



MIZRAHI TEFAHOT

# Corporate Social Responsibility Report 2018



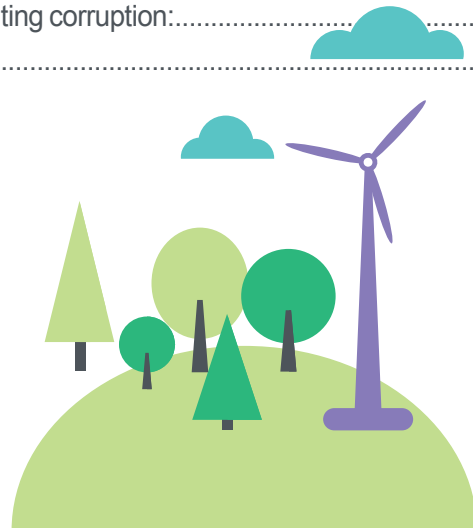
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## Message From The Bank Chairman And From The Bank President & CEO

### Dear readers,

We hereby present you with the corporate social responsibility report by Mizrahi-Tefahot Group for 2018. The report before you covers in depth the Group's activity with regard to corporate social responsibility in 2018, activity which forms an integral part of our core business and organizational culture, based on the realization that there is a close link between business excellence and a responsible, value-based perception.

These activities and report reflect our commitment to stakeholders and the understanding that, being a key financial organization in Israel's economy, we are committed to acting responsibly and transparently and to investing resources to benefit society and the environment.

In this document we elaborate the Group's activity in 2018 on many diverse topics, including creating value for our customers and staying in contact with them through diverse means, extending credit to promote social and environmental issues, streamlining steps to safeguard the environment, social involvement in diverse projects and supporting our community, creating a fair, appropriate and responsible work environment for our employees, ensuring appropriate corporate governance, deploying ethical behavior, preventing corruption and managing risk, including social and environmental risk.

The unique characteristics of Bank Mizrahi-Tefahot, being the most efficient bank with the highest growth rate, and the youngest human

resources in the banking system, allow the Bank to provide an optimal solution for all stakeholders.

The Bank continues to operate in line with its strategic five-year plan for 2017-2021. Accordingly, in 2018 the Bank continued to expand its business across all business segments, and in particular in the small and medium business segments. This year, the Bank continued to expand its branch network and inaugurated six new service points to expand its services and availability to customers. This was done through expansion of its operations in the Arab, Jewish Orthodox and retiree segments.

Mizrahi-Tefahot Group is a significant player in the real estate market and considers itself as taking part in construction of the Land of Israel. The Bank also 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. Therefore, in 2018 we increased credit extended to social and environmental initiatives, from NIS 1 billion in 2017 to NIS 1.7 billion in 2018.

With our customers – we continue to operate based on the principle and understanding that there is no alternative for the unique added value brought by a professional, experienced human banker to their customer relationship. In our view, it is people who make the difference between good service and outstanding service. This year, too, we continued to implement the concept of human service, which optimally combines personal and professional contact between bankers and customers, using advanced technology to bring customer and banker closer together. This combination plays a major role in the

service experience offered by the Bank to its customers. Results are indeed apparent in the field – our customer surveys over the years show that our customer satisfaction is the highest in the banking system, and they are happy and satisfied with how their needs are addressed by the Bank.

In all areas, we act in conformity with the Bank's Code of Ethics – which reflects the Bank spirit and its organizational culture. The Bank's Code of Ethics is deployed across the organization through various training efforts. The Bank operates an Ethical Committee, to discuss ethical dilemmas arising from the field and set policy and action required to deploy the values embodied in the Code of Ethics.

The Group sees the great importance of empowering its human capital; therefore we take action designed to empower, promote and develop the Group's employees, which we regard as full-fledged partners in its operations. This includes many activities, which are integrated with routine work and which are designed to create a more comfortable, pleasant work environment, to expand the knowledge and professional development of employees and to support relations between the Bank, its customers and employees. We encourage our employees to develop within the Group and to grow into management roles.

As a business organization whose activities and achievements depend on the community in which it operates, the Bank sees itself as obligated to show involvement in the community, to support populations with special needs. to assist NGOs and businesses which promote social goals and to promote financial education for informed economic conduct. Our activity in the community is a source

of pride for us, with these activities carried out with involvement of Bank employees, their families and even Bank customers. In 2018 as well, the Bank continued to expand its "Let us meet at Mizrahi-Tefahot" activities, designed to bring together the community and the Bank through various general-interest presentations in diverse banking and other fields.

Mizrahi-Tefahot Group is proud to partner on value-based action and is committed to further act in this spirit, for the benefit of its customers and investors, Group employees, the community and the environment. 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.

This report is another communication channel with our stakeholders, with the intention of fostering open, transparent dialogue on all of the issues contained therein. We invite readers of this report to comment on it and to further challenge us, so that we may build upon our actions in these important matters.

We wish you a pleasant read,

**Mr. Moshe Vidman –  
Chairman of the Board of Directors**

**Mr. Eldad Fresher –  
Bank President & CEO**

## Words From The Corporate Social Responsibility Officer<sup>1</sup>

Mizrahi-Tefahot Group has issued, for the sixth year, its corporate social responsibility report to the public and to its stakeholders. This report covers operations across the Group and its subsidiaries in Israel and at Group overseas affiliates in 2018, emphasizing social and environmental issues.

Issues and considerations related to corporate social responsibility are included in Group operations on daily basis, based on the understanding that incorporating corporate social responsibility in business operations generates value both for the Group and for stakeholders thereof. We do this through ongoing dialogue with employees, customers and suppliers, in order to deploy the concept of corporate social responsibility of the Bank across all parts of the organization, with commitment to meeting the goals we have set for ourselves.

This area is managed at the Group in an orderly fashion, integrates the work of multiple entities and requires significant coordination and preparation, in order to lead processes with long-term impact.

In 2018, we reviewed the material issues to identify the ones on which the Group would focus with regard to corporate social responsibility; to this end, we engaged in in-depth dialogue with our stakeholders. This dialogue resulted in identification of the importance of the issues for each of our stakeholders individually and for all stakeholders as a group. The list of issues found to be material was discussed and

approved by Bank management and by the Board of Directors; consequently, we created the materiality matrix, which is the basis for Bank operations related to corporate social responsibility and for reporting our activities in this report.

### In 2018, we continued to make progress in diverse areas:

#### With customers:

As part of the Bank's unique strategy to expand its service offering to customers in different segments, we opened six new branches, of which three are located in Arab towns, and we also expanded Bank operations in the Jewish Orthodox sector and among retirees.

We expanded and adapted the services intended for business customers and added a new, unique product – "Mortgage for businesses" – which helps the business owner in acquiring a property for their current operations, in lieu of leasing.

We have increased our environmental and social lending to Bank customers who promote these key areas.

#### With the community:

This year, we increased our investment in the Group's community-social activity by 9.5% over the previous year, with emphasis placed on employee involvement and volunteering in the various projects.

We offered mortgage-related workshops for the public at large, to offer tools for selecting the most appropriate track, and we continued to deliver financial training for individual and business customers.

1. GRI index response 102-46,102-48,102-49

The Bank assists social enterprises from the outset, through professional guidance and financial support, to allow them to grow into a sustainable business promoting social causes.

### **With employees:**

This year, too, we continued to grow and the number of Bank employees increased, while ensuring a high-quality, professional work environment supportive both the personal, professional level and the external surrounds of family and children.

As part of this growth, Bank employees benefit from development and promotion opportunities. In 2018, some 95% of appointed managers were Bank employees being promoted; we increased the total training hours delivered at the Bank and the average training hours per employee, including professional courses, managerial training, personal development and empowerment.

In 2018, the percentage of female managers at the Bank continued to grow, with women accounting for 50% of all managers and 42% of Bank executive management.

### **With regard to the environment:**

The Bank continues to act in order to increase awareness of environmental protection and to minimize the negative impact of its operations through activities designed to increase recycling, increase efficiency and reduce consumption.

As our organization grows, we have been successful in reducing paper consumption. In 2018 alone, we reduced our paper consumption by 12 tons and increased the percentage of paper sent for recycling

out of total paper purchased by the Group.

In 2018 we also reduced our carbon footprint in absolute terms by 7.1% and per employee (carbon footprint intensity) by 8.3%, and further reduced our electricity consumption by 10.8%.

### **Management of corporate social responsibility at the Bank:**

This year, too, the Bank celebrated Corporate Social Responsibility Week, designed to raise awareness of Bank activities related to corporate social and environmental responsibility and to engage our employees as partners in these activities. As part of this week, we held fairs selling goods from various NGOs, held a quiz about Bank activities related to corporate social responsibility with prize awards, and all employees received a thermal cup made from recycled material, to reduce the use of disposable cups.

We also continued to intensify the integration of Sustainable Development Goals set by the United Nations (SDGs) into the Group work plan. This year we focused on selecting our SDG goals to be promoted in 2019, and Group goals related to corporate social responsibility were specified around these goals for this year. The combination of objectives and the link to reporting the Bank's social and environmental activities reinforces our commitment to promoting sustainable business operations. Throughout the report, you can read about comments by the Group and Group activities to promote these goals.

**This annual report presents our endeavors**, initiatives on which we partner and key goals for Bank operations in 2019 with regard

to corporate social responsibility and is a **managerial tool for constant improvement.**

We set ourselves a goal to continue to act with fairness and transparency, which are fundamental values of the Bank, and consequently, to keep reporting in future on our progress with regard to corporate social responsibility. A fair, transparent relationship with all stakeholders, and in particular with customers who are the focal point of our business operations, is the basis for our earned trust and mutual success.

Allow me to also thank all employees and managers at all Bank levels, who help in our daily work and in creating this report.

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

**Corporate social responsibility – for the environment and the community in which we live!**

Sincerely yours,

**Tamar Saffer,**

**Corporate Social Responsibility Officer**

For inquiries about this report – 03-7559675 // [saffert@umtb.co.il](mailto:saffert@umtb.co.il) // Bank Mizrahi-Tefahot,

P.O. Box 3470, Ramat Gan



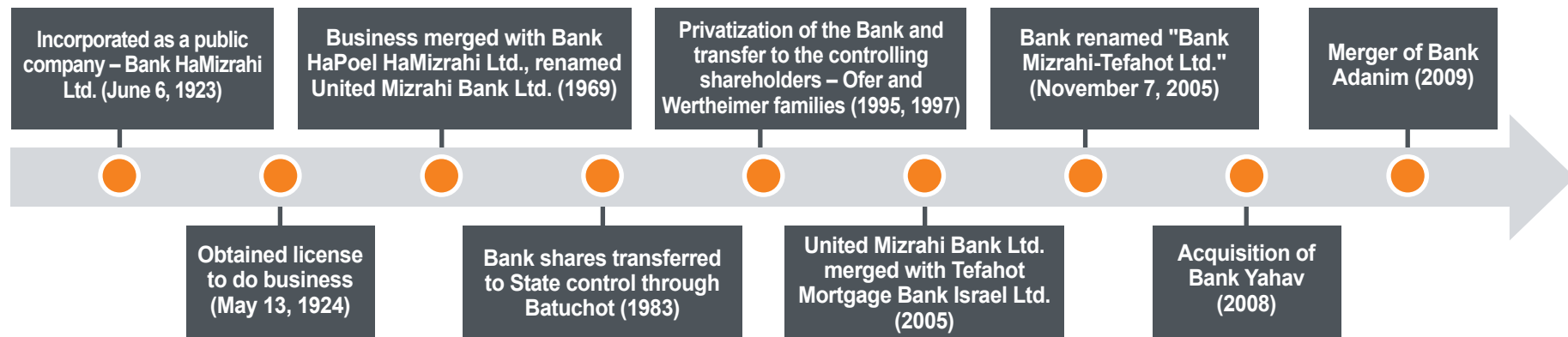


# About Mizrahi-Tefahot Group



The Bank attaches great importance to generating direct and indirect value to stakeholders by virtue of its activities. This value is reflected by Bank contribution to economic growth, by providing banking solutions to individual and business customers, by the commitment to empowering the community in areas where we do business, by strict adherence to fair remuneration of Bank employees and managers, by providing employment to thousands of employees and by duly paying taxes to the State – along with creating value for investors.

The Bank maintains that its capacity to create social economic value for stakeholders would ensure its success over time and would also contribute to creating economic value for shareholders. Thus, the Bank is acting 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.



**Mizrahi-Tefahot Bank Ltd.** was one of the first banks to be established in Israel. The Bank was incorporated as a public company in 1923, under the name Bank HaMizrahi Ltd., and started doing business in 1924. In 1969, upon the merger with Bank HaPoel HaMizrahi Ltd., the Bank was renamed United Mizrahi Bank Ltd. In 1983, as part of an arrangement between the Government of Israel and the banks, Bank shares were transferred to Government control. In 1995 and 1997, the Bank was privatized in two stages, and was transferred to control of the present controlling shareholders. Following the merger with Tefahot Mortgage Bank Israel Ltd., in November 2005 the merged entity was renamed Bank Mizrahi-Tefahot Ltd. – its current name.

As of 2018, the Group Board of Directors is headed by Mr. Moshe Vidman and the Bank President & CEO is Mr. Eldad Fresher.

## Group And Bank Operations<sup>1</sup>

The Bank Group is one of the top five 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 193 branches and business centers. Furthermore, business customers are supported by business centers and professional departments at Bank headquarters, which specialize by sector.

As of 2018, the Bank's overseas operations are conducted through 3 bank affiliates (two branches and a subsidiary) and representative offices in Europe and in Latin America.

1. GRI index response 102-45

In addition to its banking activities, the Bank Group is engaged in various activities related to the capital market, including: Consultancy for capital market activities, distribution and operation of mutual funds, management of securities portfolios for customers, pension advisory service, trust services, provision of registration services for securities listed on the stock exchange in Israel, operation of provident funds and insurance incidental to mortgages. The Bank Group also engages in credit operations and participates in syndication deals.

### Group share out of the Top 5 bank groups (as of December 31, 2018):

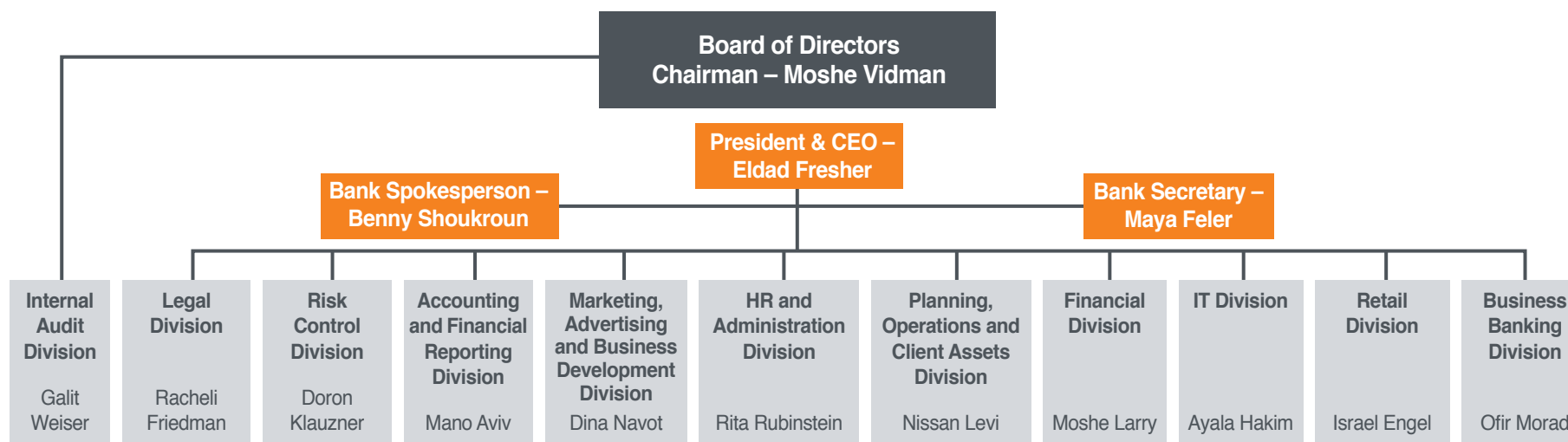
Loans to the public	19.1%
Deposits from the public <sup>2</sup>	16.4%
Total assets	16.6%
Shareholders' equity	13%



2. The Bank Group's share of deposits from the public, among the five top bank groups, excluding deposits from institutional investors, as of December 31, 2018 was 15.5%.

## Organizational Structure<sup>1</sup>

The Bank organizational structure is intended to support achievement of Bank objectives and realization of its business plan. The structure is based on divisions and other units, reporting to the Bank President & CEO. The Internal Audit Division reports directly to the Chairman of the Board of Directors.



## Financial Performance In 2018<sup>2</sup>

In 2018, Bank Group revenues amounted to NIS 6,889 million and operating expenses (including payroll) amounted to NIS 4,384 million. "Retained economic value" in this year amounted to NIS 1,336 million.

Net profit for the Group in 2018 amounted to NIS 1,206 million,

compared to NIS 1,347 million in the previous year – a decrease by 10.5%.

Multi-period profit data shows:





- ▶ Increase in revenue growth rate.
- ▶ Growth in revenues (from current operations) higher than growth in current operating expenses.

1. GRI index response 102-45

2. This report is not a financial statement. The Bank reports its audited financial information in its annual financial statements, which are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in conformity with Public Reporting Directives of the Supervisor of Banks.

Operating and other expenses for 2018 include a provision, amounting to NIS 546 million, with respect to the investigation by the US Department of Justice (NIS 425 million in the second quarter and NIS 121 million in the fourth quarter). For more information about a DPA agreement reached by the Bank and the US Department of Justice, to conclude the investigation of Bank Group business with its US customers and its financial implications for these financial statements, see Note 26.C.12. to the Bank's financial statements.

## Group Economic Value

Financial data, NIS in millions		2015	2016	2017	2018
 <p><b>Economic performance</b></p>	Interest and non-interest revenues	5,392	5,640	6,000	6,889
	Operating and other expenses	3,226	3,299	3,611	4,384
	Provision for taxes	761	833	806	922
	Dividend distribution	86	186	334	247
	Retained economic value	1,319	1,322	1,249	1,336
	Pre-tax profit	1,955	2,141	2,197	2,195
	Net profit for the Bank	1,134	1,266	1,347	1,206
 <p><b>Trade receivables</b></p>	Number of branches for the Group	177	184	187	193
	Loans to the public	159,204	171,341	181,118	194,381
	<b>Of which:</b>				
	Loans to micro and small businesses	13,909	15,126	16,716	18,977
	Loans to medium businesses	4,786	4,786	5,779	6,585
	Loans to large businesses	13,132	12,525	14,833	16,236
	Loans to households – housing loans	105,106	114,070	119,559	126,105
	Loans to households – other	16,816	18,945	19,824	20,932
	Loans to private banking	67	81	117	98
	Loans to institutional investors	2,326	2,586	1,166	1,331
 <p><b>Suppliers and community</b></p>	Total payments to suppliers	1,166	1,117	1,214	1,200
	Percentage of local procurement	88%	91%	94%	95%
	Investing in the community	12.9	14.3	14.7	16.1
 <p><b>Employees</b></p>	Number of Group employees	6,063	6,185	6,354	6,444
	Payroll expenses	1,912	2,035	2,271	2,407

## Tax Payments At Overseas Affiliates

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. (For more information about performance of overseas subsidiaries, see the Group's 2018 financial statements, p. 58).

## Government Support

In 2018, the Group received no subsidies, tax relief, incentives or other economic benefits from the Government of Israel nor

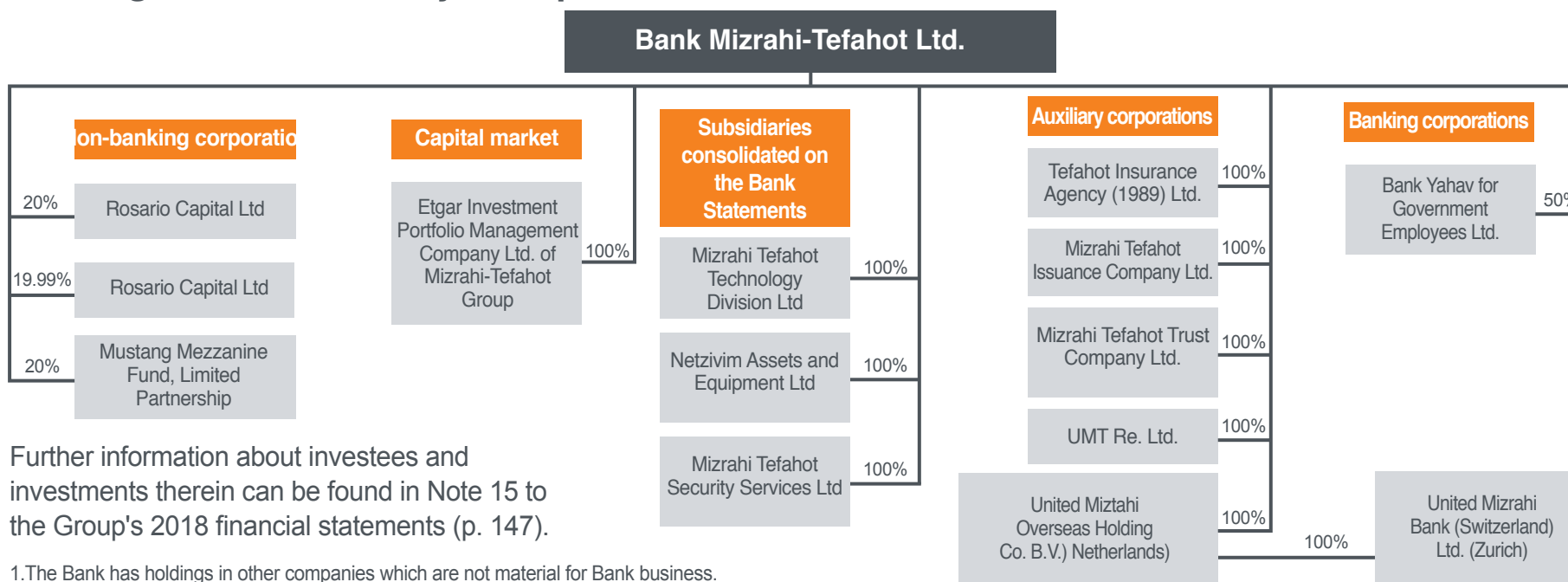
from governments of other countries in which the Group operates. Furthermore, the Bank received no economic aid from export credit agencies. (Except for State incentive to reduce interest in the Small Business Fund in 2018).

## Holding Structure And Control

As of December 31, 2018, the controlling shareholders of the Bank are Wertheim Group, holding 21.75% of capital and voting rights, and Ofer Group, holding 22.33% of capital and voting rights.

