corruption by customers** – The Bank monitors activity of Bank customers suspected of links to bribery and corruption, and they are handled by the Compliance Department and reported to appropriate regulatory entities as required.

Handling suspected embezzlement and irregularities

Handling of irregularities includes verification of reports by employees and customers through multiple channels. In addition, cases reported through the anti-embezzlement system operated by Risk Control are referred to the Audit Division for review. Following a survey by the Bank of Israel with regard to internal audit, focused on embezzlement, the Audit Division collates data with regard to irregularities and employee complaints. Moreover, in 2021 a reporting channel was added for online reporting of irregularities; This allows employees, customers and suppliers to directly report to the Audit Division, even anonymously.

According to the procedure "Handling of employee complaints regarding deficiencies in management of Bank business", employees report to their supervisors any case or event they are responsible for, which are suspected to be a significant breach of procedures or of statutory provisions. The supervisor, based on the case, would refer their report to Internal Audit. In case of suspected criminal offense, the employee may report the event to Internal Audit in person or anonymously. The procedure governs the reporting or filing of complaints by the employee, as well as handling and protection of reporting employees. According to the procedure, in case of suspected criminal offense, the Internal Auditor immediately reports to the Bank President & CEO and to the Chairman of the Board of Directors, as follows:

- Reporting of material event, including event in a sensitive area of operation, at the Internal Auditor's discretion.
- Reporting with regard to Department Manager or higher at the Bank, or to an officer of the Bank.

Moreover, in case of any report received from an employee about a suspected criminal offense, Internal Audit evaluates such information and determines, based on such evaluation, the manner and scope of treatment required, and a report is made to the Audit Committee.

Furthermore, in order to allow the Audit Committee to supervise the implementation of this procedure, the Internal Auditor shall report to the Audit Committee any matter related to the procedure "Handling of employee complaints", as determined by the Audit Committee.

Therefore, Internal Audit is required to refer to the number of complaints filed by employees, composition of complaints by type, details of cases requiring protection of the reporting employee and status of handling these complaints.

Analysis of complaints by Internal Audit in 2022 (employee complaints, anonymous complaints and review of information regarding suspected irregularities received from others), no deficiencies were found to indicate a systemic failure in processes and effectivity of the control environment at the Bank.

Reporting and protection for whistle blowers

Each employee is required to report any suspicion of embezzlement, fraud and breach of statute. This report may be made anonymously. A dedicated operating procedure specifies protection for whistle-blowers in order to encourage Bank employees to fulfill their reporting duty without any concern about being impacted by such reporting. Reporting can be done in various ways, as detailed below.

According to the Bank's procedures, the protection of employees includes, among other things, avoiding as much as possible the publication of identifying details about the complainant, dismissals, disciplinary proceedings, deterioration in his work conditions, prevention of promotion, threats or any similar harm caused in connection with the reporting.

Bank policy and procedures specified the required reporting chain in case of a suspected event or should a material event take place. The reporting chain ensures that the event is being managed and that all relevant parties at the Bank are involved, including the Human Capital, Resources

and Operations Division, Risk Control Division (including compliance), Financial Information and Reporting Division, Legal Division and the Internal Audit Division. Any material fraud or embezzlement events are to be immediately reported to the Chairman of the Board of Directors and to the Bank President & CEO. In case of any significant event, the investigation report is sent to the Chairman of the Board of Directors' Audit Committee, to the Audit Committee, to the Chairman of the Board of Directors and to the Bank President.

In order to reinforce the reporting culture among employees, the Bank conducts special conferences and training, debriefing of various events and dissemination of conclusions to the field in order to avoid recurrence of such events.

As stated, employees can report to the Internal Audit Division in several ways, including anonymously by telephone all hours of the day, by email or fax, as publicized on the Bank's portal, and an application on the Bank's marketing website, which is open to the general public. The Internal Audit Division annually reports to the Board of Director's Audit Committee the number of anonymous reports received and whether any reporting employees require protection. The report for 2022 indicated that no employees required protection in this regard.

We also provide our customers and suppliers with an open reporting channel, which is managed by the ombudsman in the Internal Audit Division. Whistleblowers may report anonymously or openly via the Bank's website, by mail, fax, email or telephone. Whistleblowers may issue their reports in several languages.

Review of effectiveness of processes for prevention of corruption at the Bank

The Bank's Internal Audit Division reviews, in accordance with a multi-annual work plan, the material work processes, units and systems used by the Bank. This review includes, inter alia, how this risk is managed by business units and how the Risk Control Division monitors risk. If any findings are discovered, they are included in audit reports and are assigned a handling process, which is monitored by the Audit Division through elimination of such findings – this process is supported by a custom computer system used by the Audit Division.

Moreover, in conformity with Bank procedures, in any case of a material event regarding fraud and embezzlement, at the discretion of the responsible party, a comprehensive debrief should take place to identify deficiencies in processes and systems, to rectify these and to prevent recurrence of similar cases in future. The debrief report is sent to the Bank President & CEO, to the Chairman of the Audit Committee and to the Audit Committee for discussion. The debrief report shall stipulate, inter alia, recommendations on action to be taken to improve controls as required, as well as disciplinary procedures.

Preventing corruption in our subsidiaries in Israel

Bank Yahav, Union Bank¹ and all other companies in the Bank Group are also obligated to comply with all statutory and regulatory requirements applying to them during their business operations. Our banks exert enormous efforts to minimize the exposure to fraud and embezzlement – as this is a critical matter for financial institutions. Their actions to comply with laws and regulations and prevent bribery and corruption are consistent with Mizrahi-Tefahot Bank's policy and with Group conduct. Furthermore, as part of the Union Bank merger process under Mizrahi-Tefahot Bank, Union Bank's Operating Risk Department focused its activities on preventing any embezzlement relating to the merger.

1. On December 29 2022, the merger of Union Bank with and into Mizrahi-Tefahot Bank was completed.

AML and terror financing

Bank policy on AML and terror financing, as approved by the Board of Directors, includes guidelines for the Bank in this matter, pursuant to statutory provisions, and is binding for all of Mizrahi-Tefahot Group. The rules and guidelines in the Bank's policy have also been incorporated into Bank procedures.

The Bank regards itself as taking part in the global war on money laundering and terror financing, taking part in the global war on bribery and corruption and acting to identify and monitor activities and customers that may be exposed to bribery and corruption. The Bank also avoids activities that violate that international sanctions regime of countries and international entities, such as OFAC / the USA Department of the Treasury, as well as other countries and entities.

The Bank adopts a risk-based approach that contributes to effectiveness of control lines and to properly addressing AML and terror financing risk for mitigating such risk. AML and terror financing risk management is part and parcel of all levels of Bank activity with customers.

As noted above, Bank policy includes guidelines in this matter. The guidelines relate to conditions for accepting customers for providing service and for conducting transactions, to the required knowledge of the customer and their business and banking activity, to classifying Bank customers by risk level, to risk unique to customers with public exposure, to bribery and corruption risk, to illegal gambling activities, to preventing terror financing and trade with enemy entities, to compliance with international sanctions with regard to activity of correspondent banks and for monitoring unusual activity.

As part of its operations in this area, the Bank operates various computer systems to help employees identify, report and act in conformity with statutory provisions and procedure in this area.

The Bank also collects, as needed, information from public AML and terror financing repositories, and reviews information in order to understand the financial sources of customers and beneficiaries of funds.

The Bank has processes in place to identify irregularities, as well as mandatory reporting to Internal Audit, which conducts a review of the case. AML and terror financing risk is managed by the Risk Control Division.

AML system – MEA is an IT system that flags exceptional events, based on criteria, for review by the branches (first line) and by the Compliance Department (second line) and then reported, as required, to the AML Authority or to other regulators, in compliance with statutory provisions.

The process of deployment of AML and terror financing policy at the Bank is comprehensive, and includes training for employees and managers at different levels and to various officers. Brochures are also issued on this topic, and an eLearning kit is available to relevant employees. The Bank Board of Directors discusses this topic as part of discussion of the Compliance Officer report, and Bank policy in this matter is reviewed and approved at least once per year. Bank processes are supported by the Banks IT systems.



The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its customers. To this end, a strategy and policy were defined for these issues in compliance with the requirements of Bank of Israel and of the Privacy Protection Authority, which were approved by the Bank's management and Board of Directors and which enable us to manage customers' personal information in a controlled and secure manner.

Information security

The Manager, Information security and cyber security reports to the Manager, Risk Control Division and is tasked, inter alia, with setting policy and activity with regard to information security and with monitoring the implementation and reviewing the effectiveness of systems and security processes. The Direct Banking sector of the Bank is certified under the information security management standard ISO 27001.

Privacy protection is managed by the risk control department. Due to the importance of compliance with the provisions of the law regarding the protection of privacy, the Bank has appointed a Privacy Protection Officer, who is subordinate to the Bank's Chief Compliance Officer as responsible for this subject.

The Bank's Board of Directors bears managerial responsibility and approves the cyber protection strategy, the framework for cyber risk management and the corporate cyber protection policy. The Board of Directors receives updates several times throughout the year from the Cyber Protection Manager, which include an up-to-date cyber risk assessment, trends in the development of the threat, a review of major events around the world and in Israel, and reviews of the Bank's cyber defense system activities.

Regulation and standards

The Bank is in compliance with Bank of Israel regulatory provisions regarding information security and cyber protection, including Cyber Protection Management - Proper Conduct of Banking Business Directive 361, Information Technology Risk Management - Directive 357, Management of Cyber Risks in a Supply Chain - Directive 363, Reporting of Technological

Failures and Cyber Incidents - Directive 366. In addition, the direct banking service activity in the Bank has been certified for Information Security Management Standard ISO 27001. This certification is renewed each year in an assessment by the Standards Institution of Israel.

In addition, the Bank is in compliance with SWIFT regulations regarding the use of the SWIFT infrastructure for the international transfer of funds.

Protection circles for safeguarding information

The Bank's customers entrust to the Bank not only their money, but also significant financial and personal information. In today's technological reality, given threats such as digital fraud and cyber crime, the Bank extensively acts to safeguard information. Among the steps that can be disclosed, the Bank applies the following:

- **Risk management** – In 2022, a risk assessment was conducted with external audit assistance, including risk surveys and periodic intrusion testing of systems and processes, at the frequency mandated by regulatory directives. Independent external audit is performed at the frequency mandated by Bank of Israel Directive 357. In addition, other steps are taken, such as monitoring sensitive actions, monitoring information exiting the organization to prevent information leakage, mechanisms for managing access rights to information and encryption mechanisms, analysis and processing of information, anomaly detection, response and control. Note that the Bank has coverage under professional liability insurance and custom coverage for cyber risk.
- **Privacy Protection Laws** – Management of Privacy Protection Law risk is carried out in the Compliance Division. As part of compliance risk management, an assessment of compliance risk and the compliance with regulation is performed once annually (at least), in which the level of risk management of the directive is examined and the residual risk for the directive is presented.
- **Contending with cyber threats** – We develop and use advanced technological capabilities to contend with cyber threats, including cybercrime, and we implement a multilayer cyber defense doctrine. Among other things, the Bank operates an ongoing monitoring, control and alert system for events and activities in processes and in information and technology systems, including monitoring sensitive operations, monitoring and blocking information exiting the organization according to the Bank's policy and identifying anomalies. Meanwhile, customer activity is monitored in the various channels in order to identify and prevent un-authorized use of customer accounts and to inform the customer if any such use has been identified. The Bank is assisted by external parties in locating information assets related to the Bank in cyber space.
- **Cyber event and recovery management plan** – The Bank defined procedures and mechanisms for managing cyber / information security crisis, including backup/recovery in case of disaster and business continuity, in which the roles of the Bank's business units and technological units, and the cooperation between them, were defined, decision makers were defined, as were the required reports to internal and external parties. The Bank has built up recovery capability from various failure cases and exercises this capability frequently at different management levels (both business and technical), including extensive exercise for Bank management.
- **Cybersecurity awareness and training** – We operate a program to increase employees' awareness of cyber risks and instruct them that all employees and managers are personally responsible for safeguarding customers' information and the Bank's information assets. The training program includes activities to familiarize employees with the risks on the internet and on social networks and to teach them ways to contend with these risks. The program also includes training for new employees and refresher classes for existing employees using courseware, news flashes on information security and cybersecurity and exercises in detecting

phishing risks. In 2022, the Bank delivered 4,695 training hours on the subject of information security to all Bank employees, including external employees. Training on privacy protection is delivered as required to various groups of Bank employees and managers, and to professionals at the Bank and at subsidiaries. In addition to employee training, in 2022 the Bank conducted seven drills for phishing awareness: Some of these were conducted to cover all employees, with others targeting specific audiences based on criteria. In 2022, the Bank also issued six information items and eLearning kits to Bank employees with regard to information security. No information security breaches were reported in 2022.