Further information on the holding and control structure can be found in the Group's 2018 financial statements, pp. 276-277.

## Holding Structure Of Key Group Entities<sup>1</sup>



Further information about investees and investments therein can be found in Note 15 to the Group's 2018 financial statements (p. 147).

1. The Bank has holdings in other companies which are not material for Bank business.

## Events And Material Changes At The Group In 2018

**New five-year strategic plan for 2017-2021** – Given the Bank's achievements and changes to the macro-economic environment in Israel, on November 21, 2016 the Bank's Board of Directors approved a new five-year strategic plan for 2017-2021. In 2018, the Bank revised its dividends policy; for more information see p. 18 of the 2018 financial statements.

**Bank plan to relocate its headquarters units** – On June 19, 2017, the Bank's Board of Directors resolved to take action in order to locate, in as much as possible, the Bank's headquarters units in a single site, in Lod. For more information see Note 25K to the 2018 financial statements (p. 179).

**Significant developments in business operations** – In 2018, the mortgage business grew, with housing loans extended by the banking system amounting to NIS 60 billion, higher than in 2017 and in 2016. The Bank is acting to reinforce its leadership position in the mortgage market in terms of market share and in perception and further reinforce the expertise of mortgage bankers.

**Developments in capital structure** – On February 1, 2018, the Bank applied to the Supervisor of Banks for approval of a buy-back of 5 million Bank shares. The share purchase is to be conducted against shares allotted or to be allotted pursuant to the stock option plans for 2014-2016 and the stock option plans for 2017-2019. On July 23, 2018, the Supervisor of Banks approved the buy-back plan subject to conditions specified.

**Payroll agreements for employees represented by the Council of Managers and Authorized Signatories** – On December 20, 2018, a collective bargaining agreement was concluded with the Managers' Council, with respect to wages and work conditions for 2018-2022. For more information see Note 22.A.7 to the financial statements.

**Streamlining plan** – On December 27, 2016, the Bank's Board of Directors approved the streamlining plan recommended by Bank management, whereby early retirement would be possible for 300 employees in 2017-2021, at optimal conditions. In 2018, the Bank continued the trend of streamlining and utilizing existing resources as follows: Streamlining of space usage, improved branch location, further leveraging of infrastructure through temporary leasing to third parties of space used by the Bank as reserve, completed making Bank branches accessible, in conformity with the new accessibility regulations and continued planning of the Lod headquarters building.

**Business activity expansion** – In 2018, the Bank and institutional investors signed agreements for sale of 80% of assets and liabilities in a housing loan portfolio valued in total at NIS 2.7 billion. The loan portfolios sold include loans with LTV ratios not exceeding 60%. In 2018, the Bank continued to conduct transactions to sell off and share credit risk with institutional investors and financial institutions in Israel and overseas. Further cooperation with institutional investors is part of the Bank's strategic plan for 2017-2021. As part of this activity, the Bank has expanded the providing of service for operating financial assets, including management and operation of housing loans purchased from the Bank.

**Developments in international geographic deployment** – The Bank has multiple affiliates in several countries, as set forth in the Corporate Governance of the 2018 financial statements (p. 300).

## Membership Of Organizations

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.

## Awards And Recognition

In 2018, the Bank also won prestigious, leading awards in the field of marketing:

In 2018, the Mizrahi-Tefahot brand was recognized for the fifth 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 the prestigious Effie competition, which measures marketing

effectiveness, the Bank was awarded a gold award in 2018 for a marketing campaign in the finance category for its campaign "The protest that made Mizrahi Tefahot the preferred bank in Israel". This marketing campaign reinforced the Bank's differentiation, increased the willingness of potential customers to transition to the Bank, and contributed significantly to the increase in actual accounts opened. Moreover, Mizrahi-Tefahot was also awarded a bronze award in the financial marketing campaigns category, for its campaign "Tefahot experts vs. the mortgage monsters".



# Corporate Social Responsibility Management Concept At Mizrahi-Tefahot Group



## The Principles Underlying The Management Concept

The guiding principles for Bank policy on this topic are based on the material issues identified by the Bank, in conformity with the international reporting standard typically used for corporate social responsibility, as developed by Global Reporting Initiative (GRI). This policy includes management approach to each of the issues identified as material, both for the Group and for stakeholders, which significantly impact Bank operations and the focus of Bank attention in the coming years.

## Involvement Of Management And Board Of Directors

The Bank Board of Directors is tasked with setting and approving policy on corporate social responsibility and ensuring that these principles are applied and are in line with Group strategy. Group management is responsible for implementing the guidelines in policy documents and incorporating them in work processes in various areas.

The Manager, Human Resources and Administration Division heads the steering committee on this subject, attended by all Bank units and subsidiaries. This committee reviews activities in the various divisions and convenes periodically, as needed.

As part of deployment of the corporate social responsibility policy, in 2013 the Bank appointed the Manager, Organizational Development and Training Department in the Human Resources and Administration



Division to head the field of corporate social responsibility at the Bank. The appointed manager is responsible for implementation of the policy, its deployment across all employees and for monitoring achievement of objectives in this area, as set by the Bank.

Furthermore, in 2018 the Bank appointed a Manager of Corporate Social Responsibility, in charge of Bank operations in this field and of continued dialogue with the various stakeholders inside and outside the organization.

In addition, each executive reports to management from time to time on the matters they are responsible for. For each topic discussed, there are meeting minutes recorded and implementation is monitored. If needed, a repeat discussion is held to review the implementation of recommendations.

The Group Board of Directors plenum approves the Group's corporate social responsibility report and the annual work plan on this matter is presented to the Board of Directors plenum.

## Implementation Through Cross-Organizational Cooperation

Corporate social responsibility policy is deployed across the organization, by a process which involves all Group operations and requires co-operation by many.

All Bank divisions have designated corporate social responsibility representatives, who act as division representatives for this purpose. These representatives and the corporate social responsibility Officer at the Bank maintain regular work interfaces in order to implement the policy and to report on its implementation.

Each Bank entity is responsible for monitoring corporate social responsibility issues they are normally responsible for, including authorization ranking and reporting to higher levels, that monitor the implementation and handling of each area by these units. Thus, for example, the Process Engineering Department is responsible for controlling paper reduction by streamlining diverse processes at the Bank and giving thought to reduced printing of reports and forms.

Concurrently with the regular process at these units, data about social responsibility is summarized and monitored by all Bank units. These data are presented to Bank management and to the Board of Directors. As part of the corporate social responsibility policy deployment, a work plan is created every year and presented to Bank management and to the Board of Directors. Plan components are included in work plans of the different divisions.

The Bank invests significant resources in deployment of the corporate social responsibility concept among employees. In 2018, several activities took place:

- ▶ Those involved with corporate social responsibility receive training focused on this area.
- ▶ The topic of corporate social responsibility is included in courses delivered by the Training Center.
- ▶ Communications and information items ("Did you know?") are disseminated on corporate social responsibility.
- ▶ As part of the corporate social responsibility week, we held different events designed to increase employee awareness of this topic.

## Corporate social responsibility week

In awareness of the growing importance of corporate social responsibility and based on the wish to increase the understanding of this topic and commitment among employees, the Bank launched the Corporate Social Responsibility Week, which offered diverse activities:

Awareness of social ventures: NGO fairs held at three different locations. At these fairs, various NGOs sold their goods, produced and packaged by persons with disabilities. Another NGO took part in this fair, selling vintage clothing and contributing all its revenues to the community. In total, goods valued at NIS 12,000 were sold at these fairs.

Volunteer work and contribution to the community: A video was played to employees, showing examples of Bank activity in the community and employees volunteering for diverse activities.

Environmental awareness and smart consumer behavior: All Bank employees received an individual gift, cups made of recycled bamboo for hot and cold beverages, in order to raise awareness and to reduce the use of disposable cups at Bank units.

Quiz with prizes: Employees were invited to play a social puzzle game, with a quiz on social responsibility at the Bank, based on information presented in the 2017 Corporate Social Responsibility Report. Prizes bought from different NGOs were awarded to participants.

In 2019, we plan activity designed to expand the knowledge in this field and to enhance Bank influence on corporate social responsibility issues.

## Commitment To Annual Reporting

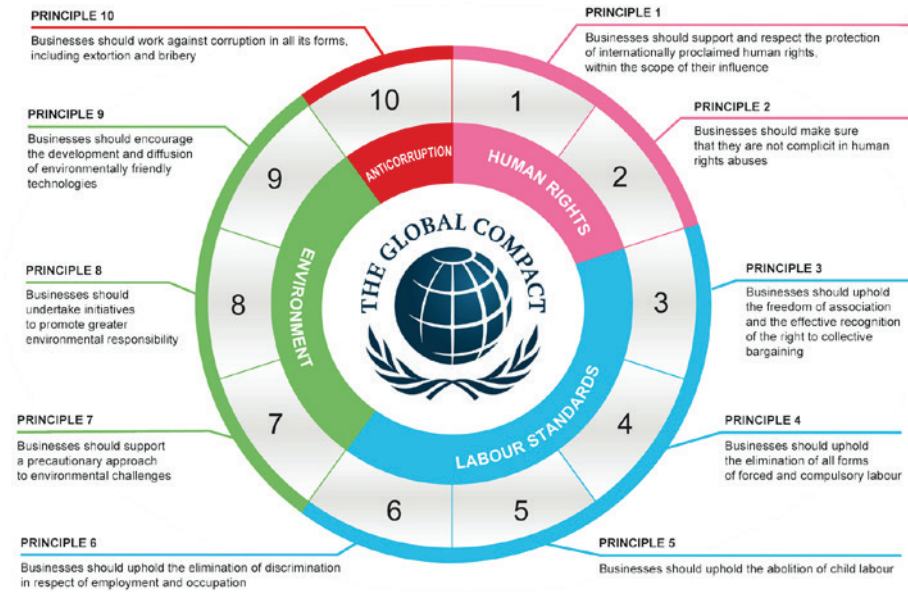
Publication of the annual corporate social responsibility report reflects Group commitment to act in areas of corporate social responsibility and to report its performance to stakeholders. As it did in previous years, the Group is committed to continue reporting in future, in conformity with directives of the Supervisor of Banks. Reporting is in conformity with accepted international standards in this field.

For more about the commitment to annual reporting and about this report, please read below.

## Committed To International Principles Global Compact

Mizrahi-Tefahot Group joined the United Nations Global Compact Initiative in 2015, based on its commitment to further promote corporate social responsibility in the Group and in the financial sector. The Group supports and promotes the Ten Principles of the Initiative. Accordingly, we also report on our progress in implementing these principles.

Our membership of the Global Compact reflects **our commitment to adopting international standards for social-environmental responsibility** in all our endeavors, based on 10 principles which reflect corporate commitment to leading the social-environmental agenda in the country in which it operates and around the world. These principles include: responsible employment, preventing corruption, human rights and environmental protection. As part of Group commitment to the Global Compact principles, this report constitutes periodic Communication On Progress (COP) to the organization.



## UN Sustainable Development Goals (SDGs)

In September 2015, the State of Israel, along with 192 UN member states, adopted a resolution to participate in the effort to achieve the 17 Sustainable Development Goals (or SDGs) and the realization of 169 global secondary goals by 2030. The goals address global challenges in three dimensions – society, environment and economics. The UN goals encompass many areas, including eradicating poverty, access to education, gender equality, nutritional security, industry, peace and preservation of life at sea, on land and so forth.








Sustainable development goals, based on principles of corporate social responsibility, create a multi-sector, multi-nation framework with a common language that increases the likelihood of their effective, measurable implementation.

Mizrahi-Tefahot Group promotes these SDGs through its business and social activity. This is the third year that the Group has reported in its corporate social responsibility Report on the commitment to advancing the UN Development Goals. Moreover, the combination of goals and the link to reporting on the Bank's social and environmental activities reinforce our commitment to sustainable develop as part of our business activities. Moreover, as part of the preparations for reporting on Group activities to achieve these targets, social and environmental targets were set to promote the objectives of the SDGs; these targets, on which the Bank is focused, are highlighted in the table to the left.



## Key Targets For 2019 Promoting Achievement Of Sdgs

The table below lists the Bank's goals for its various operating segments, linked to the relevant SDGs<sup>1</sup> (these goals are part of the Bank's goals for 2019, listed at the end of each chapter in this report).

	<ul style="list-style-type: none"> <li>• Co-operation with NGO Pa'amonim to enhance financial education.</li> </ul>
	<ul style="list-style-type: none"> <li>• Expand the "Leading Neighborhood" project in Jerusalem.</li> <li>• Continue offering conferences and meetings with business customers on various topics, including foreign trade.</li> </ul>
	<ul style="list-style-type: none"> <li>• Continue activity to recruit and hire employees with disabilities</li> <li>• Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches.</li> <li>• Deployment and training for managers on appropriate work environment, preventing sexual harassment, preventing abuse and gender equality.</li> </ul>
	<ul style="list-style-type: none"> <li>• Promote improved energy efficiency, through the Improved Energy Efficiency Fund for businesses.</li> <li>• Further review of efficient utilization of space designed, inter alia, to save energy.</li> <li>• investment in social-oriented debentures.</li> <li>• Continued expansion of the service: Open 3 new branches</li> </ul>
	<ul style="list-style-type: none"> <li>• Continued expansion of activity in the Arab and Jewish Orthodox sectors, by opening new, designated branches and expanding existing services.</li> <li>• Continued "Let us meet at Mizrahi-Tefahot" activity" in the financial domain, focused on the Arab sector, the Jewish Orthodox sector and retirees ("Let us meet – Sixties").</li> </ul>
	<ul style="list-style-type: none"> <li>• Training on environmental risk delivered to relevant employees at the Business Division..</li> <li>• Replacement of old chillers, with low energy efficiency, at 3 more branches.</li> <li>• Further review of construction of a power station at HQ building in Lod, operated by natural gas.</li> <li>• Installation of Optinergy system for monitoring and control of power used at the HQ building in Lod, received preliminary result and conclusions on this matter.</li> </ul>
	<ul style="list-style-type: none"> <li>• Further improvement in the compliance culture across the organization.</li> <li>• Continued deployment of the values in the Bank's Code of Ethics, in conformity with the annual work plan, using diverse tools, such as: Conducted ethics meetings for executives and managers across the organization, attended by Ethics Committee representatives; activity to formulate an internal ethics program for various Bank units; analysis of insights gained from the Ethics Week with regard to social media and formulation of recommended rules on proper conduct on social media; formulated proposal for revision of the Code of Ethics, validation of recommendations made for revision of the Code of Ethics would be the basis for "2019 Ethics Day" activity.</li> </ul>

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.

## About The Sixth Corporate Social Responsibility Report<sup>1</sup>

This is the sixth Corporate Social Responsibility Report published by Mizrahi-Tefahot Group. The report reviews Group activities in Israel and overseas in areas of corporate social responsibility in 2018. The report was approved by Group management and by the Board of Directors plenum.

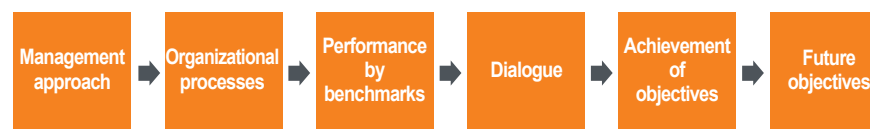
This review relates to performance of Bank Mizrahi-Tefahot, Bank Yahav and the Group's overseas affiliates in Switzerland, London and Los Angeles (hereinafter: "the Group"), unless otherwise noted. However, since the activities of Group companies or of its overseas affiliates may differ slightly from those of the Bank, we decided in some places to only refer to Bank Mizrahi-Tefahot. In these places, the term "the Bank" is used. In any event, all Group operations overseas are carried out in accordance with principles of Bank policy, and insofar as there are material differences, specific disclosure is provided of the activity and this was specifically stated, particularly with regard to Bank Yahav.

Mizrahi-Tefahot Group has been producing a corporate social responsibility report since 2012. Each report covers a year's worth of activities, as part of a comprehensive program in this area. Similar to previous reports issued by the Group, this report was also compiled in conformity with reporting guidelines of the Global Reporting Initiative (GRI) and it is compliant with the most advanced transparency standard – GRI: SRS In accordance Comprehensive. Accordingly, the report includes all matters identified as material for Group operations: details of the management approach, work

processes, performance against required benchmarks, a description of the dialogue with stakeholders on the topic, as well as future performance goals. In some places, a change has been made to how data are measured and presented. Therefore, some data there is no comparison provided to previous years. This was stated explicitly in a comment.

Most of the information presented in the report is collected regularly and routinely during the reported year, through the Group's information systems, from various organizational sources and with assistance from external advisors. To this end, the Bank has put in place tools and means for measurement, monitoring and control based on the different activities. Moreover, some data are collected at the end of the reported period (such as financial performance). Information is presented in this report by comparative analysis for the reported period and presents multi-year trends.

### Structure of report chapters for reporting on material issues:



The management approach at the beginning of each topic also includes the relevant reference from the policy document for implementation of corporate social responsibility at Mizrahi-Tefahot Group, which was revised and approved in April 2017.

The process of compiling this report was assisted by advisors from the Corporate Social Responsibility and Sustainability Group of BDO Consulting.

1.GRI index response 102-40,102-42,102-43,102-44

The report was externally audited for due diligence by an independent third party by the Corporate Social Responsibility Institute. This combination of professional assistance and independent external audit allows the Group to ensure that information presented in this report properly reflects Group operations. We are committed to make judicious use of response and feedback received from our stakeholders, to learn from this feedback and to continue to review our performance in these areas.

## Identifying Material Issues Related To Corporate Social Responsibility<sup>1</sup>

In preparing for compiling the 2018 Corporate Social Responsibility Report, the Group validated and revised the material issues, in order to better understand the issues that matter for stakeholders and the issues most affecting them.

This process included a review of the existing list of issues, focusing the list of issues based on surveys and questionnaires from various stakeholders and creating a current matrix of issues relevant for Group operations in areas of corporate social responsibility.

This process resulted in a current materiality matrix, focused on 18 material issues.



1. GRI index response 102-40,102-44,102-46

## The Process Of Identifying Material Issues For The Group<sup>2</sup>

In the process of identifying material issues for Mizrahi-Tefahot Group, we conducted a survey among major stakeholder groups – customers, employees, suppliers and members of the professional community, about corporate social responsibility. We also surveyed topics of sustainability at 5 banks in Israel and overseas, as made public in their 2017 sustainability reports and in reviews by analysts covering those banks.

The survey included various statements taken from the corporate social responsibility domain, on matters identified as important for Bank activities, based on the materiality matrix for the 2017 report, such as: fair dealing with customers, employee development, safeguarding customer privacy, diversity of customers and sectors and so forth. Survey respondents were asked to rate each topic based on its importance for inclusion in the Corporate Social Responsibility Report. Survey questions were rated on a scale from 1 to 5 (where 1 is the lowest and 5 is the highest).

In calculating the rating across all stakeholders, we assigned different weights to each of the stakeholder groups. The weight assigned to the ratings by each of the stakeholder groups was based on assessment of the strength of mutual influence between the stakeholders and the Bank. These are the weights assigned: Bank customers – 30%. Employees – 30%, suppliers – 13%, other banks – 11%, analysts – 11%, professional community – 5%.

2. GRI index response 102-40,102-47

**Below are highlights of the findings among the stakeholder groups:**

1. **Opinion survey among the public using services from all banks, with regard to their conduct** – The survey was conducted among 499 men and women, customers of all banks, asking about their opinions with regard to bank activities in the corporate social responsibility domain. The survey showed that the public saw most of the areas of corporate social responsibility as highly important for reporting, with the highest importance attached to these topics:
  - ▶ Contact and conduct with customer (including customer privacy and information security, customer service and fair dealing with customers) – rated 4.4.
  - ▶ Commitment to accountable conduct – rated 4.3.
  - ▶ Publication of financial performance of all banks – rated 4.1.
2. **Survey of employee opinion about Bank conduct** – A survey similar to the customer survey was administered to 63 Bank employees in various roles and at various levels. The highest importance was attached to these topics:
  - ▶ Contact and conduct with customer (including customer privacy and information security, customer service and fair dealing with customers) – rated 4.8.
  - ▶ Prevention of corruption – rated 4.8.
  - ▶ Commitment to accountable conduct – rated 4.8.

3. **Survey of supplier opinions with regard to Bank conduct** – The Bank is in constant work relationships with suppliers, hence the importance of understanding their perception and expectations on matters which, in their opinion, the Bank should report from corporate social responsibility aspects. This survey was similar to the customer and employee surveys, and was conducted among 21 different suppliers of the Bank. The highest importance was attached to these topics:
  - ▶ Contact and conduct with customer (including customer privacy and information security, customer service and fair dealing with customers) – rated 4.7.
  - ▶ Customer service and prevention of corruption – rated 4.5.
  - ▶ Bank conduct with suppliers – rated 4.4.
4. **Survey of professional community opinions** – The Bank surveyed 6 respondents holding key positions in the world of corporate social responsibility. The highest importance was attached to these topics:
  - ▶ Contact and conduct with customer (including customer privacy and information security, customer service and fair dealing with customers) – rated 5.
  - ▶ Prevention of corruption and publication of financial performance of the Bank – rated 4.7.
  - ▶ Activity to promote disadvantaged populations and persons with disabilities – rated 4.5.



The next stage consisted of meetings with Bank management and with the Board of Directors, where surveys were administered and stakeholder opinions were presented.

At the end of this process, the Bank's opinion was formed as to the importance of each material topic, to create the current materiality matrix. The outcome of this stage was a list of material issues for Group operations.