- **Securing transactions in direct channels** – As noted above, the Bank maintain diverse communication channels with our customers, including through a mobile app, various websites, e-mail and SMS messages. When signing up for one of these channels, customers are instructed how they should act to optimally safeguard their privacy and their information. Moreover, client authentication and verification processes have been defined for any contact through one of these channels.

The Bank manages communications in various channels, in conformity with Proper Conduct of Banking Business Directive 367, which governs activities of banking corporations when providing online banking services to customers, and implements multiple measures to reinforce authentication, to identify anomalies, and to ensure stronger protection for customer activity and for Bank business.

Customers who wish to open a bank account with Mizrahi-Tefahot directly online can do so, in conformity with approval granted by the Bank of Israel in 2015. In order to eliminate the need to go to the Bank for physical identification, the Bank of Israel has authorized customer identification by video call with a banker. The Bank makes sure that customers who open an account on the Internet have an optimal user experience, without compromising on strict information security and safeguarding customer privacy.

- **Promoting safe web browsing** – To further awareness and enhance knowledge of customers with regard to safe web browsing and safeguarding their information, the Bank website provides information and tools regarding the following: Rules for safe web browsing and how to verify the identity of the Bank website, means to protect the customer's PC, proper use of passwords, online fraud, information on the implementation of information security at the Bank and how to report suspected fraud.
- **We also check suppliers** – Bank suppliers who may be exposed to confidential information, especially those exposed to information about our customers, are committed to maintain strict information security measures, designed to provide good security for such information. In addition, the Bank requires suppliers to comply with privacy protection laws. As part of the risk management and control processes with suppliers, and in compliance with Proper Conduct of Banking Business Directive 363, the Bank conducts meticulous inspections and information security reviews on the premises of material suppliers in order to verify that they are maintaining the required level of security.

Protecting customer privacy

The Bank operates in compliance with the rules of its customer privacy protection policy¹ and is diligent about protecting the privacy of customers' information in compliance with the regulatory provisions and the conditions defined in the policy. The Bank is continuing to strengthen and improve the security mechanisms in the systems. These actions were taken as part of debriefing processes

1. The Bank's privacy policy is made public on the Bank website at: <https://www.mizrahi-tefahot.co.il/en/about-mizrahi-tefahot/privacy-policy/>

and lessons learned by the Bank with regard to this emerging threat. The Bank Board of Directors has overall responsibility for compliance with provisions of the Privacy Protection Law, and reports on privacy protection are included as part of reports by the Compliance Officer to the Board of Directors.

The Bank's privacy policy anchors the Bank management's commitment to ensure the availability, confidentiality, integrity and reliability of the information assets and the information systems of the Bank and its customers, with emphasis on protecting the privacy of customers' information and banking confidentiality using an advanced and extensive IT security system. In cases where the Bank has chosen to conduct activity with customers through a third party (outsourcing), the Bank's outsourcing policy ensures that the supplier maintains conditions to secure the privacy of customer information. The privacy protection policy and Bank procedures also specify for Bank employees the permitted use of private information stored in Bank systems.

The Bank has a policy on privacy protection, made public and applicable to all of Mizrahi-Tefahot Group, with all Bank customers being informed of this policy and express their consent there to. Customers also receive the contact information for the Bank's Privacy Protection Officer. This policy includes reference to the respect for human rights with regard to information privacy and also informs customers that there are cases where the Bank is required by law to transfer information. The Bank exercises extreme caution in any customer information request coming from law enforcement and government authorities. In each case of such a request, the authority of the applicants to receive the information is examined according to the provisions of the law and/or judicial orders. The information provided by the Bank is the information that the Bank is required by law to provide. It should be noted that in many cases the information transfer orders include a prohibition on the Bank to disclose the existence of the order to the relevant customers. As part of the Bank's privacy protection policy, Bank customers confirm their awareness of and consent to the privacy policy, including the following:

- **Collecting information that the Bank may request when using its services** – personal information; income and printouts from other banks where the customer had activity; marital or health status; information on family members including their occupation; information requested by other laws such as those dealing with the prevention of money laundering and terror financing in order to understand the financial sources of the customer and of holders of rights to the funds; financial information such as pay slips, property information and income tax reports (when applying for additional banking services such as a mortgage); biometric information for identification and preventing fraud. In addition, when using the Bank's services, information is collected on the transactions that customers perform with the Bank and information on the transactions in the various channels.
- **Other sources from which the Bank collects information** – information from visible sources, such as the Population Registry or the Registrar of Companies in Israel; information available on search engines, social networks and websites, on economic and other databases used by the Bank, among other things for the prevention of money laundering and terror financing; foreclosures received at the Bank from third parties (but the information is not used without the consent of the customer); credit data available to the Bank by law (but the credit report will not be ordered without the consent of the customer); other information that may be obtained by the Bank and is required for the provision of banking services and for the fulfillment of the objectives of the privacy policy; details of bank debit card transactions.
- **The purposes for which the information is used** – management of the customer's bank accounts and deciding which banking services to provide to him (such as approving the provision of a loan that the customer has requested); offering of customized products and services (offers by text message and email require separate consent); improving and enriching

the content offered to customers (mainly aggregate or statistical information without personal identification); identification, prevention of fraud, information security and risk management, contractual enforcement; compliance with the requirements of any law, regulation or legislation applicable to the Bank – for example: by law the Bank must provide guarantors for accounts and loans with information on the customer's condition and details of the credit agreement; to assist the competent authorities and courts or any third party if required of the bank by law. This information is retained by the Bank if it believes it to be vital to retain. Requests for information received according to the law are processed, as necessary, with the approval of the Compliance Division Manager.

- **Reviewing and revising the information** – Pursuant to the Privacy Protection Law, every customer is entitled to view his/her personal information that is retained in the Bank's computerized databases. Should the information be found to be incorrect, incomplete, unclear or outdated, the customer may ask the Bank to revise it. Furthermore, in conformity with information retrieval procedures, the customer may request and receive their personal information stored by the Bank.