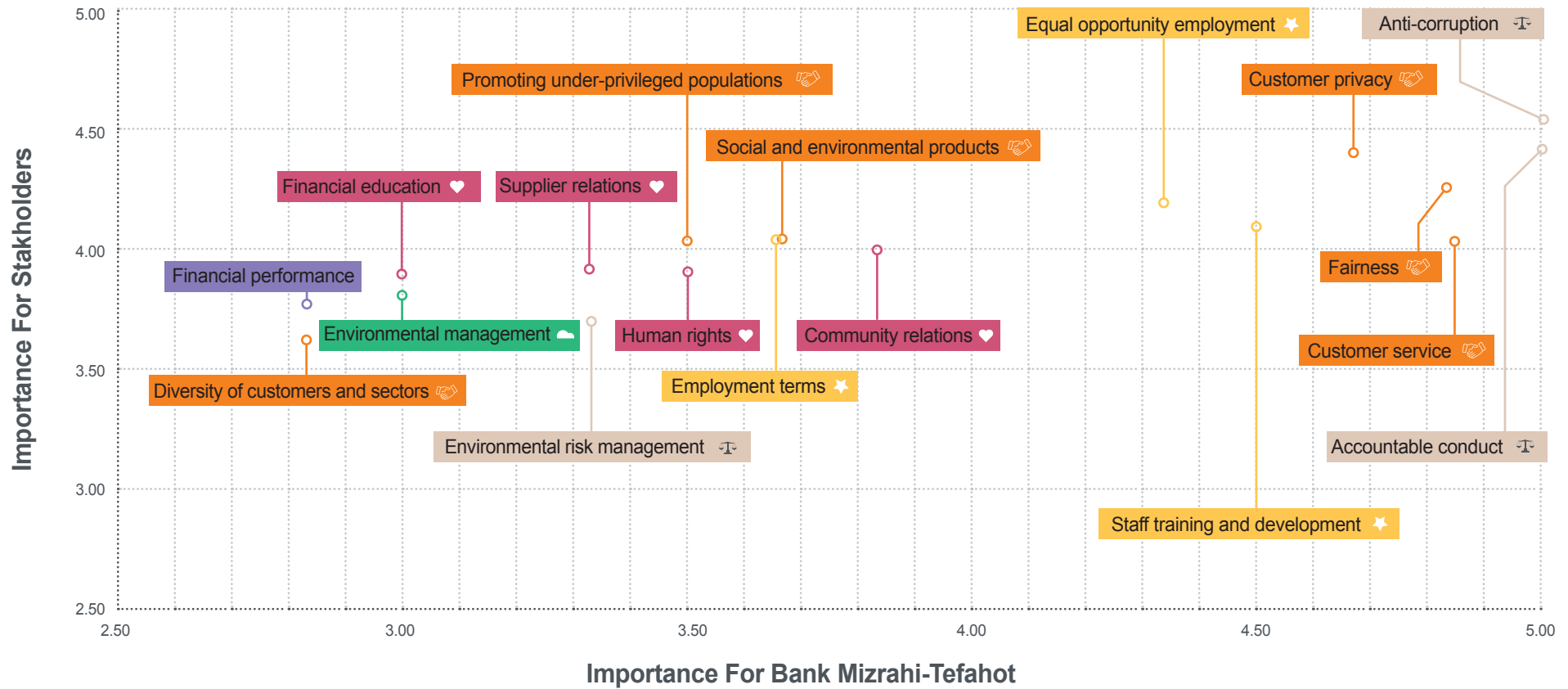


## Material Issues Selected For Reporting<sup>1</sup>

Weighting and cross-referencing the issues has resulted in 18 material issues selected for reporting. These are issues rated highly by Bank management and by the Board of Directors, and also rated as important by external stakeholders, listed in the top right quarter of the matrix. The matrix shows that the topic of "Contact and conduct with customers" was rated high by all stakeholders; the high importance of the topic "Prevention of corruption" was a recurring theme across all groups. There are also differences in the materiality rating from year to year – some of the material topics rated high in 2018 received a different rating in 2017. For example – the topic of Bank conduct with suppliers (responsible procurement), which was rated last in 2017, was ranked 13th in 2018. Another example is the topic "Diversity, equal opportunity and avoiding hiring discrimination", which in 2017 consisted of 3 separate topics, ranked 14th-17th, was consolidated and ranked 7th in 2018. On the other hand, topics such as "Publication of financial performance", which ranked 8th in 2017, dropped to 17th in 2018, as did the topic "Diversity of customers and sectors", which ranked 5th in 2017 and dropped to 18th in 2018. It is evident that different topics are rated differently by different stakeholder groups based on what matters most to each group, and over time, the areas of corporate social responsibility evolve and are rated differently by the public.

1. GRI index response 102-47

## מטריצת מהותיות בנק מזרחי טפחות 2018



## Material issues related to corporate social responsibility 2018

Place in table	Material aspects identified	Material aspects identified	General explanation	Report chapter	GRI indices	SDG goals	Reporting limits	GRI Report topic
1	5	Commitment to preventing corruption	Anti-corruption	Commitment to accountable conduct	205	16	Within the organization	Anti-Corruption
2	5	Accountable conduct	Commitment to accountable conduct (including compliance issues)	Commitment to accountable conduct	419	16	Within the organization	Socio-Economic Compliance
3	4.83	Customer service	Customer service (compliance issues)	Investing in customers	-	-	Inside and outside the organization	-
4	4.83	Fairness	Fair dealing with customers	Investing in customers	417	-	Inside and outside the organization	Marketing and Labeling
5	4.67	Customer privacy	Safeguarding customer privacy and information security	Investing in customers	418	-	Within the organization	Customer Privacy
6	4.50	Staff training and development	Staff training and development	Investing in employees	404	-	Within the organization	Training and Education
7	4.33	Equal opportunity employment	Diversity, equal opportunity and avoiding hiring discrimination	Investing in employees	405,406	8,10	Within the organization	Diversity and Equal Opportunity Non-Discrimination
8	3.83	Community relations	Bank activity in the community (security)	Investing in the community	413	1,4,10	Inside and outside the organization	Local Communities
9	3.67	Social and environmental products	Development of products and services to support social or environmental causes	Investing in customers	G4-FS6-8	1,10	Within the organization	Sector Specific Aspect
10	3.67	Employment terms	Employment terms at the Bank (including management-employee relations)	Investing in employees	401,402,403	8	Within the organization	Employment Labor – Management Relations Bank activity in the community
11	3.56	Promoting under-privileged populations	Activity to promote disadvantaged populations and persons with disabilities (social or environmental causes)	Investing in customers	G4-FS13-14	10	Within the organization	Sector Specific Aspect
12	3.5	Human rights	Safeguarding human rights in Bank operations	Investing in the community	412	8	Inside and outside the organization	Human Rights Assessment

## Material issues related to corporate social responsibility 2018

Place in table	Material aspects identified	Material aspects identified	General explanation	Report chapter	GRI indices	SDG goals	Reporting limits	GRI Report topic
13	3.33	Supplier relations	Bank conduct with suppliers	Investing in the community	204,412	8	Inside and outside the organization	Procurement Practices
								Labor – Management Relations
								Activity to promote disadvantaged populations and persons with disabilities
14	3.33	Environmental risk management	Incorporating environmental and social considerations in lending and investment considerations	Commitment to accountable conduct	G4-FS9	9,13	Inside and outside the organization	Sector Specific Aspect
15	3.00	Promoting financial literacy	Promoting proper financial conduct	Investing in the community	G4-FS16	1,10	Inside and outside the organization	Marketing and Labeling
16	3.00	Environmental management	Reduce consumption of materials at the Bank	Investing in the environment	301,302,305	13	Within the organization	Materials
								Energy
								Emissions
17	2.83	Financial performance	Publication of the Bank's financial performance (including indirect economic impact)	Introduction	201,203	8,9,13	Inside and outside the organization	Economic Performance
								Indirect Economic Impacts
18	2.83	Diversity of customers and sectors	Diversity of customers and sectors	Investing in customers	-	-	Within the organization	Sector Specific Aspect

# Investing In Customers



## Investing in Customers Overview

### Promoting start-ups in Israel

10 branches specialized in service for high-tech companies and the development thereof

**29,000**  
customers and  
potential customers

took part in customer surveys during 2018

over **NIS 1.7**  
billion in total  
lending

for social and  
environmental causes

Ranked **1<sup>st</sup>**  
**mortgages**  
according to Bank of Israel data

Opened  
**6** new points  
of sale  
of which 3 in Arab towns

**8.8** out of **10**

The level of customer satisfaction with the bankers is the highest among the top 5 banks. (According to survey conducted by Brandman Institution)

**NIS 194**  
billion

Total loans to the public  
**7%** year-over-year  
**growth** compared  
to 2017

# Our Customers



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 conduct and by creating a range of channels for providing service and products customized to the needs of every customer. It also requires listening to customer needs, preserving their privacy and a commitment to providing professional tools for customer success. This topic is handled by different divisions at the Bank, each in its own aspects, primarily by the Retail, Business and Marketing Divisions.

## Customers From 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 than 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

## Key Products Offered By The Bank's Different Operating Segments

- ▶ **Banking and finance** – An array of banking services offered to private and corporate customers, including management of checking accounts, provision of a current loan account, different kinds of credit and guarantees, receiving deposits, foreign trade activities (imports, exports, documentary credit, etc.), trading in derivative instruments, including trading in currencies and interest rates, etc.
- ▶ **Capital market** – security transactions for customers on stock exchanges in Israel and overseas, provident fund and mutual fund operating services and mutual fund operation and distribution, which are among investment tracks available to Bank customers.
- ▶ **Credit cards** – All financial products and banking services provided in conjunction with credit cards issued to Bank customers by credit card companies in Israel.
- ▶ **Mortgages** – Housing loans secured by charges on a residence, out of the Bank's funds and within the framework of government aid programs.
- ▶ **Construction and real estate** – banking operations vis-à-vis companies in the real estate sector, as well as unique banking services for the real estate sector, including the financing of real estate products by the closed financing method.

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

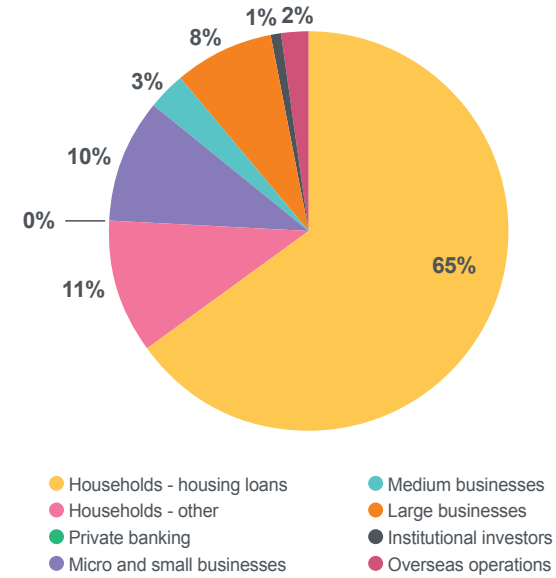




### Loans To The Public By Supervisory Operating Segment (Net, NIS In Millions)

Operating segment	2017	2018	Change in %
Households – housing loans	119,559	126,105	5.5%
Households – other	19,824	20,932	5.6%
Private banking	117	98	-16.2%
<b>Total – individuals</b>	<b>139,500</b>	<b>147,135</b>	<b>5.5%</b>
Small and micro businesses	16,717	18,977	13.5%
Medium businesses	5,779	6,585	13.9%
Large businesses	14,833	16,236	9.5%
Institutional investors	1,166	1,331	14.2%
<b>Total – business operations</b>	<b>38,495</b>	<b>43,129</b>	<b>12.0%</b>
Overseas operations	3,123	4,117	31.8%
<b>Total</b>	<b>181,118</b>	<b>194,381</b>	<b>7.3%</b>

### Loans to the public by supervisory operating segment (NET in %)





## Wide Banking Distribution



The basis for making services accessible to the general public is through Group branches deployed nationwide. 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 merger of United Mizrahi Bank and Bank Tefahot in early 2005, the merger with Bank Adanim in 2009 and the acquisition of Bank Yahav completed in 2008 – all created an extensive nationwide branch network. Moreover, the Bank's unique growth strategy is reflected in consistent growth in the number of branches providing solutions for diverse segments. Along with this extensive presence, the Bank provides services through other channels, in the form of Hybrid Banking services.

The Bank continues to expand its branch network in accordance with its strategic plan, with location selection based on considerations such as providing optimal service to customers, economic viability considerations etc. Along with this extensive presence, the Bank provides services through other channels, in the form of Hybrid Banking services. As of the end of 2018, **the Group has 193 service locations** nationwide, including business centers, branches and affiliates

High-quality professional service provided across all banking areas, close to where customers are located (place of residence or business) – this is a key component of nationwide branch operations. In order to expand services and availability to customers, the Group opens new

service locations every year. **In 2018, the Bank Group opened 6 new points of sale**, of which 3 are Bank Yahav branches offering partial service, and relocated several others to better geographic locations, following the mapping of bank customer needs and in order to improve service to customers and expand future recruitment activity. In 2019, the Bank is expected to open 3 more points of service and sale. Some of the places where new branches were opened in 2015-2018: Sderot, Migdal HaEmek, Kfar Kassem, Baqa Al Gharbiya, Agripas Street in Jerusalem, Harish, Ramot, Netanya Soho, Um El Fahem, Kfar Yassif, Shefaram and Sachnin.

All Bank branches offer full cashier service; most Bank branches also

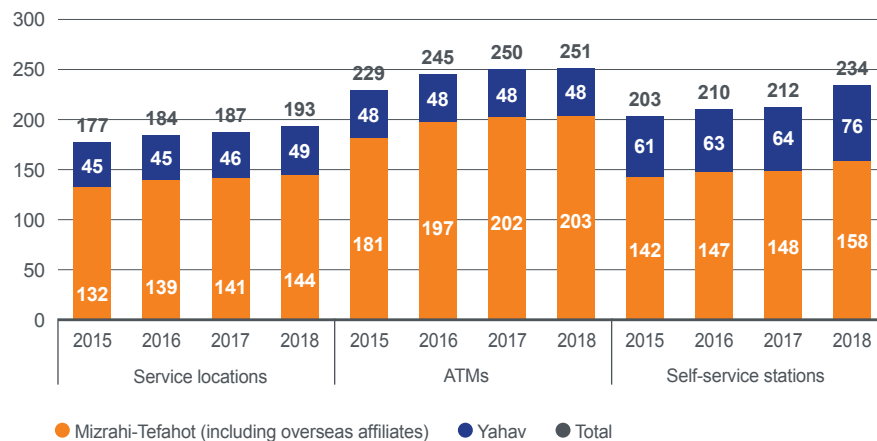
offer financial and retirement savings advice customized for customer needs, provided by a qualified advisor. All Yahav branches offer queue-replacement services and some offer full cash services.

**234 Self-service stations** – As at the end of 2018, customers may use 234 self-service stations, of which 76 at Bank Yahav. These stations allow for a range of transactions to be conducted and information to be obtained by self-service. Most of these stations are available 24 hours a day, even when the branch is closed.

At all Bank branches, checks may be deposited at service stations and at 47 branches, check books may be immediately printed.

**203 ATMs** – At the end of 2018, the Group had 203 ATMs, including 51 at Bank Yahav.

### Channels for provision of banking services



### LIVE Branches

In addition to the regional branch network, the Bank operates 6 “Live” branches, offering banking services to customers by using advanced technology, rather than in person, during extended business hours: 7am to 8pm.

Each customer is assigned their own personal banker, who is constantly available through various channels: Direct phone line to the banker and secure correspondence by SMS, email and fax. In cases where the customer is required to attend the branch in person, service can be provided at any physical branch of the customer’s choice. Furthermore, customers may use a courier service (at no charge, up to three times per year) – saving them the need to get to the branch to collect credit cards, checkbooks etc.

Potential customers who open an account with the Bank online are referred directly to the LIVE branches.





# Customer Experience And Service Quality



The Bank is working to provide high-quality personal service to all customers. To this end, the Bank is committed to conduct itself fairly vis-à-vis customers, to create a variety of channels for them for obtaining service, and to develop banking products suited to customer needs, while ensuring customer privacy and attentiveness to customer needs.

Bank customers are a key pillar of Bank success; hence the Bank attach great importance to ensuring customer satisfaction, with a professional response to their needs. The Bank also strives to create an optimal customer experience, providing knowledge for informed use of banking and financial tools.

The Bank's strategic plan is based on personal, human, professional service integrated with advanced technology. These guidelines are a vital key component of customer operations at the Bank.

Optimal customer experience and service quality are achieved in various ways:

- ▶ **Adapting products and services to the customer** – adapting products and services to the business environment and to customer needs and making them more accessible to customers and to the general public, with understanding of the unique attributes of customers in different segments of Israeli society.
- ▶ **Dialogue and listening** – conducting a constant, on-going dialogue with customers is a key tool, at the heart of the concept, allowing for a successful implementation of the concept. The Bank conducts public opinion surveys, monitors the online discourse and operates a website and a Facebook page for gathering customer feedback.
- ▶ **Customer satisfaction** – The Bank monitors and controls customer satisfaction and response to inquiries and complaints.
- ▶ **Avoiding discrimination** – The Bank acts to avoid discrimination, which effort is reflected in equality in customer recruitment, allowing any person to become a Bank customer, and in providing equal service absent of any discrimination to all employees.
- ▶ **Handling customer inquiries** – The Bank regularly measures customer complaints and contacts, reviews the cases, learns lessons and acts as needed. The Bank has an improved system designed to improve analysis and composition by topic, classification and customer contacts with the department.

## Products And Services To Promote The Customer Experience

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.

The process of adapting the product to needs of a specific customer segment is based on information received from bankers in the field, who reflect customer needs and from surveys, research and analysis conducted by professionals in the Group and in the Israeli finance sector. In accordance with the Group's master policy, any new product development is also reviewed in light of the Code of Ethics. After studying the needs, the Group forms a product in response to the relevant segment's need.

### Aligning Products With Economic Reality

In 2018, the Bank continued development of deposit products adapted to customer needs, in the current economic reality where interest rates remain low and where the average individual customer wishes to invest their money so as to ensure their financial liquidity frequently. Here are some examples:

- ▶ **“Orange” deposit** – allows customers to invest for the medium term, while allowing early withdrawal when needed.
- ▶ **“Pineapple” deposit** – offering customers a high return. At the same time, this deposit keeps funds available daily, after three years have elapsed, if needed by the customer.



### Aligning Products With The Business Sector

In the business sector, where financial management is complex and has unique attributes – the presence of a human, personal banker, which is a highly important and valuable factor for business owners, results in an outstanding service experience.

Mizrahi-Tefahot's hybrid banking uses all of the 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. Business bankers are available to customers through all communication channels, managed under the unique Hybrid Banking umbrella.

In addition to the extensive professional infrastructure created by the Bank for the business sector and to professional business bankers determined to act in the customer's best interest, the Bank has developed direct banking tools and customized products, that provide added value for business customers:

- ▶ In November 2018, the Bank was awarded a tender to provide loans guaranteed by the State to businesses engaging in improvement of energy efficiency. This is an attractive credit offer, which allows businesses to evolve and progress. At the Bank, the business is also assisted by professional bankers all the way to the actual loan origination. This activity would materialize in 2019, when businesses may actually send applications to the fund.
- ▶ “Mortgage for businesses” – An innovative product offered by the Bank, which helps the business owner in acquiring a property for their current operations, in lieu of leasing. The loan is repaid over many years.
- ▶ The Bank offers advanced solutions for business customers for foreign trade.
- ▶ The Bank offers its business customers to study at the Business College, in co-operation with the Israeli Management Center (“MIL”).

### Real Estate Retail Credit Department

Wishing to provide a fast, professional response and handling of credit applications from small businesses, small purchase groups and small development projects, including urban renewal projects (under TAMA 38), the Bank has created a new department of its mortgages arm, designated to serve these customers. The department is also responsible for lending in Kibbutzim and for establishing and expanding these operations. This includes use of the Association alternative, Kedem agreement (religious Kibbutz movement) and more.



### Aligning Products With High-Tech Industries

Israel's high-tech industry is growing at a rapid pace. This sector has significant potential for banking activity in diverse areas, both for business customers and for individual customers employed in this sector. As part of its core strategic plan, the Bank expands its activity among business customers in the high-tech sector (including start-up companies), through the High-tech Department in the Corporate Sector of the Business Division, as well as through ten branches nationwide specialized in serving high-tech customers. Each year, hundreds of start-ups are created, and the Bank offers diverse financing options appropriate for such companies throughout their life cycle. The Bank also provides financing to start-ups in the growth stage, through a unique model in the banking system, designed to promote entrepreneurship and innovation in the Israeli economy and to assist in the success of these companies.

### The Bank's High-tech department,

established as early as 2000, has specialized over the years in financing for start-ups using the Venture Lending model, whereby the Bank extends credit for a term of several years and also receives stock options in these companies. The Bank is active and provides financing to start-ups in various segments, including: communications, software, medical equipment, AdTech, automotive, cyber, SportTech, FinTech and others.

## Get Your Mortgage From The Experts At Tefahot

Being the largest and leading mortgage bank in Israel, with more than a million mortgages extended over decades, Mizrahi-Tefahot is acting to retain its leadership position in this market. The Bank strives to align its financial solutions for its customers and for the Israeli public, so as to allow them to balance their needs and financial abilities over the short and long term.

As opposed to the trend in Israeli banking, the Bank's service concept calls for opening new branches and expanding mortgage points of sale. At the end of 2018, the Bank had 137 mortgage points of sale, including representatives at the Bank Group. This is the widest network in Israel, in outlying areas as well. The mortgage points of sale network allows anyone in Israel convenient access to meet and consult with an expert banker at their branch.

Based on the understanding that buying a home is a significant, exciting step for customers – and in particular for young couples, who mostly lack financial knowledge – and given that taking this step involves feelings of uncertainty, the Bank strives to provide its customers with the knowledge required to select the ideal track for them. The Bank assists customers from the stage of initial interest in purchasing a property, through completion of the process and taking delivery of the property (this duration may vary by customer circumstances, from several weeks to several months). Furthermore, Mizrahi-Tefahot mortgage bankers are professional, with extensive experience and often resident in the location where the branch operates. These facts allow the Bank to

provide customers with optimal service and to assist them in obtaining a mortgage. Even after the loan is extended to customers, the Bank continues to assist them throughout the term of the mortgage by offering other products and services that may provide a solution for other needs they may have.



To maintain the Bank's branding as a leader in this field, surveys are regularly conducted among current and potential customers, in order to better understand the customer needs and to improve work procedures and the service provided. The high satisfaction level of mortgage customers is reflected in the fact that often, the children of our mortgage customers also take out a mortgage at the Bank. A 2018 survey conducted by the Supervisor of Banks in Israel showed that the percentage of mortgage customers of Mizrahi-Tefahot who recommend it is the highest compared to other banks over the years.

The Bank's Mortgage Center (call center specialized in mortgages) is the largest of its kind in Israel, staffed by professional bankers available to provide approval in principle for mortgage applications within a few hours. Even after the mortgage has been extended, the Bank continues to be available and attentive: 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 a diverse range of complementary products and services for mortgages, to offer to each customer the optimal product for them, wishing to enable more customers to obtain a mortgage, while enhancing and promoting the use of direct channels.

The Bank offers the following services, inter alia:

- ▶ **Tefahot Credit Card** – In 2006, the Bank launched a special credit card for mortgage holders. Holders of this credit card benefit from a large credit limit (NIS 150,000), at interest rates more attractive than market interest rates. This product has a significant advantage, in that the customer only pays interest for their actual utilization and not

for the credit facility itself. Moreover, credit repayment is made over many years, together with the monthly mortgage payment.