Protection circles for safeguarding customer privacy

This is managed by the Bank as follows:

- **Risk mapping** – The Bank regularly conducts mapping, analysis, management and assessment of all risk factors facing the Bank. Furthermore, during review of new processes and systems, privacy protection risk is part of the design process.
- **Risks management and mitigation** – In conformity with the current risk mapping, the Bank implements processes and technology to hedge and mitigate risk.
- **Control** – The Bank applies control processes in order to identify any gaps in implementation of the tools and processes specified. In 2022, the Bank's Internal Audit conducted review of the implementation of the Bank's privacy policy.
- **Confidentiality and privacy** – Access to client information is controlled and allowed based on policies specified for this matter. There is also strict adherence to procedures regarding safeguarding the privacy of client information and banking confidentiality, with regular control and enforcement.
- **Privacy protection awareness and training** – We operate a training program on the subject of privacy protection. As part of the program, the compliance department provides privacy protection training to all employees of the Bank. Training sessions are held and information sheets are distributed to all employees. Once a year, all bank employees undergo a course on the subject of fairness. Once a year, the relevant bank employees undergo a course on the GDPR. New employees receive basic training on privacy protection.
- **Direct communications between the public and the Privacy Protection Officer** – The Bank's privacy policy is sent to all customers, including contact information of the Bank's Privacy Protection Officer, for customers to directly contact as needed, in order to provide rapid, efficient response to such issues raised by customers.
- **Maintaining employee information privacy** – Employee information is stored in the Bank's systems, which are managed in terms of information security in a database stored as a customer database (an extremely high level of information security). In addition, when carrying out external engagements or actions that require the sharing of information on employees with an external supplier, the matter is referred to the Legal Division and the Privacy Protection Officer.

Information security and privacy protection in our subsidiaries in Israel

Subsidiaries have a policy on protection of privacy, as well as procedures for addressing breaches in safeguarding of customer information. They act to protect their customers' privacy in accordance with the Group's policy on this subject in different ways, including:

- Publishing tools for safe online usage and policy on protection of privacy on the Bank website, designed to increase customer awareness of correct, safe usage of the Internet.
- All employees have signed rules and procedures with regard to information security and maintaining banking confidentiality, and are committed to comply with these.
- In order to increase employee awareness of information security and protection of privacy, training on these topics is delivered to employees.
- All suppliers have signed, as part of their contract, an appendix regarding information security, which specifies Bank procedures in this area. Furthermore, periodic information security surveys are conducted on the premises of significant suppliers, to review proper management and compliance with this matter.

In 2022, 12 justified complaints were received regarding customer privacy (9 at Bank Mizrahi-Tefahot and 3 at Bank Yahav) that were handled as required and in accordance with Group procedures.





Mizrahi-Tefahot Bank has processes in place for risk management and control, designed to identify, manage, monitor, quantify and mitigate all material risks associated with the Bank's business and to support achievement of the Bank's business targets. The management principles are set in a general framework policy document for risk management and control ("master document"), which defines the Bank's risk appetite, the risk management principles and the corporate governance. The Bank also has individual policy documents for managing and controlling risk in various areas based on the "master document" principles.

Risk management at Mizrahi-Tefahot

The Bank acts on the issue of risk management and control in accordance with the guidelines set by the Banking Supervision and in accordance with the Proper Conduct of Banking Business Directives, and in particular Directive 310 - "Risk Management", based on Basel Committee principles and providing guidelines for risk management and control in the Israeli banking system, stipulating the standards required of bank for creating a risk management and control framework in conformity with regulation, the risk profile, risk strategy and business targets of the bank. Policy documents are approved at least once per year by Bank management and the Board, by the Risk Management Committee of the Board of Directors (or by the Technology and Innovation Committee of the Board of Directors, as the case may be) and by the Board of Directors plenum, govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations, management processes, measurement and risk avoidance / mitigation.

The Bank has a risk management and control framework document defining the Bank's overall risk appetite, our risk management and corporate governance principles ("master document") and separate policy documents for managing and controlling specific risk. These risks include, for example, strategic business risk, reputation risk; credit risk, including concentration risk; financial risk; operational risk, model risk, business continuity risk, cyber protection risk, supplier and outsourcing risk; information technology risk, human resource risk, legal risk; compliance and regulation risk, including money laundering, fairness and cross-border risk, risk management in online banking and open banking, and ESG risks.

The Bank has a branch strategy policy, which includes principles for opening new branches, managing branch closures and managing risk at overseas affiliates, a document that defines the framework for managing and controlling risk associated with Bank operations overseas.

Group policy calls for maintaining a low risk profile by holding a loan portfolio which consists mostly of diversified, retail loans. In addition, the Group's nostro operations are mainly in investments in liquid, high-quality assets carrying low credit risk, mostly State of Israel bonds. Therefore, the risk level of the Group's investment portfolio is low. This policy is designed, inter alia, to ensure that deposits from the public are not invested by the Bank in high-risk assets, but maintain a relatively low risk level compared to the banking system.

The Risk Control Division maintains ongoing processes of examination and strengthening of the Bank's control and risk management culture. These processes include, among other things, comprehensive annual mapping of the units and the individuals that specifically deal with risk management and control in the three lines of defense against various risks, to ensure that appropriate lines of defense are fully maintained for all significant risks; an annual process for quality assessment of the risks (RAS), in-depth processes to review the effectiveness of control in risky areas; conferences held for all Operational Risk Trustees at branches and at headquarters to raise awareness and strengthen the management culture and the reporting on operational risk; involvement in all material projects at the Bank, with emphasis on adhering to the Bank's risk appetite in all aspects; review of new product or activity at the Bank from risk aspects, with emphasis on compliance and regulation / fairness and more; annual review and approval of all policy documents regarding risk management and in conformity with changes in regulation and global practice; challenging significant processes/ investments at the Bank, challenging the Bank's annual work plans and aligning these with the strategic plan and challenging the new strategic plan for the years 2021-2025, as part of the approval process by the Bank's management and the Board of Directors; challenging the capital planning; challenging the remuneration policy and the actual remuneration; investigation of internal and external events including from aspects of ethics, fairness, compliance, reputation, development and implementation of extreme scenarios of various intensities, including a uniform systemic Bank of Israel scenario and threat scenarios (such as security incidents, epidemics, earthquakes) and more.

Risk management at overseas affiliates and subsidiaries

Risk management is conducted at Bank and Group level, including overseas affiliates and subsidiaries. The Bank has Group-wide responsibility for the risk management framework, which includes:

- Wholly-owned subsidiaries of the Bank – which are subject to Bank policy on risk management and control.
- Bank Yahav – a bank subject to Bank of Israel directives, acts independently with regard to risk management across three lines of defense and with risk also monitored and managed at Group level.
- Overseas affiliates – The Bank's overseas branches are directly subject to directives of risk officers in the head office, subject to local regulations and operations. The effectiveness of risk management and control by overseas affiliates, through concentration and analysis of the state of overseas bank affiliates, is reviewed by the party in charge of control of overseas operational risk control at the Risk Control Division.

Involvement of management and the Board of Directors in risk management at Mizrahi-Tefahot

Risk Management Committee – The Bank Board of Directors operates with regard to risk management through Board committees. The Risk Management Committee is the major committee handling this area. This committee convened 13 times in 2022 and recommended to the Board

to approve the policy documents and discussed the risk report and the quarterly risk document. There were also discussions regarding the risk surveys, including the Bank's activity regarding the management of environmental and ESG risks, challenge to the risk management processes and more. Our Management holds preliminary and expanded discussions about approving documents to be presented to board committees before board committee meetings are convened.

Chief Risk Officer and Risk Control Division – The Manager, Risk Control Division, reporting directly to the Bank President & CEO, serves as the Bank's Chief Risk Officer (CRO) and is responsible for the risk management and control function and for the risk management framework. The Risk Control Division operates independently of the risk-taking units and has direct access to information. The Division Manager has direct access to the Bank Board of Directors.

Risk management forums – The Bank maintains various forums for risk and capital management and for risk monitoring. The CRO is responsible for several forums designed to ensure an appropriate internal control framework. These forums include, among other things, dedicated compliance forums, steering committees for operational risk issues, a steering committee for information security and cyber risk, an internal control forum that includes all gatekeepers, a forum for risk management of overseas branches and ongoing forums with the business units in the first line of defense.

Once a year, Bank Management presents the Bank's annual ICAAP (Internal Capital Adequacy Assessment Process) document to the Risk Management Committee of the Board of Directors, to the Board Audit Committee and to the Board of Directors plenum. This document reviews corporate governance operations in the area of risk management, risk evolution in the reported year, and in particular the resilience of Bank capital and its stability in the face of stress events and the outcome of self-assessment carried out by the Bank as to the risk level, in conformity with the Bank's risk appetite and policy and the quality of risk management. This process involves presentation of the Bank's risk map (heat map). The document also presents the independent review for assessing the effectiveness of the risk management performed by the internal audit.

Board members often receive training on risk management topics. The advanced training program is broad and varied and is conducted by internal and external lecturers. In 2022, the program was expanded and focused on advanced training in technological aspects, information and cyber security, training on environmental risk, foreign legislation and regulation, credit rating methodology at the Bank, models at the Bank, AML and terror financing, Proper Conduct of Banking Business Directive 301, transactions with related parties, credit aspects by type etc.

The Bank's work plans, which are submitted for approval by Management and by the Board of Directors, include a challenge document prepared by the Risk Control Division, which reviews, inter alia, the compatibility between the business plans and the Bank's overall risk appetite.

Technology and innovation risks – will be discussed by the designated board committee for innovation and technology, which is in operation since 2019 as an advisory committee to the board. This committee's chairperson is a director possessing technological expertise. The main activities of the committee are reported every six months to the Board of Directors' Risk Management Committee.

Our Risk Control Division performs annual mapping of our lines of defense. The mapping is performed in the various units according to the material risk being managed by the Bank. This process emphasized the defensive functions for risk management and control, which have been expanded in recent years. The results of this mapping are presented to the Bank's Management, to the Board's Risk Management Committee and to the plenum of the Board of Directors. The results of this mapping found that the Bank has a logical risk management structure and maintains separation between the various lines of defense.

As from the end of 2015, the Bank issues, in conformity with Bank of Israel directives, a quarterly risk report online. The report contains an overview with regard to development of risk management and control at the Bank, corporate governance activity with regard to risk management etc. The Bank's Chief Risk Officer (CRO) is responsible for this report.

Risk management at the Bank is based on three lines of defense. Each significant risk to the Bank is managed through proper corporate governance, including the required lines of control, including specific lines of control in the first line, in accordance with the essence and nature of the risk. In addition to the first line of defense (business entities) and the second line (control entities), the Internal Audit Division, which constitutes the third line of defense, conducts audits of risk management processes at the Bank. Operations of the Internal Audit Division include a risk-adjusted multi-annual work plan. The Audit Division conducts annually an independent review of the ICAAP document issued by the Risk Control Division. In this document, the Audit Division expresses its opinion on the appropriateness of the ICAAP process and document, and the degree of effectiveness it attributes to the control environment for each risk.

Once every six months, the Audit Division presents to the Board of Director's Audit Committee a summary including, inter alia, its comments on management of various risks, as indicated by audit reports compiled in the reviewed period. The Audit Division presents a quarterly list to the Audit Committee of the audit reports and material findings disseminated during the previous quarter and a summary of the reports. This list and the report summaries are also presented biannually to the plenum of the Board of Directors.

Review of effectiveness of risk management processes

Self assessment process

Once a year, the Bank conducts a self-assessment process (RAS) to review the effectiveness of its risk management. This process uses structured questionnaires which review the positions of various Risk Owners and risk controllers at the Bank, as to the level of risk inherent in activities which they manage or control, as well as their assessment of the quality of risk management and control and assessment of the forward-looking risk trend. Risk assessments include assessment of ESG risks. The outcome of these annual surveys are also compared to previous results to identify any gaps in risk management and control and to identify evolving trends in opinions of managers with regard to the specific risk level and to the quality of risk management and control.

Risk map

During the self-assessment process, a dialogue is held between the risk managers and the risk controllers in order to clarify the results, to identify the challenges and risk that the Bank is facing and to update the risk map ("heat map"), including the material risk to which the Bank is exposed. We also discuss the annual work plans and their impacts on the level and quality of risk management, with the objective of ensuring that detected vulnerabilities are handled throughout the year. The "heat map" presents the risks in terms of the intensity of the risk and the probability of its realization in a year's time. The risk intensity includes the Bank's current exposure and management quality (including controls), and the likelihood of realization takes into account the historical behavior, assessment and knowledge of expected developments over the coming year. The "heat map" includes, inter alia, reference to technological risk, cyber risk (global risk), the effects of regulation and market changes on Bank operations, human capital risk, exposure to fraud and embezzlement, impact to Bank operational resilience due various emergencies (epidemic, earthquake, war), ESG risks etc.

The results of the overall qualitative assessment (the RAS process), including developments during the year and expectations for the coming year and the risk heat map, are discussed by

Bank management, by the Risk Management Committee of the Board of Directors, by the Board Audit Committee and by the Board plenum, and are submitted for review by the Bank of Israel within the framework of the ICAAP document.

The Internal Audit Division annually provides an independent review of the RAS process outcome, providing its assessment to the Risk Control Division, to Bank management and to organs of the Board of Directors.

The results of this process showed no material gaps between how Internal Audit assessed the effectiveness of the control environment and how the Risk Control Division assessed the quality of risk management.



In 2022, we delivered

67,446 training hours on risk management to Group employees.