- ▶ **“Grapes mortgage”** – A special savings plan for Bank customers with a mortgage. This is a savings plan by monthly deposits for a 13-year term. Those saving in this plan would be entitled to future benefits when taking out a mortgage. Furthermore, customers who take out a new mortgage may receive a bonus from the Bank upon making their first deposit.
- ▶ **Paying the mortgage file opening fee by installments** – In order to make it easier for customers to handle their expenses when taking out a mortgage, the Bank offers optional payment of the loan origination fee in installments payable together with the mortgage payments with no interest or linkage, rather than by a single payment. This option provides relief to customers who take out a mortgage.
- ▶ **“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.
- ▶ **Services for those eligible for Ministry of Construction and Housing Assistance Program** – Beyond the banking activity of granting credit, 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 of Construction and Housing's assistance programs, including location-based loans and contingent grants and loans for specific populations (such as: new immigrants, persons with limited mobility etc.) In the loans area, the Bank is involved, in addition to



the ordinary banking services, in the array of administrative aspects required for services to Ministry of Housing and Construction eligible participants, such as issuance of eligibility certificates. Note that Bank Mizrahi-Tefahot is a key player in eligibility loan origination, and thanks to the Bank's extensive branch network, it is accessible to those eligible for Ministry of Housing programs.

▶ **Promoting financial education with regard to mortgages** – Mizrahi-Tefahot, being the leading mortgage bank, believes it is the Bank's responsibility to promote knowledge in this area and to help various demographics to buy properties. To this end, the Bank offers a range of activities for customers of all banks. In 2018, the Bank offered the following activities:

- **“Let us meet for mortgages”** – These activities are open to the public and are aligned with specific audiences (such as for the Jewish Orthodox sector, with a large percentage of young customers who buy a home). In order to deliver this content, a dedicated team of bankers received training and branches were opened in order to provide a more accurate response to the population of mortgage seekers. In addition, working with a personal banker provides an address for customer inquiries at the Bank, on any matter.
- **Dedicated conferences** – The Bank holds conferences and promotes activities on social media for a range of investors, including for purchase groups, “Resident Pricing” buyers, real estate players and foreign residents, providing to each of these audiences the information relevant for how they invest.

▶ **Mortgage advisors** – In recent years, mortgage advice has grown significantly, as did the number of advisors. Any customer who so wishes may ask to be represented by a mortgage advisor. The Bank has working relations with mortgage advisors, maintaining constant contact with them, including round table meetings with advisors, conferences and individual meetings, as part of the Bank's open door policy.



## Diverse Service Channels

Although the bankers in the branches are the main communication channel with customers, the Group also maintains other channels, including: Call centers, email for inquiries, dedicated websites, apps, social media, conferences and workshops.

At the end of 2018, Bank customers receive banking services through diverse key channels, under the unique Hybrid Banking method – whereby each customer has a banker at the branch, but may also elect to receive service through various online channels. Hybrid Banking is an optimal combination of personal and digital banking, allowing all customers direct access to their personal banker at the branch by using a range of communication channels. This unique, innovative service concept puts to use technological advances in the banking world, to create an immediate, direct link between the customer and their personal banker at the branch. This concept is also applied to the mortgage segment.

## Use Of Advanced Systems

In order to provide customers with the best possible service experience, customized for their needs, Bank employees use advanced technological systems and tools, such as the CRM system and the “Banker’s personal task list”. In these systems, all information about the customer and communication with them is centrally documented, so as to ensure ongoing monitoring and maintenance of service continuity. Communication allows for face-to-face meetings, in telephone calls, in voice messages, in inquiries from branch staff, or from a customer investigation to the bank, by secure mail and by text messages.

## Online Communication Channels

▶ Bank website – a technologically advanced, functional and professional website that combines means to contact a personal, human and professional banker. This website is the Bank’s display window for both Bank customers and those wishing to join the Bank. The website offers do-it-yourself information about all Bank products and services, allows you to contact a banker, advisor or the Investment Center, as needed, by various means – leaving your information, chat or by getting a phone call. The Bank website provides an umbrella for secondary websites for specific areas or populations, such as – websites in other languages (English and Arabic), website for “Let us meet” activities and website for the “Card” club benefits.

- **Mortgages** – Offers extensive content and added value to visitors to this website. This part offers mortgage customers at the Bank extensive information about their mortgage, as well as diverse information about the property environs, based on

co-operation with the MADLAN content website. Customers with a checking account and a mortgage from Mizrahi-Tefahot can view their entire finances on a single website.

- **Capital market website** – The website provides extensive, current information about financial assets and has been upgraded so as to allow customers to efficiently conduct transactions on their own – along with an option to contact a banker or advisor. The website is a unique, innovative venue, customized for needs of retail customers as well as professional customers – who trade on the capital market. The website also offers a range of innovative tools which support customer activity in the capital market.
- **The “Card” club** – The website for Mizrahi-Tefahot credit club customer loyalty club, providing all information about club activities, with quick and convenient access to benefits and promotions selected by the visitor.
- **“Let us meet” at Mizrahi-Tefahot website** – Lists upcoming activities planned at branches and offers enrollment for the various activities.



► In 2018, the various tools were added to the transaction website, based on needs raised by customers, users and feedback gleaned there from, to improve the user experience:

- New website interface for making wire transfers, with simple and convenient management of beneficiaries and specification of a fixed beneficiary.
- Transfers in foreign currency with an option to authorize such transfers based on the signatory composition specified in the account.
- Information about guarantees in the account.
- Extended time frame for presenting account balances and transactions up to one year back, along with an option to retrieve checking account transactions older than one year.
- Upgrade of direct tools providing a custom solution for business customers on the Bank website.
- Expanded chat capabilities for account opening.
- Option to receive an immediate call back from a mortgage expert, by pressing the Call Me button.
- Option to submit a digital mortgage application, with approval in principle received within 3 hours.
- “Let us meet” website: Launch a survey for visitors, to select their preferred activities.
- The “Card” club website for businesses: New website launched for the loyalty club, targeting business customers and offering custom promotions.

► Apps – Mizrahi-Tefahot Group has developed a range of diverse apps designed to allow customers quick and convenient access to all financial products and services offered by the Group, at their convenience:

- **Mizrahi-Tefahot app** – The app allows customers to manage their account using their cell phone from anywhere, to obtain information and to conduct a range of transactions on their cell phone, with no need to visit the branch nor to use the PC. This app also has an option to correspond with a banker or investment advisor.
- **“Tefahot to Home” app** – The most advanced mortgage app in Israel allows you to design a plan to finance the purchase of a property, providing practical tools and extensive information about the surroundings, in cooperation with the MADLAN website. Users may use the app to correspond with a personal banker, a mortgage specialist available to answer any question and to resolve any doubt with regard to the mortgage process.



- **Capital market app** – This app rounds up the trading experience and provides maximum convenience to our customers who are active in the capital market. The app is dedicated to the capital market, which allows customers to benefit from the online usage experience and use of decision-support tools customized for a mobile device. This app provides extensive information about the market and about securities from Israel or from overseas, in addition to the customer's own information, listing instructions given and carried out for both buy and sell transactions, as well as correspondence with their personal banker and with their investment advisor.

▶ **Digital mortgage application form** – Innovative product – Mizrahi-Tefahot has developed an option allowing customers interested in a mortgage to quickly and easily submit an application for approval in principle on the Bank website, with approval in principle of their application provided within 24 hours.

▶ **Other channels for obtaining information from the Bank and for conducting transactions** – In addition to the channels described above, Bank customers also have the following options:

- Conduct transactions without a representative, using IVR by telephone, 24 hours a day.
  - Receiving real-time updates via cell phone.
  - Direct connection to the Bank's computer, not through the Internet, and consequently – faster execution of transactions on your home PC.
- Receiving current banking information by fax about the customer account on a range of subjects, at the frequency specified by the customer.
  - Receive updates on the progress of the mortgage application process at any time, by email and SMS, through the GPS Tefahot service.
  - Chat with mortgage banker and investment banker.
  - Correspond with a banker using the message box.



## Promoting Dialogue And Listening – Our Way Of Understanding The Needs Of Our Customers

According to the Bank, personal, human banking means, first of all, seeing the customer and understanding their needs well. The variety of platforms used by the Bank for regular communication with customers – including meetings, focus groups, conferences and surveys – allows the Bank to be successful, to be constantly kept current and to remain relevant to customers.

Bank Mizrahi-Tefahot is the only major bank that continues to open branches, expand its workforce, and provide personal, human service, so that dialogue and direct communication between bankers and customers are maintained and reinforced.

Bank initiatives to promote dialogue in 2018:

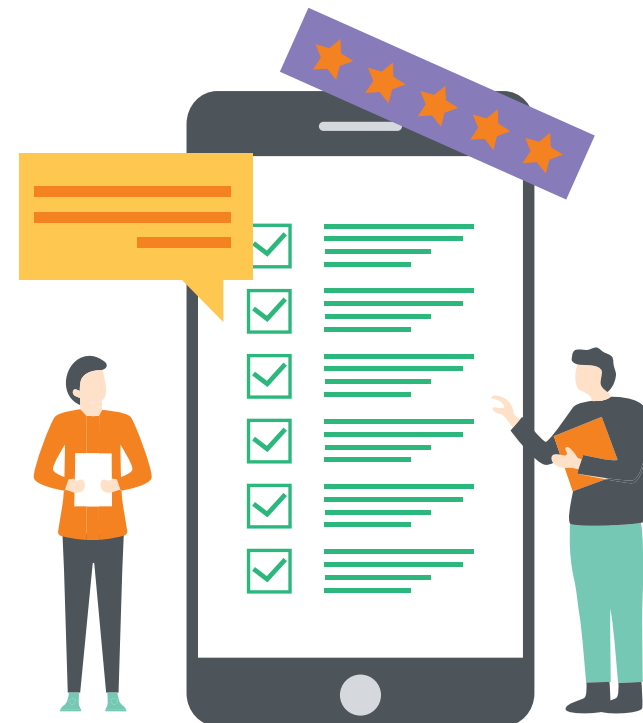
### Meeting In The Living Room

From time to time, the Bank conducts focus groups meetings with customers. Some of the focus groups apply NLP (or Neuro Linguistic Programming). In this methodology, the meeting with the audience simulates a casual living-room conversation, or a meeting without any barriers in a host home – which allows for an open, intimate conversation and an optimal connection with participants which removes any barriers. A Bank team is present at the meeting but does not take an active role – and only identifies as such and takes part in the conversation in the last part of the meeting. This methodology allows the creation of a direct link with consumers and customers, in order to better understand their needs.

**In 2018, 12 focus groups were held, of which 10 using NLP, attended by 100 customers.**

## Customer Opinion Surveys

The Group also contacts customers through surveys using text messages, product-related surveys and satisfaction surveys. Customers who are not satisfied are handled by the branch manager. **In 2018, 29,000 customers and potential customers took part in customer surveys.**



## Orienting Ourselves To The Online Customer

In recent years, use of the Internet, social networks and blogs as a means of communication between customers and service providers has increased. Consequently, Bank Mizrahi-Tefahot and Bank Yahav offer a website and a Facebook page where answers may be found on various topics. The Bank invests significant effort in monitoring and responding to the discourse in cyberspace about its services, so as to learn from customer responses and to improve:

- ▶ **To better understand how customers view us** – a real-time reference to statements in various social networks that relate to Group activity, helps gain insights about current or potential customers and how they perceive the Bank and the products and services it offers.
- ▶ **Improving learning processes** – The use of social networks requires the ability to debrief service situations, learn lessons and provide a service response within short time periods. Often, a quick response to a dis-satisfied customer on the social network, after conducting a professional debrief, can significantly improve the customer's feeling and trust. This understanding requires short, high-quality learning processes as well as the ability to maintain effective internal communications, that will provide an optimal solution for the customer in the shortest possible time.
- ▶ **Reviewing success of marketing campaigns** – Public responses and online discourse allow us to review the impact and success of marketing campaigns, in addition to regular surveys used to review effectiveness.

## Business Customers

In addition to regular contact and meetings of Corporate Division employees and managers with customers, meetings and conferences for business customers are held in various regions and branches, to which Bank customers and potential customers are invited. The objective of these meetings is to provide enrichment in relevant content domains, to expose Bank products appropriate for the target audience and to allow attendees to network.

**In 2018, a large conference was held for 1,400 current and potential customers in the Business Division, and another conference was held for active customers of the Bank's trading room in the Financial Division and Business Division, attended by 800 customers.** These conferences are intended for customers of the Corporate Sector, Real Estate Sector, Business Sector and their spouses.

**"Let us meet on the international court – World Cup football games"** – Further to the media campaign for businesses, which included sports-related messages, during the 2018 World Cup football games, meetings were held at Bank business centers with business customers who came to enjoy watching together select World Cup matches. These meetings were attended by 580 participants.

The Bank also holds a series of business courses (on digital marketing, eCommerce, negotiations, sales and finance) as part of the Mizrahi-Tefahot "Business College", in cooperation with the Israeli Management Center ("MIL"); **in 2018, these were attended by 150 business managers and owners.** Senior staff of the Business Division took part and gave lectures in professional conferences targeted at specific customer segments (such as: real estate, mid-size customers and high-tech) and the Bank sponsored major conferences organized by the CFO Association in 2018.

## Keeping In Touch

Through a dedicated online newsletter, the Bank regularly informs customers from various sectors, provides a quarterly macro-economic overview, offers a variety of new financial benefits and services, and keeps customers interested through various content articles.



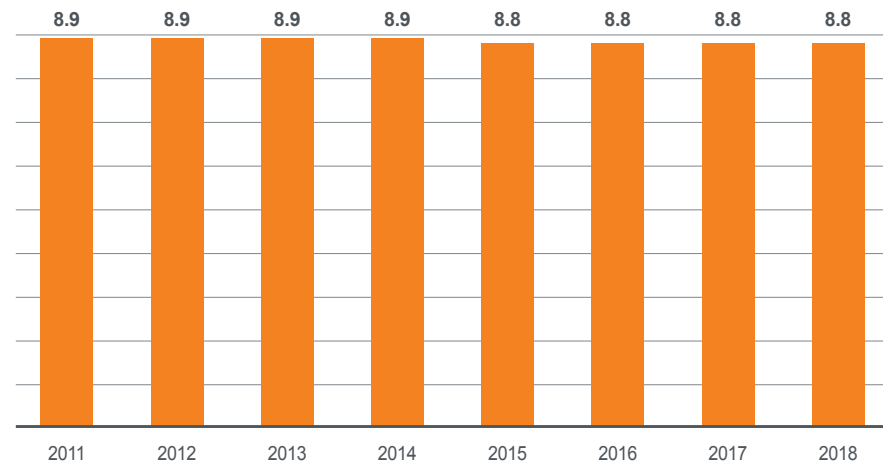
## Enhancing Customer Satisfaction

### 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. Based on findings from these surveys and focus groups, the Bank adapts its conduct vis-a-vis customers.

A customer satisfaction survey conducted by the Brandman Institute for 2018 shows that customer satisfaction with our bankers continues to be very high and stable over time. **In 2018, too, satisfaction with their bankers remained at 8.8.**

### Satisfaction with the banker

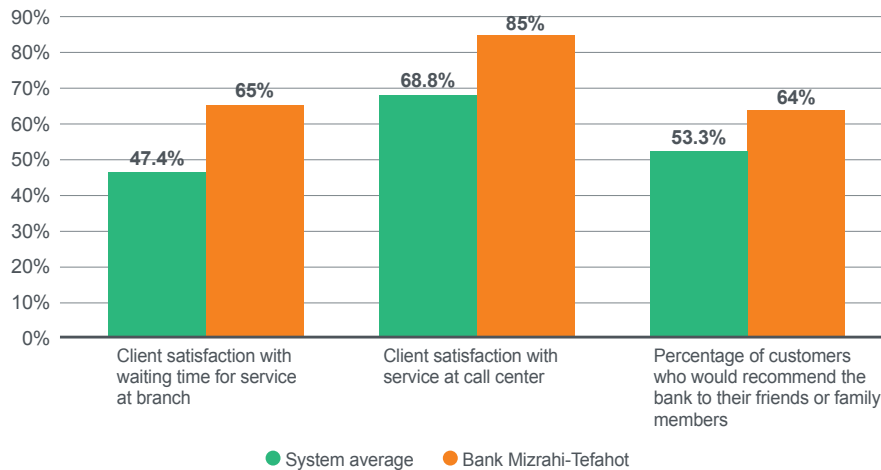


The Bank is also rated highly by its customers (8.5 out of 10) for the following:

- ▶ Bankers are happy to provide service
- ▶ Bankers at the branch treat you fairly
- ▶ Positive atmosphere at the branch

**Customer satisfaction survey conducted by the Supervisor of Banks**

– In 2018, the Bank of Israel first conducted a customer satisfaction survey among customers of all banks, which measured their satisfaction with service they receive at the bank where they have their accounts. This survey found that Bank Mizrahi-Tefahot customers are satisfied with direct and digital services offered to them, and the Bank is rated well ahead of the other banks.



**Satisfaction Also From Mizrahi-Tefahot’s Loyalty Club – “The Card” Club**

One way for the Bank to benefit its customers is through membership in the “Card” club. This club offers its members banking and consumer benefits, allowing them to save tens and hundreds of shekels in current household expenses. Throughout the year, the club offers regular discounts along with periodic attractive promotions in a wide range of store chains and businesses in different sectors. In 2018, hundreds of thousands of transactions were conducted by club members in businesses operating in co-operation with the club, and over 90 thousand bonus coupons were downloaded by club members for various promotions throughout the year. In 2018, we put in place the infrastructure to launch club activity with business customers of the Bank as well; this activity would be reflected in 2019.





## Measurement And Handling Of Customer Inquiries

Customer inquiries are an opportunity to reinforce and improve the relationship between the customer and the Bank, while increasing trust and satisfaction. The Bank views customer 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.

Customer inquiries are directly received by the Public Ombudsman Unit, through various entities at the Bank, through the Bank of Israel or through other external entities. The Bank website provides the Customer 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 their staff are responsible for objectively and impartially addressing any public complaint, for thoroughly reviewing it, and for quickly responding to the customer. The Bank is committed to handling all inquiries according to the values in our Code of Ethics and our organizational culture, which highlights the values of reliability, integrity, fairness and transparency. At Bank Yahav, the party in charge of customer inquiries is part of the Legal Counsel Division, reporting to the Division Manager.

**Each inquiry received by the Public Ombudsman Unit receives feedback regarding its receipt within two business days.**

**A full, professional response is provided within 45 days from the date of receipt (except in exceptional cases, where an investigation may be answered within 60 days).**

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

**Inquiries received and handled by the Public Ombudsman Unit, with regard to all inquiries received by Mizrahi Tefahot and Bank Yahav in 2018:**

- ▶ **81% of the inquiries received were complaints and the remaining 19% were requests.**
- ▶ **In 2018, we addressed 3,155 complaints.**



### Complaints were received on the following subjects<sup>1</sup>:

Subject	Mizrahi Tefahot			Yahav		
	Number Of Complaints In 2018	Percentage Of Complaints In 2018	Percentage Of Justified Complaints In 2018	Number Of Complaints In 2018	Percentage Of Complaints In 2018	Percentage Of Justified Complaints In 2018
Methods of Payment	406	21%	12%	381	32%	11%
Housing loans	342	17%	11%	255	21%	10%
Current accounts (including overdraft accounts)	326	17%	12%	95	8%	7%
Quality of service	321	16%	7%	226	19%	6%
Loans (non-housing)	208	11%	7%	0	-	-
Other activity of the corporation	197	10%	4%	75	6%	11%
Foreign currency information	38	2%	11%	59	5%	15%
Securities	30	1%	14%	29	2%	10%
Deposits and savings	32	2%	3%	25	2%	36%
Dormant account	48	2%	8%	18	2%	28%
Other	0	-	-	2	0.2%	-
Total complaints	17	1%	0%	25	2%	8%
	1,965	-	-	1,190	-	-

1. Investigation subjects classified in accordance with Bank of Israel Directive 308A.

**Total complaints found to be justified** – In 2018, the justified complaints rate was 9% at Bank Mizrahi-Tefahot and 10% at Bank Yahav. (The other complaints were found to be un-justified, complaints whose processing was concluded with no opinion formed<sup>1</sup> or the complaint subject was not within the unit's authority<sup>2</sup>)

**Customer complaints about accessibility** – In 2018, the Group received 11 complaints about accessibility (5 at Mizrahi-Tefahot and 6 at Bank Yahav). None of these complaints were found to be justified.

**Complaints about breach of customer privacy** – In 2018, the Group received 16 complaints about breach of privacy (10 at Mizrahi-Tefahot and 6 at Bank Yahav). Of these, 5 complaints were found to be justified (all at Mizrahi-Tefahot), which were addressed as needed in conformity with Group procedures.

**Customer complaints regarding discrimination in service provision** – In 2018, the Group received 17 complaints concerning discrimination (11 at Mizrahi-Tefahot and 6 at Bank Yahav). Of these, 1 complaint was found to be justified at Bank Mizrahi-Tefahot and was properly handled in conformity with Group procedures.

1. 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

2. Complaints relating to the branch failing to approve credit, benefits in commissions or debt settlement



# Fairness And Transparency Towards Customers



In 2005, after the merger of Bank HaMizrahi with Tefahot, the Bank set a clear goal: lead a new banking agenda. To this end, the Bank formed the “human banking vision” – whereby good banking service starts with professional, innovative banking which sees the customer, understands the customer and speaks to the customer in their own language. Thus, the Bank’s unique Hybrid Banking concept harnesses the global technological development in the world of banking to achieve an optimal combination of human and digital banking, allowing all customers direct access to their personal banker at the branch by using a range of communication channels. The Bank maintains a fair relationship with customers, ensuring full transparency with regard to information which the Bank is required to provide to customers with regard to its services.

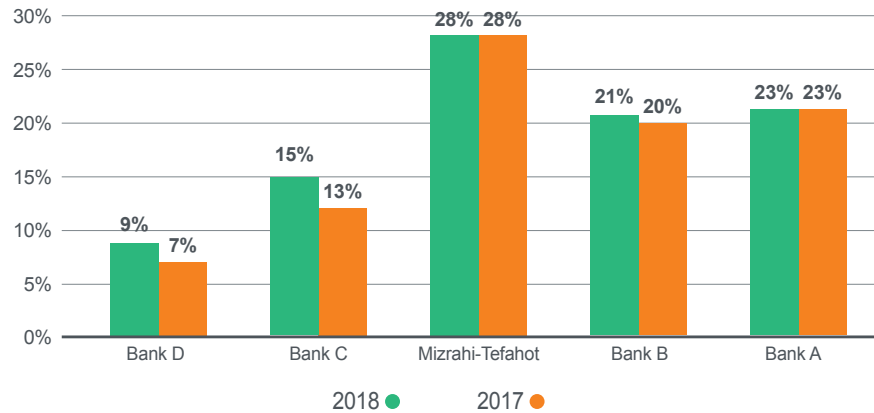
Fairness and transparency are fundamental values in the Bank’s Code of Ethics and in the framework of its corporate social responsibility philosophy. A fair relationship with all stakeholders, and especially with customers who are at the center of business activity, is the basis for trust, success and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

In order to enhance the importance of the Fairness value among employees, the Bank administers knowledge tests on this matter to new hires at the Bank and incorporates relevant content in training delivered for various positions. In 2018, the Bank delivered diverse training on Fairness and

disseminated E-learning kits to employees. The Bank also conducted an anonymous survey among branch managers at the Bank, asking for their opinion about the Bank’s Fairness concept. The survey showed a high level of manager involvement, understanding of the meaning of the Fairness value and its deployment among Bank managers.