Business continuity

The Bank acts to properly prepare for future challenges and for business continuity for critical services under various scenarios and in providing service to customers even in emergencies, in as much as possible. Bank operations with regard to business continuity aspects are incorporated in a specific policy.

The Bank has a well-structured continuity management plan, including a policy document for disaster recovery and business continuity, approved by Bank management and by the Board of Directors. The Bank operates with respect to business continuity in conformity with Proper Conduct of Banking Business Directive 355 (Business continuity management) and Proper Conduct of Banking Business Directive 357 (IT management) from the Bank of Israel.

Based on this policy document, the Bank maintains detailed business continuity management plans for critical services under various scenarios, and providing a response to customers even during emergencies. The Bank has a recovery plan for its vital services (BIA), as defined by the Bank, including the order of system start-up and system recovery times in extreme events.

The Bank has detailed work plans and operating procedures in emergency, the business continuity plan is implemented in systems across all Bank divisions, with leadership from the Business Continuity Unit.

The exercise program is a key element of the business continuity plan. The Bank has annual and multi-annual exercise plans, approved by Bank management and by the Board of Directors. The Bank exercises both at the backup site and at Bank units, and it prepared to backup critical processes, both in IT systems and in work processes.

The exercise plan includes complex operational and business exercises, based on national scenarios (war, earthquake, epidemic and cyber events) as well as on internal scenarios at the Bank, with various units participating, from branches, administrations, units and divisions through to Bank management.

The Risk Control Division is the second line of control with regard to business continuity risk and emergency preparations.





The business continuity policy has also been adopted by Israeli subsidiaries and overseas affiliates of the Bank, in conformity with the corporate governance policy and directives of the Bank of Israel.

The business continuity plan of the Technology Division (DRP) is designed to recover the Bank's information systems. The plan is integrated into the Bank's business continuity plan, and lists the required processes and actions to recover the critical information systems, the desired recovery time and how to resume normal operation.


The Bank operates a remote central IT site, to ensure availability and protection of IT systems and of information.

The Bank has made preparations for a pandemic scenario. The Bank operates in conformity with directives of the Ministry of Health and the Bank of Israel. During the COVID pandemic, the Bank expanded some of its capabilities and continues to maintain these during normal operation, including: large-scale remote work capability, VC solutions for all units and so forth.

Achievement of 2022 goals

Specified goal	Response to SDGs	Status
Form policy on appropriate gender representation in the Board of Directors.	 	Done.
Assimilation of the subject of environmental risk in other relevant departments and employees, through custom training.		Done.
Expansion of the environmental and climate examination in large infrastructure projects according to the threshold set in the policy for environmental risk and climate risk approved by the Bank.		Done.
Perform environmental tests when financing land and real estate projects for which there is an indication that there are environmental risk. The test threshold was defined in the environmental risk and climate risk policy.		Being done on regular basis.
Strengthening the subject of fairness in courses, courseware and in communication among employees.		Done.
Strengthening the implementation of privacy protection.		Done.
Continuing meetings of management members with managers in the framework of the Code of Ethics.		Done.
Continue monitoring changes in the threat space and adapt defensive systems at the Bank, in line with such changes, so as to ensure the level of defense for Bank systems and customer information.		Ongoing.
Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection.		Ongoing.

Goals for 2023

Specified goal	Response to SDGs
Focus the deployment of fairness to customers at subsidiaries and HQ units.	
Continuing meetings of management members with managers in the framework of the Code of Ethics.	
Meeting of Ethics Committee with field units and branches.	
Review the need for revision of the Code of Ethics.	
Conduct fairness survey.	
Strengthening the implementation of privacy protection	

The image features a hand typing on a laptop keyboard, which is the background. Overlaid on this is a grid of hexagons. The central hexagon contains the text 'ESG'. Other hexagons contain icons: a bar chart with a dollar sign and an upward arrow, a target with an arrow, a globe, a document with a pencil, and a classical building. The right side of the image is a solid orange vertical bar.

ESG

External
control and
indicators
index

Quality assurance certification for Mizrahi-Tefahot Group ESG Report for 2022

Background

Good Vision – corporate accountability Advisors Ltd. of Fahn Kanne Group, was commissioned by Mizrahi-Tefahot Bank to conduct a due diligence of the sustainability report for 2022. The company was incorporated in 2002 and has conducted over 100 consulting engagements in all areas of corporate accountability. The company is accredited by the UK Accountability organization for conducting due diligence of corporate accountability reports.

This due diligence was conducted in April 2023 for a fee, as professionally and as objectively as possible, based on information provided by Mizrahi-Tefahot Bank. The process included company advisors on ethics, corporate governance, community and the environment. The company is not affiliated nor dependent on business with Mizrahi-Tefahot Bank. Full disclosure: note that several years ago, the company advised Mizrahi-Tefahot Bank on corporate accountability and assisted the Bank in compiling its corporate accountability report, in creating a community strategy, provided training on ethics issues and due diligence for the report.

Findings of the due diligence are intended for publication to all Mizrahi-Tefahot Bank stakeholders, internal and external.

Methodology

This due diligence is based on two methodologies for review of report compliance with binding reporting requirements: The GRI reporting standards based on Universal Standards and SASB, as well as due diligence principles pursuant to Accountability standard AA1000AS V3 at Type 1 Moderate level, designed to review the report reliability.

Work process

The due diligence for Mizrahi-Tefahot Bank's sustainability report for 2022 was conducted by review and analysis of documentation of relevant data and work processes, as well as multiple rounds of questions and clarification discussions with parties at the company regarding how data was collected and presented on the report in conformity with generally accepted principles. Note, in this regard, that the work was conducted with collaboration and transparency on the part of Mizrahi-Tefahot Bank staff. Furthermore, some of the due diligence findings provided to Mizrahi-Tefahot Bank were already rectified during the writing process and are listed in the report.

The review included, inter alia, report compliance with the following principles:

1. Inclusion – Review of reporting of all indicators required to be reported (reporting of management approaches of material issues and current core benchmarks in reporting standards of GRI – Universal Standards and SASB), and review of the extent to which the report provides comprehensive information to all stakeholders, allowing them to comment.
2. Materiality – Review of the extent to which the report refers to sustainability issues of significance to diverse stakeholders.
3. Responsiveness – Review of transparent reporting of material sustainability issues, their implications and progress made in response to these issues by Mizrahi-Tefahot Bank.
4. Impact – Review of indicators put in place to monitor cross-organizational impact of Mizrahi-Tefahot Bank.

At the conclusion of this process, a detailed report was provided to the company, listing highlights of the due diligence process and elaboration of findings and recommendations, a summary of which is provided at the end of this due diligence certification.