In 2018, the Bank also conducted a Fairness survey among the general public<sup>1</sup> to study the Bank’s standing as a fair bank, compared to other banks. This year, too, Mizrahi-Tefahot was perceived as the most fair bank in the banking system.

## Perception Of Bank Fairness Among Bank Customers



In 2018, the Group received no fines nor warnings concerning non-compliance with voluntary regulations and codes with regard to providing information about financial products and services.

### Due Disclosure

The perception of fairness and transparency towards customers is based, first and foremost, on providing all of the required information regarding financial products and services, in a clear and accessible manner, allowing the customer to make the best decisions for them.

The Bank makes sure that agreements with customers comply with legal requirements and with directives of the Supervisor of Banks regarding proper disclosure. 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

1. The answers do not add up to 100% due to the potential answer "another bank"

agreements. In case of any agreements that should be revised, including with regard to full disclosure and fees, this 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.

### Making The Bank ID Accessible

In accordance with Bank of Israel directive 425, as from 2015 all individual customers receive a "bank ID", which lists information about all of their assets and liabilities at the Bank, total income and expenses during the year and a summary of activity in their current account.

The bank places special emphasis on making the bank ID accessible to customers, and therefore a general explanatory sheet is attached with regard to its essence, together with a reminder of personal banking services, noting the name of the customer's personal banker and the telephone number where he may be contacted.

### Promoting Fair Pricing For Customers

Mizrahi-Tefahot Group developed an advanced model, allowing for optimal alignment of customer needs and their risk level and repayment capacity. This is a decision-support model to help in decision making for the customer, based exclusively on relevant considerations and eliminating any distortion that may impact the pricing of products offered to the customer.

# Responsible Marketing And Advertising



The Bank ensures respectful, non-abusive marketing messages, in conformity with statutory provisions and with Proper Conduct of Banking Business Directives of the Bank of Israel.

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

- ▶ **Avoiding contentious issues in Israeli society.**
- ▶ **Respectful, non-abusive advertising** – The Bank adapts its messages for various segments of the population, so as to align with 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 customer.

The Group’s marketing activity is characterized by messages conveyed to the public at large. As a leading market player, we 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 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.

In 2018, the Bank was not warned nor fined for any case of non-compliance with regulation and/or voluntary codes with regard to marketing communications.



## Diverse Customers And Promotion Of Various Demographics

The Bank sees the great importance of approaching diverse customers and segments in Israeli society. As part of its policy on promoting customer interests, the Bank strives to create products and services in response to various customer needs. This is based on the understanding that different customers have different needs and on the desire to adapt for each customer the products and services most appropriate for them. This is designed to allow anyone who so wishes to become a Bank customer.

To this end, the Bank acts as follows:

- ▶ **Multiple languages** – The Bank strives to adapt its services for speakers of diverse languages, at branches and at service centers.



- ▶ **Diverse media** – The Bank approaches different segments in the population through media commonly used by each segment. The Bank also acts to provide unique solutions for diverse segments:
- ▶ **Arab sector** – This is based on establishing a branch network in Arab and mixed-population towns and by translating banking and marketing content into Arabic.
- ▶ **Jewish Orthodox sector** – Aligning marketing messages with the Jewish Orthodox population and development of products relevant for this sector.
- ▶ **Retirees** – Adaptation of products and services and conducting specific activities for this population.”

## Speaking Your Language

As part of the policy to promote customer interests and based on the understanding that the financial world addresses different audiences with diverse needs – the Bank offers service to customers in different languages:

- ▶ Customers who call the different call centers can receive service in the language of their choice. If at the time of the call there is no banker available who speaks that language, the customer is asked to leave their contact information to get a call back.
- ▶ The investment center offers a customized investment service to customers in Hebrew, Arabic, Russian, French, Spanish and English. Moreover, the center supports international private banking customers, allowing them to receive banking services in the language of their choice.
- ▶ The Mortgage Center includes bankers who speak foreign languages, who provide a response and who act as a gateway to the Bank for foreign residents who are interested in buying property and obtaining a mortgage in Israel. The foreign resident desk provides answers in English, French and Spanish.

## A Unique Solution For Diverse Demographics

The Bank defined the Arab sector, the Jewish Orthodox sector and retirees as strategic demographics in which the Bank wishes to grow over time and with which the Bank would like to intensify contact. This is based on the understanding that these demographics have social and cultural attributes,

as well as unique financial needs, that require a custom response in order to bring about their true integration into Israeli society.

## Arab Sector

The Bank is expanding its business activity in the Arab sector, according to a long-term, plan by opening new branches (in 2018, the Bank opened branches in Sachnin and Shefaram) and expanding activity in existing ones (as of 2018, 7 branches), focusing its marketing message on diverse media channels and presenting publications throughout the year, led by the designated brand ambassador. At the end of 2018, Mizrahi-Tefahot had branches in these Arab towns: Kfar Yassif, Nazareth, Shefaram, Sachnin, Baqa Al Gharbiya, Um El Fahem and Kfar Kassem.

Furthermore, in 2018 the Bank incorporated special activities designated for Arab sector as part of the “Let us meet at Mizrahi-Tefahot” program, adapting the content and speakers to the target audience. **In this context, 10 activities took place at Um El Fahem, Kfar Kasem, Shefaram and Akko.**



## Jewish Orthodox Sector

The Bank intensifies its ties with the Jewish Orthodox community, both by opening new branches and by expanding activity in the existing ones. The Bank specifically addresses this segment through specific media, by adapting the language of the marketing messages. Thus, the marketing language is adapted for the needs and values of this segment. 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 sector.

The Bank 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 2018, some 15 activities took place in this context at these branches: Tarfon Business Center, Bet Shemesh and Geula in Jerusalem.** We also delivered mortgage workshops customized for the Jewish Orthodox sector in these cities: Bney Brak, Jerusalem, Ashdod, Elad, Betar Ilit, Petach Tikva and Bet Shemesh.

## Retirees

In 2018, as part of the plan to expand activity among retirees, the Bank used multiple channels in order to expand its unique offering of products and services for this audience:

1. Communicating products and services designed for retirees, such as “**Cherry deposit**” – These deposits provide customers with monthly income or pension (the latter including partial principal repayment along with interest), to complement their retirement pension. The Bank also offers a pension advisory service adapted for retiree customers and their needs, provided by expert advisors.

1. Continued “**Let us meet – Sixties**” activity – A series of meetings and lectures designed for retirees, held at different Bank branches, including a banking lecture on “Smart economic conduct before and during retirement”. The “Let us meet – Sixties” activity was put in place as part of the Bank’s strategy focusing on personal, human contact, in order to provide a high-quality solution to free time available to this demographics. In 2018, we revised some of the content designed for retirees, such as: “When I am online, I am not 70 years old”, “Fear of missing out (FOMO)”, “Secrets of outstanding memory”. In addition to these lectures and content, participants were also given short presentations on relevant financial fields such as savings, capital market and pension. **In total we delivered 32 lectures to this audience at 8 branches;** all lectures were open to the public, free of charge.
2. “Digital banking empowerment for older citizens” – Joint activity by the Bank of Israel, the Ministry of Social Equality and the Banking Association. Bank representatives delivered lectures on digital financial education to older citizens at several cinemas, as part of a “Tuesday film for the elderly” events, and invited customers to Bank branches to receive in-person training about digital banking. The Bank produced 3 training brochures on “The easy way to digital banking”:
  - User guide for Mizrahi-Tefahot website.
  - User guide for Mizrahi-Tefahot app.
  - Service stations at Mizrahi-Tefahot branches.

These brochures are regularly used as aids in working with retirees on using digital channels offered by the Bank.





# Promoting Disadvantaged Populations And Help Customers In Crisis



The Bank is committed to supporting disadvantaged populations in Israel. This is due to the Bank being part of Israeli society and because some Bank customers come from these populations. In this context, the Bank strives to help through several major channels:

- ▶ **Promoting disadvantaged populations** – The Bank provides support for disadvantaged populations in Israeli society, including debtors, women staying in shelters for abused women and population in need, both directly and through organizations that work with these populations.
- ▶ **Respectful service for customers in crisis** – The Bank provides respectful, sensitive service to customers who face difficulties.

## Promoting Under-Privileged Populations

### Assistance For Abused Women

The Bank has joined an inter-bank covenant 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 and through agreement in principle, subject to certain conditions, to delay legal proceedings against these women.

In 2018, the Bank received 12 applications from women staying in such shelters – and these applications were handled by the special contact person. In 2018, Bank Yahav received no applications with regard to assistance for abused women.

## 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, as opposed to other products where renewal is limited.

## Deposits Of Migrant Foreign Workers And Asylum Seekers

The Bank has been awarded a tender by the Israeli Government to provide deposit services for migrant foreign workers and asylum seekers. As part of the service, the deposits transferred by the employer for the foreign worker are accrued by the Bank through termination of their employment. When the employee has terminated their employment in Israel, they get the deposit balance as requested by them (in cash or by wire transfer to their account overseas).

## Assistance For Customers In Crisis

It is Bank policy to provide considerate service, understanding of the customer's situation, especially in cases of financial hardship and in times of crisis. The Special Customers Sector of the Business Division, tasked with handling customer debt collection and managing controlled accounts, acts in conformity with this policy and meticulously provides respectful, sensitive service to customers in times of crisis.

The Bank makes significant effort to agree with customers in debt on arrangements that they can comply with.

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. This was in addition to the Bank's constant contact with organizations providing assistance, including Pa'amoniim and Yadid, who assist customers in debt.

## National Collection Center

As a rule, a customer in debt or in arrears, is approached by the Bank's National Collection Center, even before being transferred to the Special Customer Sector for processing. Bankers at the Collection Center are extensively trained in aiding customers who face challenges in meeting their obligations, in order to reach agreement with the Bank, in line with their capacity, to eliminate their debt and to return customers to the regular repayment schedule.

These arrangements are made judiciously and are personalized for each and every customer, in order to resolve the difficulties which borrowers are currently facing. As part of their collection efforts, the bankers are instructed to handle customers with empathy and to discover, at the outset, the source of the hardship which the customer is facing and what is the reason for their payments being in arrears.

Thus, as for mortgages, out of all cases of payments in arrears sent to the Collection Center in 2018 (18,500 new cases of arrears), only 2% were referred to legal proceedings. All of the other cases handled by the Collection Center resolved 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 such arrangements.



# Promoting Accessibility For Persons With Disabilities



## Making Banking Services Accessible For Disabled Persons

Recognizing the importance of this issue, the Group emphasizes making services accessible for all its customers. Bank Mizrahi-Tefahot and Bank Yahav implement the Equal Rights for Persons with Disabilities Act, 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 Bank strives to make its services accessible for persons with disabilities, thus allowing anyone who so wishes to become a Bank customer.

The Bank is made accessible on these key levels:

- ▶ **Making facilities physically accessible** – In this regard, the Bank acts to make branches, ATMs, service stations and its website accessible for customers, so as to allow persons with disabilities to also conveniently use these.
- ▶ **Making banking services accessible** – The Bank acts to make banking services accessible, in conformity with the Equal Rights to Disabled Persons Act.

The subject of accessibility is managed at the Bank by an Accessibility Coordinator, who was duly certified.

- ▶ **Making branches accessible** – as of the end of 2018, 96% of Bank Mizrahi-Tefahot branches and 100% of Bank Yahav branches are accessible to persons with disabilities, in terms of building and related accessories. Branches yet to be made accessible have been approved by the Equal Opportunity Commission of the Ministry of Economy and are in the process of being made accessible with the relevant authority.

- ▶ **Making ATMs accessible** – as of the end of 2018, all Bank Mizrahi-Tefahot ATMs and all Bank Yahav ATMs are accessible to persons with disabilities, in terms of device height.
- ▶ **Making service stations accessible** – The Group is promoting several initiatives to improve accessibility of service stations in operation throughout Israel. Thus, for example, the new service stations at the Bank are positioned at an appropriate height, allowing a person in a wheel chair to use the service station. Bank Yahav service stations are accessible for persons with disabilities, both in physical and technological aspects, with accessibility software in place and inductive loop systems, microphones and supporting tray installed.
- ▶ **Making online services accessible** – The Bank ensures that the services provided through online communication channels are also made accessible as necessary. This is based on the understanding that these channels make it easier for persons with disabilities to use various services, without having to go to the branch. As of the end of 2018, the Bank's accessible websites include the transactions website, the marketing websites, the loyalty club website, and the banking app. In 2018, the Bank also launched an accessible website for trading on the capital market; in 2019, the Bank should launch accessible apps for banking and for trading on the capital market. All accessibility arrangements at the Group – physical, service and online – are listed on the Bank website.

- ▶ **Promoting accessible service** – Group employees and managers undergo specialized training concerning providing accessible service. In 2018, all Bank employees completed E-learning on providing accessible service, and new hires received custom training upon starting in their role. We delivered 3,199 training hours on this subject, including base and refresher E-learning kits.

In addition to improving accessibility for those with disabilities, the Bank is also improving accessibility for other demographics, including speakers of foreign languages and those with low access to technology, such as the elderly population.





# Development Of Environmental And Social Products

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.

- ▶ **Providing loans for development, construction or launching of environmental products** – The Bank is committed to promoting environmental issues and therefore assists by providing loans for development of new technologies for generating, including to customers seeking to construct solar energy generation plants.
- ▶ **Providing loans for development, construction or launching of social products** – The Bank, being a major financial institution, is aware of its accountability for economic stability and growth and supports small businesses through various funds which promote social or business goals in outlying areas and through support and promotion for social businesses.

## Environmental Lending

The Bank acts to promote environmental lending to its customers in several areas; **in 2018, the Bank provided NIS 1,103 million to promote environmental causes** as follows:

- ▶ **Improved Energy Efficiency Fund** – As part of the venture by the Ministry of Environmental Protection and by the Small and Medium Business Administration of the Ministry of Economics to assist small businesses in promoting improved energy efficiency, the Bank provides loans to businesses who carry out such projects. **In 2018, as a preliminary stage, the Bank provided loans amounting to NIS 178 million.**
- ▶ **Promoting credit for development of energy sources** – In 2018, credit was approved for green energy – renewable energy, energy generated from renewable sources as well as financing for co-generation facilities. Use of such energy reduces environmental pollution. **Loans approved in 2018 amounted to NIS 925 million; in 2017 – NIS 448 million.**
- ▶ **Incorporation of environmental considerations in extending loans to companies with environmental implications** – The Bank has an environmental risk management policy in place, as part of the approval of credit policy documents. The Bank's policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk.

## Social Lending

The Bank acts to promote social lending to its customers in several areas; **in 2018, the Bank provided NIS 640 million to promote social causes** as follows:

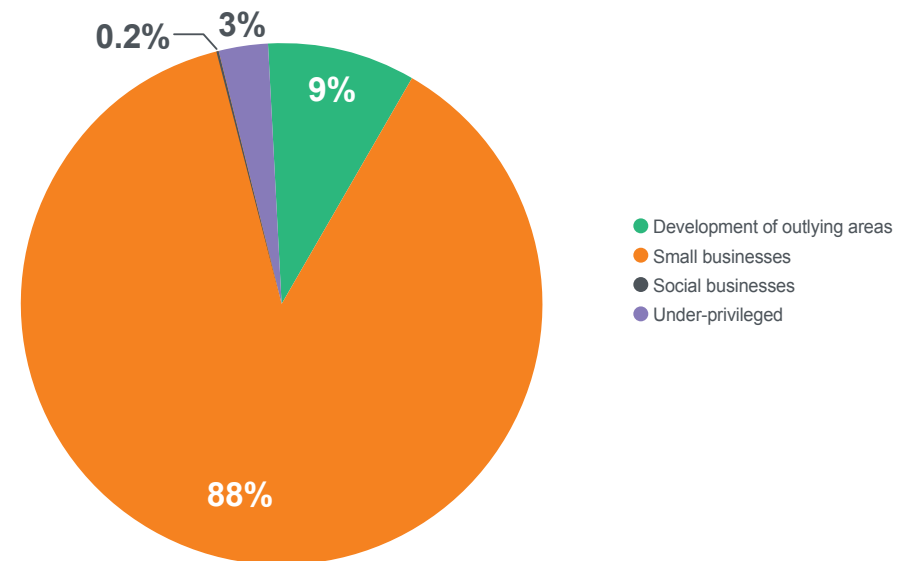
- ▶ **Loans to small businesses: “The Northern-Southern Fund”** – The Bank promotes small and medium businesses in the Northern and Southern regions, by turning these regions into attraction hubs, by creating employment, increasing revenues and improving quality of life. **To this end, the Bank allocated through 2018 loans amounting to NIS 871 million, of which NIS 58 million in 2018 alone**, compared to NIS 85 million in 2017.
- ▶ **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 was awarded the new tender conducted by the Government and started providing such loans as from May 2016. To this end, the Bank allocated through 2018 loans amounting to NIS 3.661 billion, of which NIS 582 million in 2018 alone, compared to NIS 544 million in 2017. In the fund, launched in 2016 in accordance with tender requirements, the Bank’s share of loans provided is 60%, in a financial partnership with institutional entities, that provides the loans.
- ▶ **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. **As part of this partnership, the Bank resolved to lend NIS 1 million over 10 years, starting in 2017.**

- ▶ **Social investments by US affiliate** – In 2018, the Los Angeles branch invested NIS 18.1 million (USD 5.04 million), as required by the Community Reinvestment Act CRA), in dedicated funds which provide mortgages to the disadvantaged and loans to small businesses in the USA. This is a 3% increase compared to 2017, when investment amounted to NIS 17.5 million.



### Composition of social lending for 2018





# Information Security And Keeping Information Confidential

The Bank attaches great importance to information security and in maintaining the privacy of customer information. To this end, the Bank has specified its information security and cyber strategy and policy, which have been approved by Bank management and by the Board of Directors, in line with Bank of Israel requirements. This policy includes the commitment by Bank management with regard to ensuring the availability, privacy, integrity and reliability of information systems and assets of the Bank and its customers, with emphasis on maintaining customer information privacy and banking confidentiality. The Bank's outsourcing policy ensures that where the Bank has elected to conduct business with customers through a third party (outsourcing), the supplier ensures information privacy, as stipulated by Bank policy.

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.
- ▶ **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.

Information security is managed by the Risk Control Division, together with the Technology Division.

The Risk Control Division specifies policy and requirements on different topics, directs the various units and provides approval and control services with regard to information security.

The Technology Division deploys and operates lines of defense and technology, based on the policy and requirements specified at the Bank and the Division – and is responsible for monitoring, identification and avoidance of any deviation from such policy and requirements.

The Hybrid Banking sector of the Bank is certified under the information security management standard ISO 27001.



## Taking No Risk – Protection Circles For Safeguarding Information

Our customers entrust to 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 Group extensively acts to safeguard information. Among the steps that can be disclosed, we apply the following:

- ▶ **Risk management** – Risk assessment for systems and processes, including monitoring of sensitivity transactions, information analysis and processing, identification of anomalies, response and control.
- ▶ **Addressing cyber threats** – developing and using advanced technological capabilities to deal with cyber threats, including cyber crime. The Bank, inter alia, monitors customer activity in the various channels, in order to identify and prevent un-authorized use of customer

accounts, informing the customer if any such use has been identified, assisted by external entities to locate information with regard to the Bank in cyberspace.

- ▶ **Confidentiality and privacy** – Access to customer information is controlled and allowed based on policies specified for this matter. There is also strict adherence to procedures regarding safeguarding the privacy of customer information and banking confidentiality, with regular control and enforcement.
- ▶ **Awareness and education** – Regular activity to enhance awareness of Group employees and managers of risk associated with the Internet and with social media. In this context, training is delivered to new employees, lectures are delivered to managers and information security and cyber security flashes are disseminated, discussing different events in Israel and overseas. This is designed to enhance



awareness of events and to underline the personal responsibilities of all employees, managers for safeguarding customer information privacy and safeguarding the Bank's information assets. In 2018, we delivered 2,774 training hours on information security, to 1,329 employees and managers.

▶ **Securing transactions in direct channels** – As described, we 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, customer 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. The Bank implemented multiple measures to reinforce authentication, to identify anomalies, and to ensure stronger protection for customer activity and for Bank business. This activity will continue in 2019. Customers who wish to open a bank account with Mizrahi-Tefahot directly via the Internet can now do so, in conformity with approval granted by the Bank of Israel in 2015. In order to overcome the need to go to the Bank for physical identification, the Bank of Israel has authorized customer identification by video call with a banker. We make sure that customers who open an account via the Internet would have an optimal user experience, without compromising on strict information security and safeguarding customer privacy.

▶ **We also check suppliers** – our suppliers who are exposed to internal 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. As part of the risk control and management processes of suppliers, in conformity with Proper Conduct of Banking Business Directive 363, the Bank conducts rigorous checks and surveys with regard to information security at suppliers' premises, so as to ensure that the required security level is maintained.



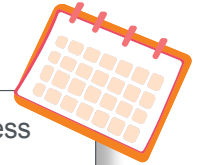
## Looking Forward




### ► Achievement Of 2018 Goals



Goal	Status
Continued expansion of the service: Open 3 new branches	Done
Continued expansion of activity in the Arab and Jewish Orthodox sectors, by opening new, designated branches and expanding existing services	Done
Continue to conduct business customer conferences	Done
Maintain high level of satisfaction among Group customers	Done
Continue to provide optimal service handling customer complaints, with fair treatment of customers by the Bank	Done
Continue activity as part of courses at the Small Business College	Done
Expand the activities of "Let us meet at Mizrahi-Tefahot" to specific sectors: the Arab sector, the Jewish Orthodox sector, retirees ("Let us meet – Sixties") and businesses	Done
Continue delivery of mortgage workshops and activities targeted at the Jewish Orthodox sector	Done
Continue delivery of a series of meetings for the business sector and for companies, with our foreign trade experts	Done

### ► Goals For 2019



	Continue offering conferences and meetings with business customers on various topics, including foreign trade.
	Continued expansion of the service: Open 3 new branches
	Provide assistance to small businesses to promote improved energy efficiency, through the Improved Energy Efficiency Fund.
	Invest in social-oriented debentures to increase the percentage of 4- and 5-unit mathematics graduates in Rahat.
	Continued expansion of activity in the Arab sector and in the Jewish Orthodox sector, by opening new, designated branches and expanding existing services
	Continued "Let us meet at Mizrahi-Tefahot" activity" in the financial domain, focused on the Arab sector, Jewish Orthodox sector and retirees ("Let us meet – Sixties").
	Training on environmental risk delivered to relevant employees at the Business Division.
	Maintain high level of satisfaction among Group customers and continue to provide optimal service handling customer complaints, with fair treatment of customers by the Bank
	Monitor 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. Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection.

# Investing In The Community



## Investing In The Community Overview

**2,500  
students**

Participate in the "NOAR LATET" educational program for social entrepreneurship, sponsored by the Bank.

**68,000  
students**

took part in "Green light for children" training sponsored by the Bank at 200 schools.

**NIS 240,000  
social NGOs**

Total purchasing from in 2018, by the Bank and its employees.

**9.5% growth**  
in total investment in social and community activities, amounting to **NIS 16.1 million**

**28,700**

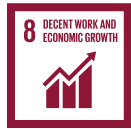
**hours of volunteer work** invested by Group employees as part of activity in the community.

**12.8%  
growth**

in "Let us meet at Mizrahi-Tefahot" activities in 2018. Conducted **161** activities with regard to social and welfare issues, as well as **32** activities with regard to financial issues.

**95%** of suppliers are **local ones**  
**18%** of those are from outlying areas.





# Impact On Israeli Society Through Involvement And Volunteer Work



As a business entity whose business relies on the community in which it operates, the Bank is committed to be involved with and to invest in the community. The Bank is working to realize its community involvement in a manner that expresses its strength, engages the Bank's employees in active volunteer activity and leverages its physical, financial and human abilities and resources. These matters are handled at the Bank by the Mizrahi-Tefahot in the Community unit of the Organizational Development and Training Department of the Human Resources and Administration Division. The Bank's community engagement is carried out accompanied by a constant dialogue and realization of broad initiatives with community partners throughout Israel, engagement of employees and managers, geographic and other diversification of activities utilizing the Bank's nationwide presence, through partnerships and with internal and external communication of the Bank's community involvement.

The Bank is primarily focused on two specific social areas, to which it funnels most of the charitable donation and volunteer activity by the Bank and its employees:

- A) Promote children and youth from disadvantaged populations
- B) Supporting NGOs and businesses who promote social causes or employ persons with disabilities

**The Bank’s involvement in these areas is reflected by various activities:**

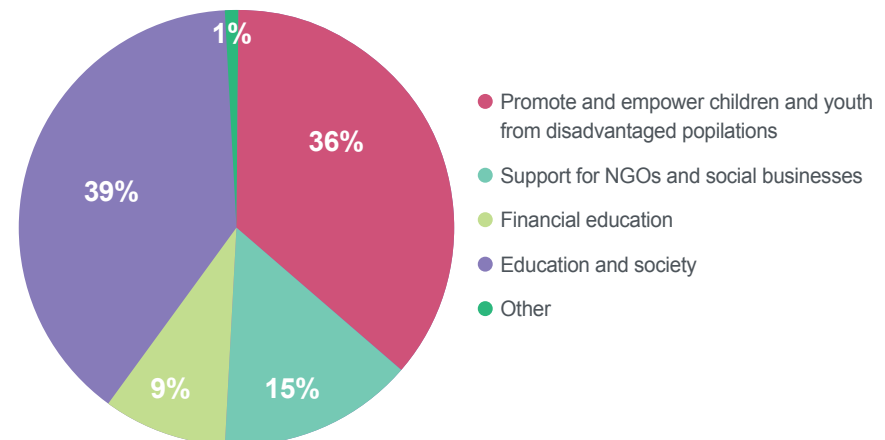
- ▶ **Involvement of employees and their families in the community** – contribution to the community has become a key objective for Bank employees, and management provides incentives to employees to participate in this activity.
- ▶ **Involvement in broad projects to help youth at risk and persons with disabilities** – The Bank and its employees are involved in projects which empower youth at risk and promote volunteer activities with youth – as well as in projects which assist NGOs that employ persons with special needs.
- ▶ **Investment in financial education** – supporting and increasing financial awareness among youth, customers and the public at large.
- ▶ **Including stakeholders in community involvement** – The Bank attaches great importance to including its customers in community activities, by including them in decision making on targets for charitable donations by the Bank to NGOs and by including them in various projects initiated by the Bank, such as collection of medications, participating in runs etc.

- ▶ **Investment through charitable donations, sponsorship and equipment** – The Bank donates furniture, electric appliances and PCs to various NGOs, after reviewing their compliance with rules for proper management.

**Key areas of activity**



**Composition of investment in the community by type of activity:**





## Promote And Empower Children And Youth From Disadvantaged Populations

As part of Group policy to promote and empower children and youth, the Bank continued to invest in diverse projects designed to realize this goal:

- ▶ **“ZAZIM” – youth movements for the community** – The objective of this project, in co-operation with the Youth Movement Council, 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 340 proposals submitted **in 2018, 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.

Thus, for example, in 2018 the **project “Grandma Stories”** was selected, with a troop of boy and girl scouts in Givatayim adopting the residents of a retirement home to jointly create a work depicting the personal stories of retirees, in co-operation with Shenkar graduates.

- ▶ **“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, Bank employees advise and assist youth, who initiate and operate social projects for the benefit of the communities in which they live. In 2018, this activity took place at 41 towns nationwide, with 2,500 participants from various parts of Israeli society, including youth at risk, youth with disabilities, Druze, Muslim and youth from underprivileged towns.
- ▶ **“Hebrew B’Salaam”** – The Bank has joined forces with the Abraham Foundation to operate a program teaching Hebrew language skills at Arab schools, taught by Jewish teachers. In 2018, this activity took place at 34 Arab schools with 348 classrooms and 10,500 pupils.
- ▶ **“make a wish”** – This NGO acts to make dreams and wishes come true for children suffering from serious illness. In 2018 as well, the Bank participated in 6 planning and wish fulfillment efforts for sick children. The wish fulfillment was achieved at 2 workshops, attended by 30 Bank employees, who also took part in making the wish come true. In 2018, the Bank also sponsored the NGO’s fund raising event.
- ▶ **“Zichron Menachem”** – Since 2010, the Bank held, for the 8th year, an annual fun day in Eilat for 150 children, in collaboration with employees at the Eilat branch. Throughout the year, the Geula branch in Jerusalem adopts the “Zichron Menachem” children, celebrating the holidays and their birthdays with them.

- ▶ **“Ezer MeZion”** – an NGO acting for the well-being of cancer patients, including children. In 2018, this NGO received a financial donation, as selected by Bank employees. In 2016, the Bank helped increase bone marrow availability, by establishing a bone marrow donor database in the name of the Bank. The database is available to patients requiring a bone marrow transplant.
- ▶ **“Joy for children”** – this NGO acts for the well-being of children suffering from serious illness. In 2018, the Bank sponsored a fund raising event for the NGO and Bank volunteers, to bring joy to children in hospitals in Jerusalem and helped raise funds on a special fund raising day dedicated to this NGO.
- ▶ **“Rachashei Lev”** – This NGO provides wellbeing activities for children diagnosed with cancer and their family members. In 2018, the Bank sponsored a camp for children diagnosed with cancer, which took place in Eilat.
- ▶ **“Shalva”** – This NGO helps children with special needs. In 2018, the Bank’s Agripas branch adopted children from this NGO and conducted custom activities together with them. The Bank also sponsored this NGO’s fund raising event.
- ▶ **Hanukkah of Gifts** – As part of this unique project, on Hanukkah 2018, some 1,700 children from boarding schools and welfare day-clubs enjoyed Hanukkah gifts purchased by 1,000 Bank employees. The gifts are purchased by employees at a subsidized cost, with the difference made up by Bank management.

- ▶ **“Chaverim Ierefua”** – An NGO which operates a social pharmacy, by collecting un-used medications and providing them as a contribution to people unable to buy them. Through dedicated collection containers, placed at Bank branches, employees and customers can provide drugs that are no longer needed. The drugs are passed on to the NGO and are checked by professional pharmacists, before being delivered to patients who face financial challenges in buying their drugs. Since the launch of this activity through 2018, drugs valued at over NIS 5 million have been collected through Bank Mizrahi-Tefahot alone.



Make A Wish



Zazim project



- ▶ **“Young Summer”** – The Bank invites employees’ children to volunteer during the summer vacation with social NGOs involved in the community. 30 children of employees volunteered in 2018 and received a gift whose monetary value is in line with their volunteering hours.
- ▶ **Road Safety** – The Bank has sponsored the “Green Light for Children” program, which is operated by an interactive van that visits elementary schools throughout the country. As part of this activity, pupils are made aware of road safety content, designed to raise awareness of road risk and to provide them with tools for handling such risk. In this activity, the pupils experience safe riding, practice proper road crossing and are taught safety rules. In 2018, training was delivered in 200 schools throughout the country, attended by 68,000 pupils.
- ▶ **“Neighborhood Leaders”** – a two-year program for fourth to fifth graders in Jerusalem, who learn about their neighborhood and the school vicinity, through tours and meetings with related figures, as well as in school classes. The program goal is to empower the pupils and to intensify their sense of affinity, belonging and local pride in the neighborhood in which they live. The program is spearheaded by the Yad Ben Tzvi Institute.



## Promoting The Local Community

**As part of its activity in the community, the Bank sees the importance of reinforcing its ties with local community where the Bank operates. To this end, Bank Mizrahi-Tefahot is active in various communities in the vicinity of Bank centers, and is also involved in funding and social activity as part of its activity among neighboring communities.**

1. **Adoptive units** – Some 125 Bank branches and headquarters units adopt social organizations in their towns, that act on behalf of children and youth at risk. This includes regular activities to provide assistance and mentoring by volunteer employees, holding social events, unique activities in advance of holidays, using creative craft kits sent by “Mizrahi-Tefahot in the Community” and centralized activities for children well-being in various regions all across Israel.
2. **Community involvement in Lod** – A large headquarters building is located in Lod, where some 1,300 employees work. The Bank takes part in many activities in Lod.
  - ▶ **“Holylood”** – The Bank has sponsored, for the fourth year, a festival of social films and a competition for films by youths, written and produced by high-school students in Lod. The films were screened as part of the “Holylood” film festival, held in the city.

- ▶ **Pre-school center** – The Bank contributed to construction of a pre-school center, serving the Arab and Jewish populations who live close to the Chicago Youth Center in the city.
  - ▶ **“Melodica”** – The Bank sponsors the Melodica social club, which provides social activities to teenagers in Lod.
  - ▶ **“Volunteering for the community”** – Bank employees take part in various community activities and join volunteer organizations in school after-study clubs, in providing financial training to youngsters (The Money Road project) and in other municipal events, such as the Purim festival “ADLODYADA” and the Lod Race.
  - ▶ **Bar Mitzvah for Lod children** – A city-wide event for Bar Mitzvah and Bat Mitzvah children and their parents, that takes place in Jerusalem for the fifth year. This event includes a tour of the Old City and the Western Wall, and a festive ceremony at the end of this day, attended by the Mayor of Lod and Bank representatives.
- 3. Community involvement in Ramat Gan** – In Ramat Gan, in the building housing Bank management, there are 900 employees; the Bank takes part in diverse activities in this city.
- ▶ **Welfare daytime clubs** – All welfare daytime clubs in Ramat Gan are adopted and assisted by Bank units located at the Bank’s headquarters building in this city. In Hanukkah, a key event for all children in these daytime clubs took place at the

Ramat Gan Theater – with 300 children enjoying a performance of the “Cinderella” play at the Ramat Gan Theater.

- ▶ **“Theater Days”** – a project of Beit Zvi Theater in Ramat Gan, supported by the Bank, where pupils in schools adopted by Bank units enjoy an experiential day, including a performance by theater students, workshops and theatrical activities. In the 2018 school year, 150 pupils from 5 schools participated in these theater days.





## Support For NGOs And Social Businesses That Promote Social Causes



As part of its community involvement, Bank Mizrahi-Tefahot supports and promotes NGOs and social-oriented businesses that promote social innovation, so as to increase its influence to benefit the community:

- ▶ **“Business with value” project** – the Bank’s social venture program, in cooperation with the IVN Foundation supporting social businesses and NGOs that aid those with special needs in an innovative, ground-breaking way. As part of this venture, start-up social businesses or NGOs are invited to apply to take part and to benefit from a financial grant from the Bank and from professional assistance from experienced businessmen. In 2018, 100 businesses and NGOs applied, of which 4 NGOs were selected to receive professional assistance from Bank employees and business advisors on the following topics: Writing a business plan, organizational development, marketing, human resource management etc. These NGOs also received a financial award, for expanding their business, in conformity with the business plan. Below are examples of projects selected:

### Orthodox rhythm

This NGO supports under-privileged populations in the Jewish Orthodox sector, through use of the Brazilian martial art Capoeira, which combines movement and rhythm. This NGO is active in rehabilitation of youth and adapting work / study facilities for them, as well as helping in assigning them to appropriate units in the IDF. **In 2018, activities were attended by 100 youth, compared to 70 in 2017.**

- ▶ **“The Honeycomb”** – a home for the promotion and development of social projects that provide solutions to challenges faced by disadvantaged populations. The Bank joined as sponsor of the “Honeycomb” activities, both financially and through assistance, with the participation of managers at different stages of these ventures.
- ▶ **“Added Value” website** – The Bank launched the Added Value website – an online platform for products and services produced by 200 NGOs and social and environmental organizations that employ persons with special needs. This platform provides a unique store front for hundreds of social and environmental organizations, helping them gain exposure of their products and services to the public at large – both individuals and businesses. The objective of this venture is to connect potential customers and social organizations. In 2017, the website was made accessible by people with special needs.

- ▶ **“Recurring Story”** – The Bank has joined forces with the “Shekulo Tov” NGO in a joint project to operate a book lending venture for Bank employees, through an online library. In addition, **two libraries were established** in the Ramat Gan management building and in the Bank building in Lod, operated by members of “Shekulo Tov” who are being rehabilitated.
- ▶ **“Eran”** – The Bank, together with NGO Eran, has trained 24 employees to do volunteer work, providing a response to callers using the NGO online hot-line.
- ▶ **Seminar for NGO managers** – The seminar “Business Thinking and Planning”, held in 2018 and designed to help expand their business activity, **was attended by 60 NGO managers.**
- ▶ **“Creating from the Heart for the Community”** – For several years now, the Bank has been supporting the “Creating from the Heart for the Community” fair, held since 2010 during the Sukkot holiday at Mamilla Boulevard in Jerusalem. **At this fair, some 30 NGOs that employ people with special needs offer their products to tens of thousands of visitors.**
- ▶ **Buying gifts and giveaways from NGOs** – The Bank also buys gifts and other giveaways through these various NGOs and in the holiday season, employees are invited to purchase select products at sales events held at Bank headquarters and through the Bank’s intranet website.
- ▶ **“Tour De TROM” bicycle rally** – This initiative, launched nine years ago, has become a tradition at the Bank. This project is held in cooperation with the ILAN NGO sports center –

designed to raise funds for ILAN children. **In 2018, some 130 employees took place in the rally.**

- ▶ **Popular race at the Jerusalem Marathon** – This race is sponsored by the Bank in co-operation with the Israel Cancer Society, and **more than 440 employees and their family members take part in it in 2018.**
- ▶ **Passover Walk** – A walk for cancer research, **attended by 100 Bank employees and their families**, is being held for the ninth year.
- ▶ **“Adopt a Battalion”** – The Bank has adopted the Sayeret Matkal Battalion and conducted various activities with this unit. The Bank also hosted events for the unit, such as: Conference for departing soldiers, workshop for Operations Officers and others.
- ▶ **Total purchasing from social-oriented NGOs** by Bank employees at NGO fairs or through various Bank activities, **amounted to NIS 240 thousand in 2018, compared to NIS 190 thousand in 2017.**



Jerusalem marathon



Tour De TROM



## Promoting Financial Education



Being one of the top 5 banks in Israel, which impacts the economy and the market, we at 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, including tools for economic empowerment and proper budget management. Other activities in this framework include:

- ▶ **Mortgage workshops** –As the leading mortgage bank in Israel, we attach great importance to holding training sessions and workshops on this topic. These workshops provide participants with clear, professional information about the world of mortgages and tools to choose the most suitable track. These workshops are attended by Bank customers, even those who eventually decide to take out a mortgage elsewhere. We see it as our responsibility to provide the best tools for making such decisions, for anyone who wishes to do so. **In 2018 we conducted 10 mortgage workshops, attended by 940 participants, of which 8 workshops customized for the Jewish Orthodox sector.**
- ▶ **“Money Road” training kit** –A program which provides youth with training on financial issues. This kit is available on the Bank website, to assist a wider audience of teachers, instructors, counselors etc. to learn the content of this package and to train

youngsters in the content listed in this package. In 2016, the kit was translated into Arabic and made available on the Bank website. In 2018, “Money Road” kit training was delivered by students who received tuition scholarships from the Bank, in exchange for training groups of youths at high schools. We also developed the “Value of Money for elementary schools” kit, adapted for activities in elementary school classes. This kit is designed, inter alia, to Bank employees who wish to deliver activities at their children’s schools. **In 2018, this kit was borrowed by 90 Bank employees to deliver activities at their children’s elementary schools.**

- ▶ **Digital banking empowerment for older citizens** – In co-operation with the Bank of Israel, the Ministry of Social Equality and the Banking Association, extensive activity took place in 2018 to promote awareness and financial knowledge among retirees. As part of this activity, Bank representatives delivered talks at multiple cinemas across the country, and Bank customers were invited to Bank branches to receive in-person training about digital banking. Later, the Bank produced training brochures on this topic, to help Bank customers – user guide for Mizrahi-Tefahot website, user guide for Mizrahi-Tefahot app and details about service stations at branches. In 2019, the Bank would continue this activity, at branches and on the website. At the end of this process, we conducted a participant satisfaction survey, with the activity rated highly by respondents (rating scale from 1 to 5, with 5 being the highest rating):

- Clarity of information provided during meetings and how helpful is this information for using digital services – 4.5.
- Customer ability to use digital services after the meetings – 4.4.

▶ **Reinforce financial education for students and relations with institutions of higher education** – 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 Bank offers workshops on correct financial conduct for students, as part of the Tel Hai College Financial Counseling Center for Students “Breathe easy at Tel Hai College”, created in 2015 and sponsored by the Bank. This center employs students who have received a tuition scholarship and financial training from the Bank, and also delivers individual workshops and meetings to raise awareness of this topic.

In 2018, we delivered workshops on correct financial conduct attended by 70 students. Furthermore, in 2018, the Bank awarded 90 scholarships to outstanding students from disadvantaged populations (of Ethiopian descent, Jewish Orthodox, etc.) and as part of the link with Sapir College, the Bank expanded training of school students in Sderot by students who received scholarships from the Bank.

▶ **Mizrahi-Tefahot Small Business College in cooperation with the Israeli Management Center (“MIL”)** – the Small Business College, operated by the Bank together with the Israeli Management Center (“MIL”) offers two courses: a marketing course and a financial course. Each course consists of five sessions. Bank customers pay to attend these courses at



Reinforce financial education for students

price subsidized by the bank.

▶ **Financial meetings at branches throughout Israel** – In 2018, as part of the “Let us meet at Mizrahi-Tefahot” program, 22 financial meetings were held at branches throughout the country, in which 789 participants took part. The meetings were held in the evening, in a relaxed, pleasant atmosphere, and included lectures on deposits and savings, retirement advice, mortgages, family economics and capital market investment.

- ▶ **“Let us meet on the international stage” – a series of meetings for the business sector and for companies with foreign trade experts** – In December 2017 we launched a pilot for specific business-oriented meetings. The series of meetings on foreign trade issues takes place in the Bank’s business centers (in Haifa, Netanya, Petah Tikva and Beer Sheva). In each branch, a series of three different meetings takes place, on topics relevant to foreign trade. The content of these meetings was adapted to businesses and companies and participation at these meetings is open to the general public at no cost. **In 2018, we conducted 10 custom meetings for businesses on the world of foreign trade, attended by 360 participants.**

### Promoting financial education at Bank Yahav

- ▶ **“Another Lesson”** – As part of volunteer work by Bank Yahav employees with the “Another Lesson” NGO, 112 employees volunteered in 2018 to deliver 12 courses throughout Israel, imparting knowledge and tools for smart financial management, to 250 children.



## Promoting Education And Society

**In 2018, the Bank continued to promote education and society through the following activities:**

- ▶ **Community Leadership Development Center in Akko** – The Bank sponsored, for the third year, creation of the Community Leadership Development Center in Akko, jointly with the Administrative Excellence Institution in Israel. The Center develops, promotes and empowers a cadre of young leaders in Northern Israel, who are committed to influencing and community leadership, in their communities and throughout Israeli society.
- ▶ **“Birthright”** – Project Birthright is the most successful educational project in the Jewish world. The project objective is to reinforce Jewish identity and links to Israel among Jewish youngsters from around the world. The Bank has chosen to include employees in accompanying Project Birthright groups. The Bank, together with Project Birthright, identified 20 employees to join in accompanying 20 Project Birthright groups, where group members are graduates employed by various companies and organizations around the world, speakers of English, Russian and Spanish, aged 24-32. Bank employees who took part in this project joined the group members for a weekend, participated with them in all activities and represented the labor market in Israel.

- ▶ **Gathering the remains** – In 2018, Bank Mizrahi-Tefahot took part in a national campaign, in co-operation with Yad VaShem, to collect and save items and testimony from the Holocaust. As part of this activity, the Bank asked all employees and customers to document and record testimonies of Holocaust survivors, in order to tell their personal story and to preserve it for future generations.
- ▶ **Landmark events in Israeli society** – Bank Mizrahi-Tefahot promotes initiatives among employees to reinforce their sense of belonging to this country, acting to celebrate special events on the calendar, such as ceremonies for the Holocaust memorial day at Bank facilities, packing food packages during the month of Ramadan, taking part and making a donation for the “Lights of Hope flag” project of NGO Elem on Independence Day and so forth.
- ▶ **Promoting creativity and culture** – “Shenkar Flowers” – Supporting 80 teenagers with artistic skills, training them over the school year, through students from Shenkar College.
- ▶ **Scholarships for students of Ethiopian origin** – This year, as well, the Bank continued to provide scholarships for students of Ethiopian origin, as part of the connection with the Feuerstein Institute and the Hebrew University, established in 2014.