Findings

According to the due diligence performed, using the aforementioned process and in conformity with materials presented to us, we may ascertain that Mizrahi-Tefahot Bank's sustainability report for 2022 is compliant with reporting requirements in conformity with reporting guidelines of GRI-Universal Standards and SASB. Moreover, the report is in compliance with reporting guidelines of Accountability.



In our due diligence, we found that the report refers to material issues, as required by the GRI-Universal Standards and SASB standards. In our opinion, the report presents data in comprehensive and clear fashion and extensively describes the company's operations related to sustainability and corporate accountability. In our opinion, the report was written reliably, with reliance on relevant data and documents.

However, we recommend elaborating the following issues and/or reporting in subsequent reports on the following measures:

Recommendations for future reports

- **Union Bank merger** – In view of completion Union Bank merger in late 2022, we recommend to elaborate in the next report on completion of the merger processes, while adhering to ESG strategy principles with all stakeholders of the bank merged into Mizrahi-Tefahot Bank.
- **Higher interest rates** – In September 2022, the Bank of Israel started to raise interest rates in multiple steps, which had extensive economic and social effects on loan and mortgage borrowers and on depositors. Therefore, we expect the next report to extensively review the impact of higher interest rates on Bank customers and measures applied by the Bank in this regard.
- **Long-term carbon targets** – We recommend aligning the long-term and medium-term carbon reduction targets of Mizrahi-Tefahot Bank with SBTi principles and methodology.

Signed:
Ivri Verbin, CEO
Good Vision –
corporate accountability Advisors Ltd.
April 2023



Process control and recommendations

The ESG Department of BDO Consulting has been assisting Mizrahi-Tefahot Group with promoting ESG at the Group and with control over ESG reporting. The assistance in promoting and ongoing management of ESG at the Group includes assistance in development of ESG-related policy and objectives and in preparing for dialogue with various ESG rating agencies. The assistance in preparing the annual ESG report includes alignment with international reporting standards, review of leading trends in the local and global banking sector and information analysis based on generally acceptable methodologies.

In-depth knowledge of Bank ESG-related activity allows the BDO consulting team to provide control and recommendations with regard to ESG management processes and reporting at Mizrahi-Tefahot Group. This control includes review of the following aspects:

- **Update and improvement of information infrastructure and indexes** – BDO consultants have reviewed ESG management at the Bank, including processes for collecting relevant information and data, processes for producing information and processing it into indexes, as well as Bank performance vs. set objectives and targets.
- **Incorporating the ESG concept into core operations and various units** – In this regard, the deployment process of the ESG concept in regular activity of Bank units was reviewed, and the control process included review of how new processes identified in reporting by various units are developed and implemented.
- **Review of implementation outcome (effectiveness of deployment)** – This stage reviews how the Bank has improved its performance by various indexes, has led new initiatives in various units for activity in this area, has developed new banking products and fostered dialogue with stakeholders while expanding the impact on society and on the environment in Israel.

Summary and recommendations

In the 2022 report year, Mizrahi-Tefahot Group has shown progress, with the following areas worth noting:

- Setting environmental and social targets for 2030.
- Continued reporting in conformity with the revised GRI standard at In Accordance reporting level and, for the first time, in accordance with SASB standard as well.
- Review of ESG risks for creating a policy document on ESG risk management at the Bank, to enable optimal management of this area for ESG risk management in core business activity.
- Commitment to review climate risk and to report in conformity with TCFD principles in 2023.
- Preparing for monitoring, management and reporting of the carbon footprint in the loan portfolio and in the investment portfolio, in conformity with the PCAF standard.
- Reporting on credit risk to the public in economic sectors at high transition risk.

Below are recommendations for ESG development in core business activity:

- Develop ESG-related financial instruments, such as green bonds and SLL.
- Adopt policy on responsible investments.
- Expand incorporation of ESG considerations in credit risk analysis.
- Define overall responsibility for ESG matters by one of the Board committees.
- Expand monitoring, management and reporting of emissions in Scope 1.

Chen Herzog
Partner, Chief Economist
BDO Consulting Group



Measurement of carbon footprint in Bank operations

Control of the carbon footprint of Mizrahi-Tefahot Group is made in conformity with generally accepted international principles, based on the GHG protocol. Data has been adapted for Israel as part of Registration of Greenhouse Gas Emissions in Israel, operating rules and reporting guidelines, Shmuel Ne'eman Institution and Ministry of Environmental Protection, July 2022. Emission coefficients used for calculation are those published by professional organizations, including the Public Utility Authority – Electricity, the Central Bureau of Statistics, the Shmuel Nieman Institution at the Technion, the BDO model for private electricity producers and DEFRA coefficients (UK Ministry of Environmental Protection) for Scope 3 emissions. Consumption data provided by the Bank and the Bank is responsible for these data. As of the report preparation date, the Ministry of Environmental Protection has yet to publish emission coefficients for 2022, therefore measurement of the Bank's carbon footprint in Scopes 1 and 2 is based on emission coefficients for 2021.

Group carbon footprint estimation Scopes

The Bank monitors and calculates greenhouse gas emissions in three Scopes as follows:

- Direct emissions in Scope 1 – consumption of fuel and diesel for driving and for generators
- Indirect emissions in Scope 2 – consumption of electricity
- Indirect emissions in Scope 3 – Consumption and recycling of paper, electronic waste, toners, ink jets, business flights¹

Mizrahi-Tefahot Group's carbon footprint

In 2022 as well, the Group continued the reduction trend in its carbon footprint; total carbon footprint of the Bank in 2022 was 19,040 CO₂eq tons, a decrease by 3.6% over 2021, and the carbon footprint per m² was 0.116 CO₂eq tons, a decrease by 10.6% over 2021.

Key changes in 2022:

Electricity consumption: Calculation method revised for 16.2% of Group electricity consumption, using an emissions coefficient applicable for a private producer. Consequently, although electricity consumption increased by 1.8%, the carbon footprint decreased.

Fuel consumption: Diesel consumption was 5.2% higher, due to increased courier activity at the Cash Center, and gasoline consumption was 4.5% lower, due to improved efficiency and gradual transition to use of hybrid vehicles.

Scope 3: Reporting of Bank activity in the supply chain was expanded for the paper consumption category in 2019-2022, resulting in an increase by 6.4% in total paper consumption and an increase by 1.7% in Scope 3. Due to expansion of reporting of paper consumption, data for Scope 3 in 2019-2021 was recalculated, resulting in higher total carbon footprint and in carbon footprint intensity in these years.