## “Let Us Meet At Mizrahi-Tefahot”



Bank branches are not merely a financial center, but also a meeting place. Aiming to be a human bank that strives to bring our customers closer to the Bank and to Bank branches, the Bank has created a social project designed to empower, enrich and bring residents in the vicinity of Bank branches to meet.

As part of the “Let us meet at Mizrahi-Tefahot” project, a wide range of activities are being offered at key Bank branches, by leading lecturers in their fields. These meetings are devoted to topics of general interest and enjoyment, are held in the evening in a relaxed atmosphere and customers of all banks, residents of the neighborhood and the general public are invited to attend at no cost.

### These are branches where “Let us meet at Mizrahi-Tefahot” activities took place in 2018:

**North Region:** Akko • Nahariya • Migdal Haemeq • Kiryat Atta

**Sharon Region:** Ir Yamim • Um El Fahem • Hadera • Raanana

**Dan Region:** Marom Nave • Rosh Haayin • Bar Ilan • Qafir

**Qasem • Givat Shmuel • RC Tarfon • RC Petach Tikva**

**Yehuda Region:** RC Jerusalem Geula • Beit Shemesh

**South Region:** Rehovot • Yavne • Barnea Ashkelon • Derech Metzada (BS)

**Central Region:** Kikar Hamedina • Ramat Aviv • Kugel Holon

A dedicated website is provided for this project, listing information about lecturers, lectures and activities for different audiences. Information about the project is also available on the Bank’s main website and

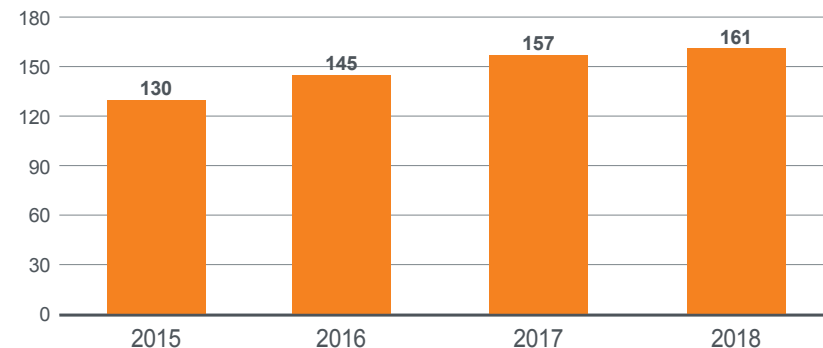
Facebook page, and is provided to customers and participants in previous events through a dedicated newsletter. Naturally, Bank employees, their families and friends are also invited to attend these meetings.

### In 2018 there were 96,526 visits to the “Let us meet” website!

In 2018, 161 meetings took place at 26 major branches around Israel, including meetings designated for the Arab sector and for the Jewish Orthodox sector, with content customized for these target audiences. **These meetings were attended by 8,620 participants.** This compares to 157 meetings held in 2017, attended by 7,100 participants.

In addition to these activities, 32 custom meetings of “Let us meet – Sixties” were held in 2018.

### Multiple “Let us meet” activities



The various activities are widely acclaimed, as reflected in participant numbers and in very high satisfaction ratings for these meetings, as reflected in feedback received at the end of each meeting – In 2018, similarly to 2017, satisfaction with the meetings remained high and was rated 4.8 out of 5.

## Refreshing The Content

In 2018, in addition to regular project activities, three series of meetings took place with a unique concept:

- ▶ **Activity “Celebrating Israel’s 70th”** – In March-May, at various branches, lectures were delivered by speakers whose personal story is directly linked to the State of Israel in various domains (sports, culture, defense and stories of a personal nature).
- ▶ **Activity “Public choice”** – In June-July, web users voted on the lecture topics they would be interested in hearing, and in October the selected lectures were delivered based on their votes.
- ▶ **Activity “Let us meet in the neighborhood for the culture and creativity month”** – In November, branches held cultural meetings consisting of discussions, lectures and intimate performances by Israeli artists and authors.

## Meetings Customized For Different Target Audiences

- ▶ **“Let us meet – Sixties “** – Understanding the needs of customers, we expanded the range of activities and adapted these meetings to retirees. Thus, we developed the series of meetings “Let us meet – Sixties”.

**In 2018, we conducted 32 customized, relevant activities** for retirees at 8 designated branches. These meetings included banking lectures as well as non-banking lectures on topics

adapted to retiree, along with general interest lectures.

**These activities were attended by 1,667 people**, more than twice their number last year (then attended by 700 people). Participants rated the activity very highly, both for content and organization.

- ▶ **“Let us meet” in the Arab sector and in the Jewish Orthodox sector** – In 2018 special activities were organized for the Arab sector and the Jewish sector, as part of the “Let us meet at Mizrahi-Tefahot” project, adapting the content and lecturers to the target audience. In this context, we conducted another 10 activities for the Arab sector at our branches in Um El Fahem, Kfar Kassem, Akko and Shefaram, as well as 15 activities for the Jewish Orthodox sector at our branches in Tarfon Business Center in Bney Brak, Bet Shemesh and Geula in Jerusalem.



## Community Involvement At Bank Yahav

**Empowering Youth of Ethiopian Descent** – In June 2018, the ZOOM Leadership Program was completed at the Branco Weiss school in Bet Shemesh. This program was created and delivered by the Fidel NGO, including development of a sense of identity and leadership among youths of the Ethiopian community, meetings with role models and guest lecturers, as well as academic assistance in core studies.

In 2018, Bank Yahav also conducted these activities:

- ▶ Established and assisted basketball teams for youth at risk, in co-operation with HaPoel Yahav Jerusalem.
- ▶ “Adopt an apartment” project – Joint activities with persons with mental disabilities, in co-operation with NGO AKIM in Jerusalem.
- ▶ Established and assisted cycling groups for children at risk, in cooperation with the “Shimshon Riders” NGO.
- ▶ Funding of judo and basketball classes at the SHALVE Jerusalem center for children and youth at risk and for children with disabilities.
- ▶ Support and assistance for boarding schools of “HaMifal” NGO for training of Israeli children.
- ▶ Support and guidance for youth in disadvantaged neighborhoods, in cooperation with “The sky is the limit” NGO.

- ▶ Support for the Juvenile Diabetes Research Foundation in Israel in their summer camp.
- ▶ Participation in the Tour De TROM bicycle rally, in co-operation with “ILAN” NGO.
- ▶ Volunteer work at kindergartens for children with special needs and for children at risk.
- ▶ Painting the homes of elderly people and volunteer work with Holocaust survivors.
- ▶ Collecting and donating food, school bags, costumes, coats and blankets.
- ▶ Visits to hospitals’ oncology, geriatric and children wards.
- ▶ Donation of equipment, furniture and computers.



## Community Involvement At Overseas Affiliates

Group activity in the USA (Los Angeles branch) in the community is focused on these activities:

- Volunteering in the Community** – In 2018, 10 employees of our US affiliate volunteered for 60 hours in their local community.
- Donations to social NGOs** that support social businesses and disadvantaged populations, to promote financial education, to promote education and social activity, and to empower children and youth. In 2018, the contribution amounted to USD 40,000.

In 2018, our London affiliate donated USD 6,100 to social organizations that support small businesses and disadvantaged populations and to promote other social issues.

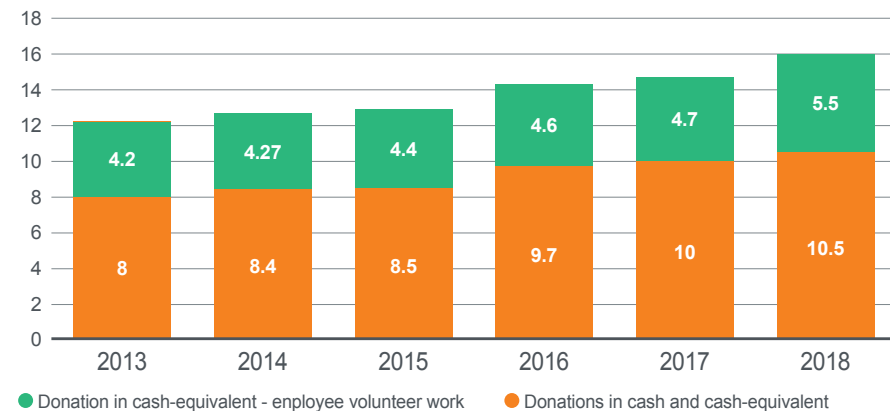


## Investing In The Community

In 2018, **total investment** in social community activities by the Group amounted to NIS 16.1 million, compared to NIS 14.7 million in 2017 (9.5% growth).

Total investment consists of total charitable donations, in cash and cash-equivalents, and costs associated with Bank activity in the community, which exceeds NIS 10 million (NIS 10,530,281), as well as the monetary value of employees' volunteer hours, valued at NIS 5.6 million (NIS 5,596,825)<sup>1</sup>. In addition to monetary donations, the Bank also sometimes donates equipment and infrastructure. In this context, Bank Yahav contributed furniture and computer equipment valued at NIS 170 thousand.

## Total Group investment in the community (NIS in millions)



## Employees Volunteer Work

In 2018, Group employees volunteered 28,691 hours for the community, compared with 28,834 hours in 2017, in 171 community and social organizations, projects and ventures.

1. The value of employee volunteer hours grew in 2018, even though the number of volunteer hours decreased by 0.5%, since the hourly wage in the Group increased.

## Involvement With Cooperation, Dialogue And Feedback

The outline of activities and involvement in the community is formulated through ongoing dialogue with social organizations and community partners. In this way, the group identifies needs, renews the social involvement program every year, and maximizes its resource investment for the community. Moreover, all projects are subject to close monitoring and assistance by the Bank, to ensure that charitable donations end up where intended.



<p><b>Local authorities</b></p>	<p>The Bank is in constant contact with the welfare and education departments at many local authorities across Israel, in order to develop projects and to identify social organizations that may be adopted by Bank units, as part of their regular community involvement. Together with these, the Bank reviews and plans the investment plan for the relevant venture, such as adoption of welfare daytime clubs in Ramat Gan by Bank units, or sponsoring of municipal programs, such as the local leadership program in Akko or the social film festival in Lod.</p>
<p><b>Trade receivables</b></p>	<p><b>“Partners by Choice”</b> – This project allows Bank customers to take part in voting on which NGOs, that provide for children and teenagers, would receive a Bank donation of NIS 500 thousand. In this project, now in its eleventh year running, the Bank contacts its customers and asks them to vote for their preferred NGO. The Bank and the selected NGOs deliver joint projects designed for the benefit of children and teenagers. In 2018, customers chose the following NGOs: Or Yarok, Or Shalom, Enosh, Shanti House, Israel Cancer Association, Zichron Menachem, Krembo Wings, Ezer MeZion and Ezra Lemarpe.</p>
<p><b>Employees</b></p>	<p><b>“Your Vote Counts”</b> – This project allows Bank employees to take part in the decision as to which NGOs would participate in the project and which ones would benefit from the Bank’s contribution amounting in total to NIS 100 thousand. The Bank and the selected NGOs deliver joint projects designed for the benefit of youth at risk and persons with special needs. In 2018, employees chose the following NGOs: ALYN hospital, Larger than Life, Friends of Medicine, First Hug, Ahava Children and Youth Village, Lend a Hand, Pa’amonim, Refuah VeChaim, Simcha Layeled and SHEKEL.</p>
<p><b>Social NGOs and organizations</b></p>	<p>In order to identify needs, the Bank is in constant dialogue with social NGOs and other organizations. As a result, we initiate projects in response to these needs, such as the “Partners by choice” project, “Friends of medicine” and “Green Light for Children”, which were described in detail in this chapter.</p>

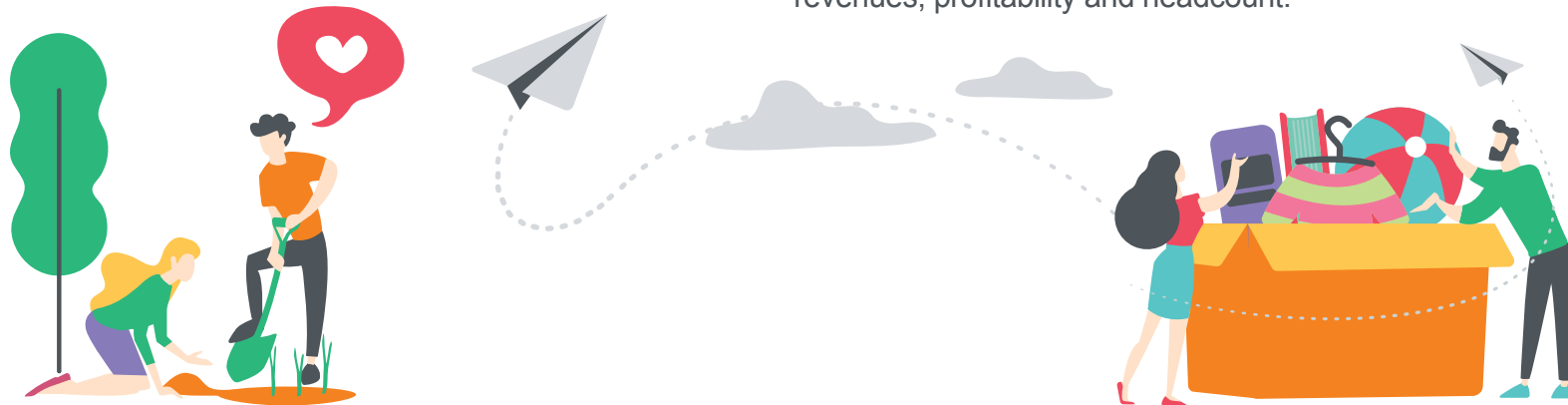
## Measuring Activity Effectiveness And Impact

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:

- ▶ **Surveys and feedback questionnaires** – The Bank sends out surveys to relevant respondents after activities are completed, to evaluate participant satisfaction in the interest of constant improvement. Thus, for example, surveys are sent to NGOs that took part in the “Heart-felt creation for the community” fair, feedback questionnaires are sent to Bank employees who took part in the Tour De TROM bicycle rally, and a dialogue takes place with NGO managers who took part in the seminar delivered to them. The Bank also maintains a constant dialogue with representatives of the social organizations where employees do volunteer work in the “Adoptive Units” project, through questionnaires and visits which review, inter alia, their satisfaction with the volunteer work and with their relationship

with the Bank unit. The data collected in 2018 indicates that satisfaction of social organizations where Bank employees volunteer remains very high, with demand to expand operations with additional volunteering employees.

- ▶ **Lesson learning process** – Upon completing a major activity, the lesson learning process takes place with all relevant parties, based on feedback received from people in the field. After the lesson learning process, changes and improvements are made to future planned activities.
- ▶ **Activity and outcome review** – For major projects conducted by the Bank, after the activity we receive reports to summarize the activity outcome vs. pre-defined goals. For example, after the year’s activity and support for social-oriented businesses by the “Business with value” project, we monitored the development and improvement of those businesses by using different parameters. The findings showed that ventures which participated in this project have increased their average monthly revenues, profitability and headcount.



## Communicating About Activities And Invitation To Join Them

The Bank communicates its social activities to employees and customers and invites them to take part in various activities:

- ▶ **Bank website** – Activities are listed on the Bank website, as a platform for including customers in various social projects (examples: Invitation to the “Heart-felt creation for the community” fair, enrollment in the Jerusalem marathon, a project for collecting medications for the “Friends in Medicine” NGO, promotion of the ZAZIM project, publication of the gift food fair around the Purim holiday, publication of a call for action for the “Business with value” project.
- ▶ **Intra-organizational dialogue** – The Bank maintains a constant dialogue with employees, through internal communications and by listing the diverse activities on the “Mizrahi-Tefahot in the Community” website.
- ▶ **Calendar** – A calendar is printed annually and distributed to all Bank employees. This calendar lists the projects and activities by employees who volunteer throughout the year.
- ▶ **Recognition for volunteer employees** – Bank management values and appreciates employee involvement in the community and regards this as part of the organization’s values. Once every two years, an evening of appreciation is held for volunteer employees and during the annual balance sheet conference, management recognizes outstanding branches and units for their contribution to the community.

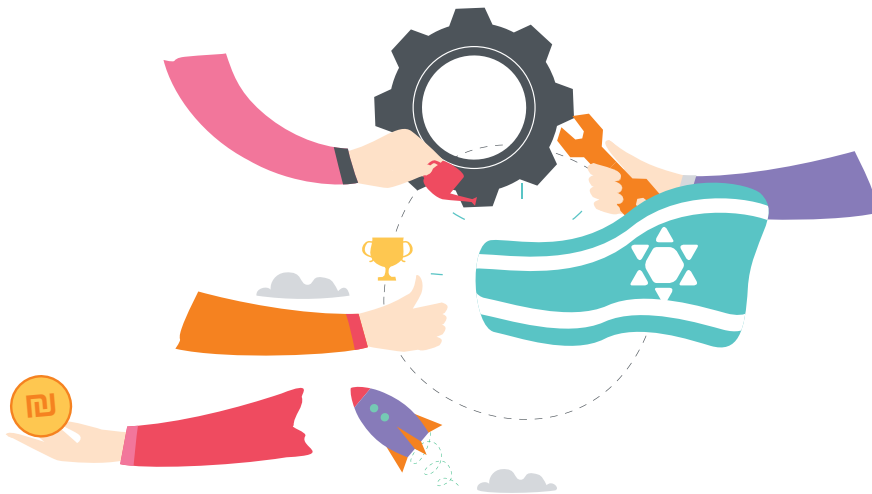
- ▶ **During the corporate social responsibility week** held by the Bank in June 2018, photos and video clips were screened at key locations around the Bank, showcasing the Bank’s activity within the community.



recognition for volunteer employees



# Reinforcing Israel's Economy Through Responsible Supply Chain Management



The Bank generates direct economic value to its stakeholders and indirect economic value to companies and suppliers in the Bank's indirect supply chain. As part of orderly and responsible management of the Bank's supply chain, the Bank is in constant dialogue with its suppliers, through in-person meetings and visits of Bank representatives to suppliers, designed to verify, inter alia, aspects of maintaining basic human rights in the supplier treatment of their staff. Every contract signed by the Bank includes a clause whereby the supplier or contractor commits to lawfully employ their staff, pay their wages, ensure their rights subject to all binding legal norms and avoid any type of discrimination. Furthermore, as part of the considerations for selecting suppliers, the supplier's approach towards aspects of environmental responsibility are taken into consideration.

Responsible supply chain management is applied as follows:

- ▶ **Control of lawful employment by suppliers** – Visits to premises of major suppliers of the Bank, review of these suppliers based on criteria specified by the Bank. Any supplier that fails to meet the criteria is liable to have their contract terminated.



- ▶ **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.
- ▶ **Promoting local purchasing** – Given its responsibility to reinforcing the Israeli economy, it is Bank policy to prefer local suppliers (“Made in Israel”), so that the great majority of purchasing by the Bank is made from local suppliers.
- ▶ **Prioritizing suppliers** – Being accountable to Israeli society, the Bank maintains a policy that prioritizes suppliers who contribute to the community and operate based on an internal Code of Ethics. Also giving priority to procurement of equipment with a high energy efficiency rating.

Procurement is managed at the Bank by the Logistics Department of the Human Resources and Administration Division.

## Responsible Supply Chain Management

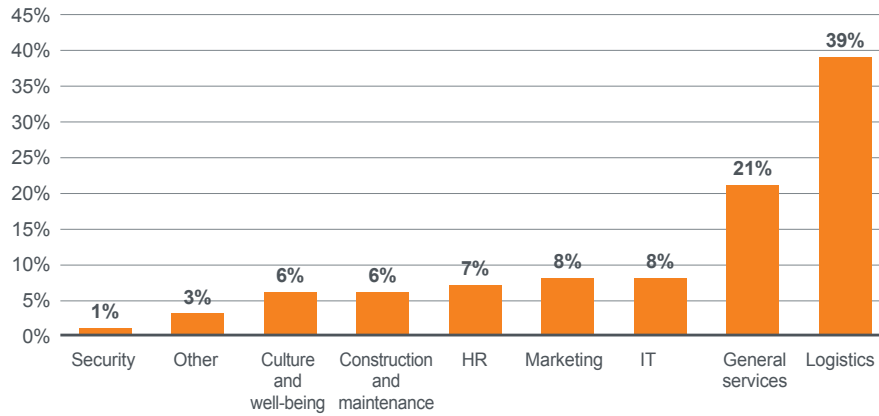
Mizrahi-Tefahot Group has significant impact on Israel's economy, and as such it attaches great importance to orderly and responsible supply chain management. In conformity with Group policy and its responsible supply chain concept, the Group generally prefers to do business with local suppliers. The Bank has an agreed payment policy with suppliers and the Bank ensures timely payment to suppliers, as agreed and committed to ahead of time.

### Preference For Local Suppliers

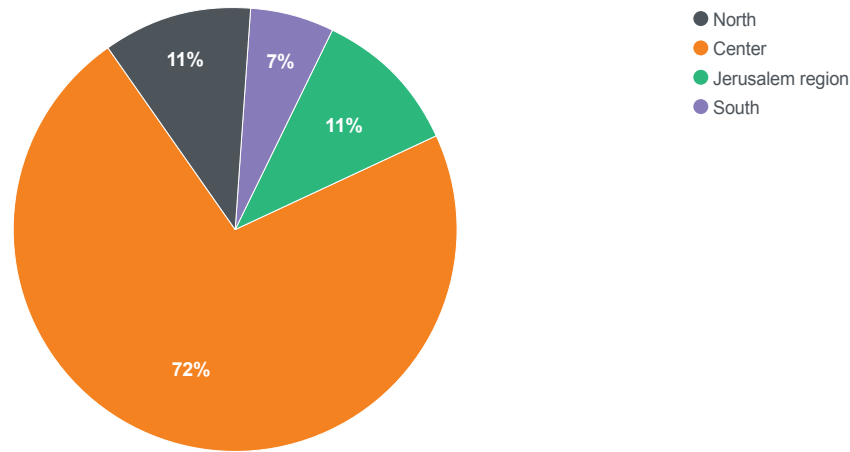
The Group has a policy in place for preferring local suppliers. The Group receives services from 3,300 active suppliers (including 870 at Bank Yahav), of which 380 new suppliers. Of these, **95% are Israeli suppliers and of those, 18% are from outlying areas.** These are construction and maintenance contractors, landlords and management companies, equipment suppliers (office equipment, printers, auto leasing, telephones, computers, computer equipment etc.) and service providers (consultants, designers, supervisors, computer and information security service providers and cleaning service providers).