Corporate Accountability and Sustainability Group
BDO Consulting Group



1. Note that currently, the Group does not report greenhouse gas emissions due to AC unit gas, due to lack of data.

GRI Content Index¹

Mizrahi Tefahot Bank has reported in accordance with the GRI Standards for the period of 1/1/2022-31/12/2022



CONTENT INDEX
ESSENTIALS SERVICE

GRI-1 Foundation 2021

Index	Index description	Page number	UNGC	SDGs
GRI 2: General Disclosures 2021				
2-1	Information about the organization	14-15	There is no specific COP requirement	
2-2	Entities included in the Sustainability Report and on the financial statements	15-16, 19-20	There is no specific COP requirement	
2-3	Reported period, frequency and contact person	19-20		
2-4	Re-statement of information	33-34, 37-38, 67-68		
2-5	External control	174-175		
2-6	Nature of activity, description of value chain and business relations	14-15, 87-89		16.3
2-7	Description of employees	92-99	6	
2-8	Information about employees not directly employed by the organization	96		
2-9	Composition and structure of the Board of Directors	128-136		5.5, 16.7
2-10	Appointment and selection of Board members	129-130		5.5, 16.7
2-11	Chairman of the Board of Directors	4, 15, 129		
2-12	Role of the senior Board member in monitoring performance and impact	133-136		
2-13	Delegating authority	165-167		
2-14	Roles of the Board of Directors in corporate accountability report	132-133		16.7
2-15	Avoiding conflict of interest	129-131, 151		16.6
2-16	Communication of material concerns and issues to the Board of Directors	131-132		

1. For the Content Index - Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report. The service was performed on the Hebrew version of the report.

Index	Index description	Page number	UNGC	SDGs
2-17	Promoting Board of Directors' knowledge of sustainability and corporate accountability content domains	131		
2-18	Assessment of performance of the Board of Directors	132-133		
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2-20	Process for setting remuneration and involvement of stakeholders in setting remuneration	136-137		
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2-26	Contact measures from ethical aspects	143-145, 150	10	16.3
2-27	Compliance with laws and regulations	146-149		16.3
2-28	Membership of organizations	20-21	1-10	
2-29	Organization's approach to dialogue with stakeholders	23		
2-30	Percentage of employees covered by collective bargaining agreements	99		
GRI 3: Material Topics 2021				
GRI 3: Material Topics 2021 3-1	Identification process of material issues	24		
3-2	List of material issues	24		
3-3	Management of material issues	References are given separately for each material topic.	6,1	
Accountable conduct and corporate governance				
GRI 201: Economic Performance 2016				
GRI 3: Material Topics 2021 3-3	Management of material issue	10-11	6,1	

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201-2	Financial implications, opportunities and risk posed by climate change	43-47		13.1
201-3	Company obligations with respect to retirement plans / employee remuneration	103-104, 114, 117-118		
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GRI 205: Anti-corruption 2016				
GRI 3: Material Topics 2021 3-3	Management of material issue	151-157	6,10,1	16.5
205-1	Actions taken to identify various corrupt activities	90-91, 155-157	10	
205-2	Training on anti-corruption policy and procedures	147-149, 153-157	10	
205-3	Confirmed cases of corruption and action taken in these cases	150,154	10	
Financial inclusion and accessibility of Bank services				
GRI 203: Indirect Economic Impacts 2016				
GRI 3: Material Topics 2021 3-3	Management of material issue	70-82	6,1	
203-1	Investment in infrastructure and support for services	70-82		5.4 9.a 9.1 9.4 11.2
203-2	Significant indirect economic effects	61-62, 70-82, 83-86		1.2 8.2 8.3 8.5 10.b
Local Communities (Sector supplement)				
GRI 3: Material Topics 2021 3-3	Management of material issue	70-82	6,1	

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GRI 3: Material Topics 2021 3-3	Management of material issue	85	6,1	
204-1	Percentage of expenses for local suppliers	85-88		8.3
GRI 413: Local communities 2016				
GRI 3: Material Topics 2021 3-3	Management of material issue	78	6,1	
413-1	Actions with involvement in the local community	78-85		
413-2	Actions with significant potential for negative impact on the local community	43-47, 56-62		1.4
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GRI 302: Energy 2016				
GRI 3: Material Topics 2021 3-3	Management of material issue	28-39	6,1	
302-1	Energy consumption inside the organization	29	7,8	
302-2	Energy consumption outside of the organization	Not material to the organization	8	
302-3	Intensity of the energy consumption in the organization	29	8,9	

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302-4	Reduction of energy consumption in the organization	28-39	8,9	
302-5	Reduction of the energy requirements of the organization's products or services	41	8,9	
GRI 305: Emissions 2016				
GRI 3: Material Topics 2021 3-3	Management of material issue	36-37	6,1	
305-1	Direct (Scope 1) greenhouse gas emissions	37	7,8	
305-2	Indirect (Scope 2) greenhouse gas emissions	37	7,8	
305-3	Other indirect (Scope 3) greenhouse gas emissions	37-38	7,8	
305-4	Intensity of the organization's greenhouse gas emissions	37-38	8	
305-5	Reduction of greenhouse gas emissions	36-39	8,9	
305-6	Emission of Ozone Depleting Substances (ODS)	Not material to the organization	7,8	
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401-2	Benefits that full-time employees receive that are not provided to part-time employees	112-114		3.2 5.4 8.5
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GRI 3: Material Topics 2021 3-3	Management of material issue	60-62	6,1	
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417-3	Cases of non-compliance with laws or regulations concerning marketing communications	60-62		16.3

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Subject	Accounting benchmark	Code	2022 disclosure
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	FN-CB-230a.1	2022 ESG Report 159-160
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	2022 ESG Report 158-163
Financial Inclusion & Capacity Building	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.1	2022 ESG Report 67-69
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.2	2022 ESG Report 67-69
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	2022 ESG Report 63-85
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	2022 ESG Report 63-85
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	FN-CB-10a.1	2022 ESG Report 41-42, 47
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Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	2022 Financial Report: 235-241 2022 ESG Report 152-163
	Description of whistleblower policies and Procedures	FN-CB-510a.2	2022 ESG Report 143-157

1. COMMERCIAL BANKS Industry Standard

Subject	Accounting benchmark	Code	2022 disclosure
Systemic Risk Management	Global Systemically Important Bank (G-SIB) score, by category	FN-CB-550a.1	N/A
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	2022 Risk Management Report 20-21
Activity Metrics	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	FN-CB-000.A	2022 Financial Report 345-351, 353-361
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