**In 2018, total purchase orders created by the Group for suppliers amounted to NIS 1.2 billion.**

### Composition of Group procurement by area



### Composition of Group suppliers by geographic location



**Prioritizing responsible suppliers** – 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 and safeguarding employee rights. We take into consideration different parameters for our suppliers. For example, does the business comply with work health and safety regulations. Considerations for supplier selection include parameters such as contribution to the community and adhering to a Code of Ethics.

### Ensuring Human Rights And Compliance With The Law

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.

## Supplier Control

As from 2013, the Bank's Logistics Division Manager and Purchasing Manager visit premises of major Bank suppliers. Over the 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. Any supplier that fails to meet the criteria is liable to have their contract terminated.

**Control of employment terms of outsourced employees** – In accordance with the law, the Group makes sure that the employment terms of outsourced employees (cleaning, security and catering staff) are verified by a certified wage reviewer. As at the end of 2018, all the suppliers with whom the Bank works in these areas complied with the provisions of the law that were examined. Employees can use an anonymous, discreet mechanism to report violations and non-compliance by their employers.

**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, significant contracts signed with architects and supervisors include a specific clause forbidding them from accepting any direct or indirect benefit from any third party. and online banking risk.

**Safety** – The Group constantly acts to control and guide employees and suppliers on safety issues.

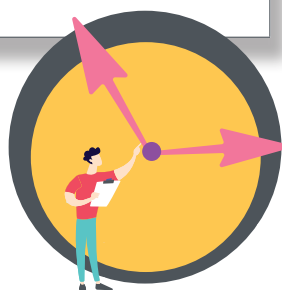


## Looking Forward

### ► Achievement Of 2018 Goals








Goal	Status
Increase activities of "Let us meet at Mizrahi-Tefahot" by 5%	Done
Develop a financial education training kit for fourth-sixth graders	Done
Expand the "Leading Neighborhood" project in the Ramot neighborhood	Done
Expand the number of participants in the "Young Summer" project by 10%	Done
Produce an evening honoring employees who volunteer in the community in 2018	Done
Random visits to 5 major suppliers	Done



### ► Goals For 2019



 <b>1</b> מיזור העזרי Co-operation with NGO Pa'amonim to enhance financial education.
 <b>4</b> מיזור אחי Expand the "Leading Neighborhood" project in the Talpiot neighborhood.
 <b>10</b> מיזור העזרי Continue "Let us meet at Mizrahi-Tefahot" activities and create in-depth activities on general topics and on financial topics customized for various segments.
 <b>17</b> מיזור העזרי Expand the number of participants in the "Young Summer" project by 5%.
 <b>17</b> מיזור העזרי Produce an evening honoring employees who volunteer in the community in 2019.

# Investing In Employees



## Investing In Employees Overview

**63.5%** women

Of all Group employees

**50%** female  
managers

Of all Group managers

**42%** female  
senior executive

at Bank Mizrahi-Tefahot

**95%**  
promoted  
internally

Employees and managers promoted to management positions, as percentage of Bank employees

**75%**  
of Bank employees  
with a university  
degree

**286,590**

training hours

Delivered to all Group employees in 2018

**45.6** hours per worker  
on average

Increase in average training hours per employee

**6,444** employees

were employed in the Group in 2018

Average age - **40.2**  
of Bank employees

**12.7** years

Average seniority at  
Mizrahi-Tefahot Bank



# Mizrahi-Tefahot Employees



Bank management regards all Bank employees and managers as a key component for achieving its business strategy and growth objectives for operations and profitability. Human resources at the Bank are managed on two levels:

- ▶ Services to individual employees, from recruiting through ongoing services and up to retirement.
- ▶ Human resource development at the Bank in all relevant aspects.

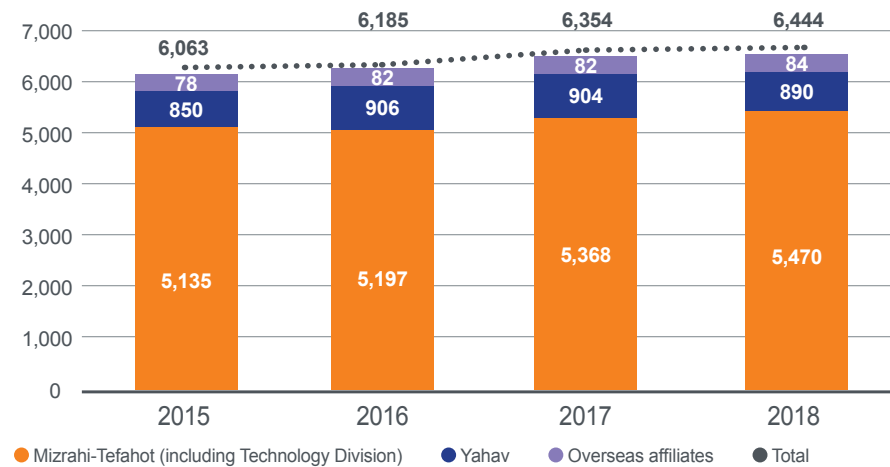
This area is managed by the Human Resources and Administration Division.

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 and sought after place of employment.

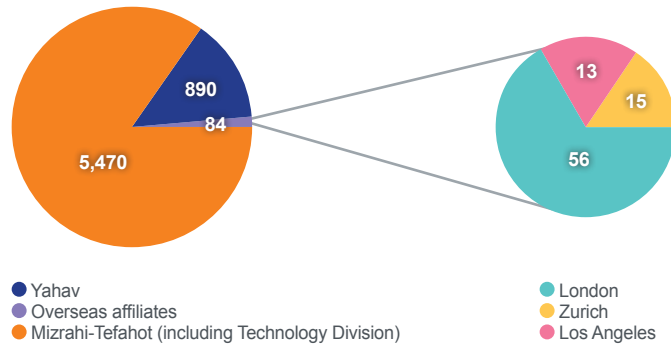
## Further Expanding The Family

Mizrahi-Tefahot Group continues to grow from year to year, and therefore the number of Group employees grows accordingly. As of the end of 2018, the Group employed 6,444 employees and managers:

### Number Of Group Employees:



Total Group employees (at end of 2018)



## Age Of Employees And Managers

The average age of Bank employees (excluding the Technology Division) is 40.2, and the average age of all Group employees is 40.7. Most Group employees (58%) are aged 31-50; 21% of Group employees are aged 30 or younger and 21% of Group employees are aged 51 or older.

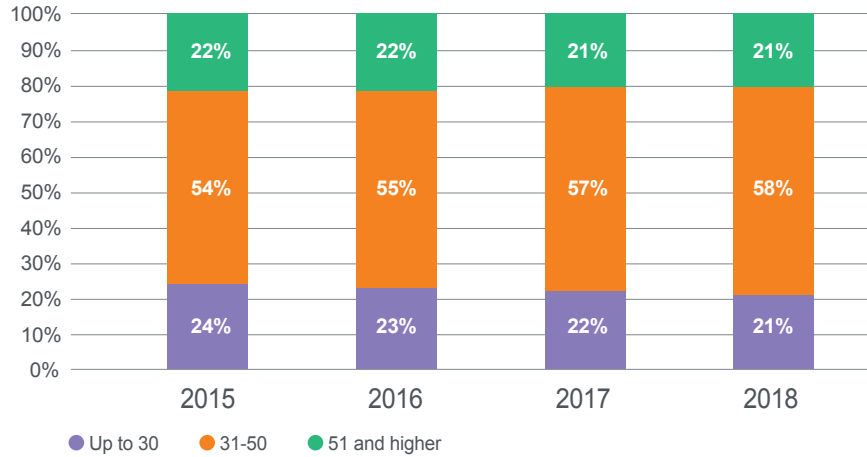
Human Resource Data	2017			2018		
	Female	Male	Total	Female	Male	Total
Managers	590	626	1,216	614	636	1,250
Employees	3,424	1,714	5,138	3,479	1,715	5,194
Headquarters	1,331	1,059	2,390	1,364	1,086	2,450
Branches	2,683	1,281	3,964	2,729	1,265	3,994
<b>Total</b>	<b>4,014</b>	<b>2,340</b>	<b>6,354</b>	<b>4,093</b>	<b>2,351</b>	<b>6,444</b>

Of all Group employees, 93% were full-time employees and the others were part-time employees. Most of the part-time employees are students, who work at the Banking Center (call center).

	Age Group	2017			2018		
		Female	Male	Percentage Of Total Employees	Female	Male	Percentage Of Total Employees
Non-managerial position	Up to 30	1,028	343	22%	1,025	301	21%
	31-50	1,821	999	44%	1,890	1,058	46%
	51 and higher	575	372	15%	565	357	14%
Group managers	Up to 30	15	3	0.30%	12	7	0.29%
	31-50	440	337	12%	454	359	13%
	51 and higher	135	286	7%	147	269	6%
Total employees	Up to 30	1,043	346	22%	1,037	308	21%
	31-50	2,261	1,336	57%	2,344	1,417	58%
	51 and higher	710	658	21%	712	626	21%



## Percentage of Group employees by age group



## Composition By Geography

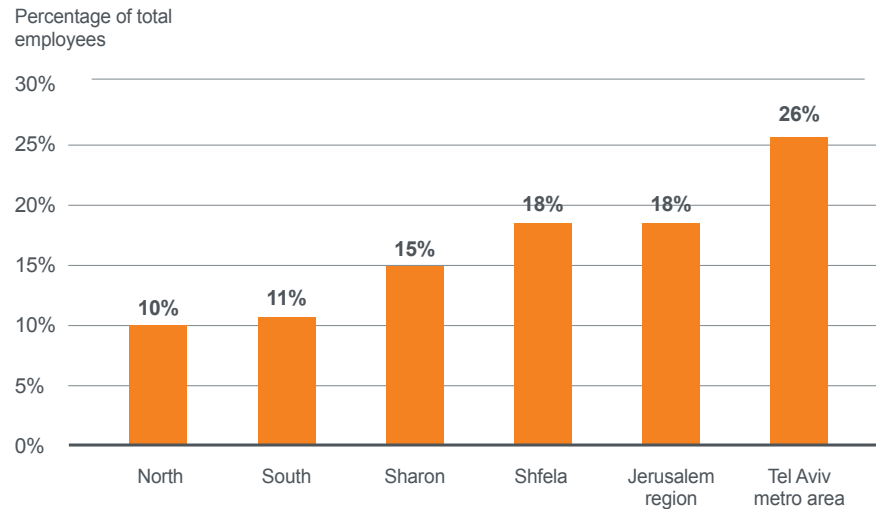
98.7% of Group employees live in Israel (6,360 employees and managers), **26% in the Central region, 18% in Jerusalem and surrounding areas, 11% in the Southern region, 18% in the Shfela region and 10% in the Northern region.**

1.3% of Group employees are employed by overseas affiliates (84 employees and managers) – in London, Switzerland and Los Angeles. The great majority of these are local employees. Strict hiring of locals for management and other roles at Bank overseas affiliates. Thus, local employees account for two thirds of management at the Switzerland subsidiary; 90% of management at the London branch; and 100% of management at the Los Angeles branch.

	Region In Israel	Number Of Employees	Percentage Of Total Employees
Israel	South	719	11%
	Jerusalem region	1,186	18%
	North	663	10%
	Shfela	1,177	18%
	Sharon	916	14%
	Tel Aviv metro area	1,699	26%
<b>Total – Israel</b>		<b>6,360</b>	<b>98.7%</b>
overseas affiliates	UK	56	0.9%
	Switzerland	15	0.2%
	USA	13	0.2%
<b>Total – overseas affiliates</b>		<b>84</b>	<b>1.3%</b>
<b>Total – Mizrahi-Tefahot Group</b>		<b>6,444</b>	<b>100.0%</b>



## Mizrahi-Tefahot Group employees in Israel by geography, in 2018:

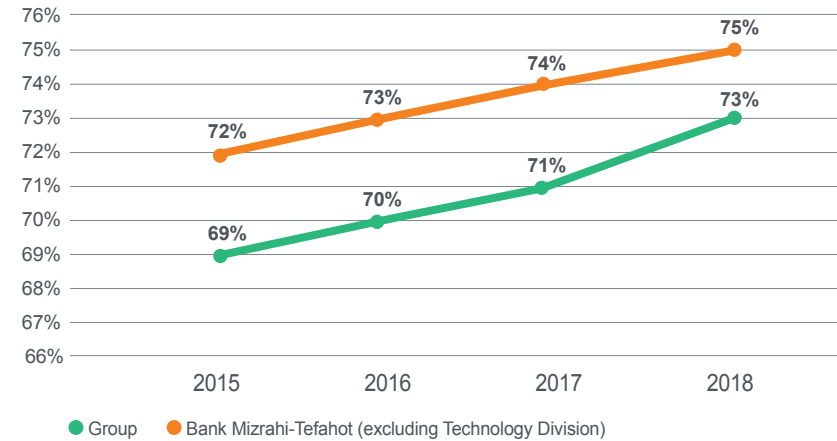


## Education

The share of Group employees who hold a university degree grows annually – In 2018, the share of Bank Mizrahi-Tefahot employees (excluding the Technology Division) who hold a university degree was 75% and 9.5% were university students. **For the Group in 2018, the share of Group employees who hold a university degree was 73%** (compared to 71% in 2017).



## Percentage of employees with 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 Day 1, therefore the Bank does not employ any contractors through service providers or labor companies. This policy also applies, naturally, to banking center employees, most of whom are students characterized by a higher turnover. However, from time to time, the Bank receives services from labor companies, to support project operation for a limited time – and only a small number of such contractors.

## Employee Turnover

The Group strives to maintain a low turnover rate among employees, and even to reduce it. Employee turnover is affected by Bank policy of employing all of its employees as regular employees, including banking center employees, most of whom are students characterized by high turnover. Therefore, the turnover rate at these centers is relatively high and affects the turnover rate for the entire Group.

**Turnover rate for the Group in 2018 (excluding Banking Centers) was 8%**, compared to 7.4% in 2017. The overall turnover rate for Mizrahi-Tefahot Group (including Banking Centers) in 2018 was 10.7%, compared to 9.4% in 2017. The turnover is relatively high among employees aged 30 or lower, which may be explained by the fact that a significant proportion of these are call center employees, which, as stated, are regular Bank employees.

The table shows the turnover rates for each age bracket, an indication that the Group is a constantly desirable work place for young employees. **Data in this table excludes banking center employees.**



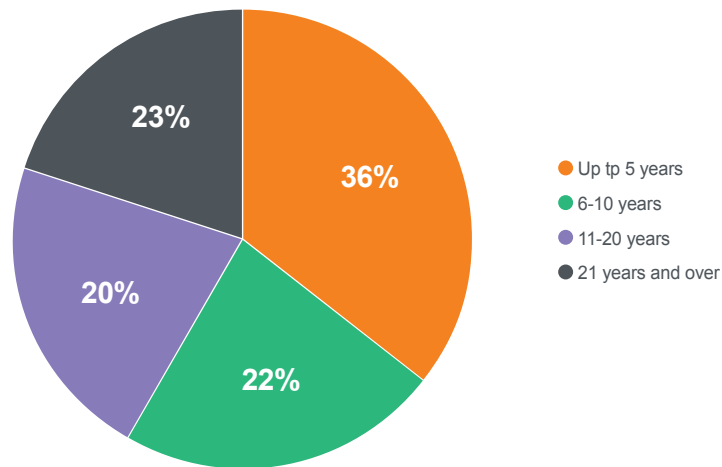
	Age Group	2017 <sup>1</sup>		2018	
		Employees And Managers Hired By The Bank	Employees And Managers Who Departed (Terminated / Resigned / Retired)	Employees And Managers Hired By The Bank	Employees And Managers Who Departed (Terminated / Resigned / Retired)
Male	Up to 30	89	66	102	54
	31-50	84	70	111	88
	Above 51	6	44	6	58
<b>Total – male</b>		<b>179</b>	<b>180</b>	<b>219</b>	<b>200</b>
Female	Up to 30	211	128	227	147
	31-50	92	104	94	114
	Above 51	3	24	4	58
<b>Total – women</b>		<b>306</b>	<b>256</b>	<b>325</b>	<b>319</b>
<b>Total – up to 30</b>		<b>300</b>	<b>194</b>	<b>329</b>	<b>201</b>
<b>Total – 31-50</b>		<b>176</b>	<b>174</b>	<b>205</b>	<b>202</b>
<b>Total – 51 and higher</b>		<b>9</b>	<b>68</b>	<b>10</b>	<b>116</b>
<b>Total</b>		<b>485</b>	<b>436</b>	<b>544</b>	<b>519</b>

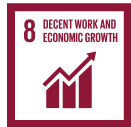
1. Data in the 2017 Corporate Social Responsibility Report included data for call centers, and are therefore not in line with data presented in this Corporate Social Responsibility Report.

In 2018, 544 new employees and managers joined the Group, of which 219 men and 325 women. In this year, 519 employees and managers departed the Group, of which 200 men and 319 women. These figures reflect success in retention of employees and managers, along with expansion and new positions available for hiring, mostly for new hires starting out on their banking career.

**Seniority** – 36% of employees are new employees at the Group (up to 5 years), along with employees who have been with us for over 21 years and constitute 23% of the workforce. The diversity 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 12.8 Years**

### Composition of Group employee seniority as of 2018





# Promoting Fair Work Environment And Employment Terms

As part of Bank commitment to its staff, a special policy document was created with regard to care for human resources. This commitment is reflected by implementation of three key principles in Bank operations:

- ▶ **Creating a respectful work environment** – 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.
- ▶ **Caring for employee rights** – The Bank ensures the rights of all employees, as well as their right to join a labor union. The Bank offers its employees better working conditions than required by labor laws.



- ▶ **Caring for employee well-being** – Employee well-being is managed as follows: Creating well-being support for Bank employees and their families, an extensive health care plan for employees, an organizational culture which supports recognition and allows for optional leisure activities – based on the understanding that such balance generates value for both the employee and the Bank.

**Ensuring employee rights** – The Bank maintains a continuous dialogue with employees and with employee representation and ensures that employee rights are maintained. Labor relations with managers and employees are governed by the collective agreement with each sector’s representative labor union.

The Bank informs employees in advance of organizational changes, so that all parties involved may find the optimal solution in full co-operation. All re-organization takes place with professional assistance, sharing change leadership with managers. Upon termination, the advance notice period takes into consideration the employee’s needs and system constraints – but no less than required by law.

## Ensuring Employee Rights

The Bank ensures the rights of employees – and human rights in general. The Bank does not employ children nor practices forced labor. Moreover, the Bank ensures that suppliers engaged by the Bank are also meticulous about safeguarding employee rights.

### Management-Employee Relations And Ensuring The Right Of Association<sup>1</sup>

Collective bargaining agreements apply to 94% of Bank Mizrahi-

GRI index response 102-41

**Tefahot employees, 90% of Technology Division employees and 89% of Bank Yahav employees.** All other Bank employees are employed in conformity with individual employment contracts.

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.

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

**The following key events in management-employee relations took place in 2018:**

- ▶ **Economic Arbitration 2005-2015** – In 2018, the economic arbitration for 2005-2015 continued between Mizrahi-Tefahot management and employee representation. The arbitration decision was made public in January 2019.
- ▶ **Collective bargaining agreement with Managers’ Association** – In December 2018, a collective bargaining agreement was signed with the Managers’ Association, effective through 2022.
- ▶ **Collective bargaining agreement with the Technology Division Employee Union** – In August 2018, a collective bargaining agreement was signed with the Technology Division Employee Union, effective through 2021.



## Ensuring Wages And Social Benefits In Conformity With Legal Requirements

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

**Increased social benefits** – The vacation pay to Bank employees is higher than required by law, as is their number of sick leave days.

**Parental Leave** – By Law, Employees Returning From Parental Leave Are Assigned Their Old Job, And Any Changes Are Made In Strict Coordination With The Employee. In 2018, 533 Female Employees And 4 Male Employees Went On Parental Leave, And 239 Female Employees And 4 Male Employees Returned From Parental Leave.



### Mizrahi-Tefahot Group Employees – Parental Leave Data<sup>1</sup>

	2017			2018		
	Female	Male	Total	Female	Male	Total
Took parental leave	498	5	503	533	4	537
Of which, number of employees who resumed their work after completing parental leave	244	5	249	239	4	243
Took parental leave during the year and remained on parental leave / unpaid leave at the end of the calendar year <sup>2</sup>	-	-	-	265	-	265
Number of employees who took parental leave in 2017 and remained employed 12 months after resuming their work	235	-	235	219	3	222
Took parental leave during the year and chose not to resume their work <sup>2</sup>	-	-	-	29	-	29

1. Data excludes overseas affiliates

2. In 2018, data collection was improved, hence the data is not comparable to previous years

## Reducing Wage Gaps

As from October 12, 2016, the maximum remuneration payable to Bank employees is subject to the restrictions stipulated in the Remuneration Act (as set forth in the chapter “Commitment to accountable conduct” – Remuneration Policy, p. 115). Terms of office and employment of the Bank Chairman and of the Bank President & CEO, which have been adapted to limitations stipulated in the Remuneration Act (i.e. the ratio of their anticipated remuneration expense, as defined in the Act, to the expense for the lowest remuneration of a full-time position paid by the Bank, directly or indirectly, must be less than 35), have been approved by the General Meeting of shareholders on February 14, 2017.

## Promoting Employment Security

The Group strives to promote employment security among its employees as follows:

- A. After a relatively short time of only 3 years, the Bank decides to grant tenure to employees, in accordance with the relevant procedure. **As of the end of 2018, 71% of Bank employees have tenure (70% of Group employees).**
- B. Career development tracks and creation of a long-term employment horizon for Group employees.
- C. The collective bargaining agreement provides a solution in cases of downsizing due to streamlining.

	2017			2018		
	Female	Male	Total	Female	Male	Total
Fixed	2,822	1,619	4,441	2,872	1,607	4,479
Provisional	1,022	451	1,473	1,047	451	1,498
Other	170	270	440	174	293	467

## Employee Remuneration

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

- ▶ **Promotion** – Once a year, in accordance with the recommendation of management, the Board of Directors decides on promotions 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 on provisionally employment 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 targets 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.

- ▶ **Wage increase bonus and ROE bonus** – The Bank pays its employees subject to the collective bargaining agreement, during the term of this agreement, a variable bonus based on achievement of return on equity targets. In addition, part of the ROW bonus will become fixed as a fixed wage increase, subject to achievement of minimum ROE.
- ▶ **Outstanding employees** – The Bank recognizes outstanding employees with special attention. Outstanding employees receive recognition in front of the entire Bank management, in presence of the Bank President & CEO, in an impressive ceremony. 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.
- ▶ **Efficiency improvement suggestions by employees** – The Bank attaches great importance to promoting innovative initiatives and in improving work processes and customer service processes. 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 by the Bank and awards are given to those who made these suggestions. These awards are presented at a grand ceremony, attended by the Bank President & CEO. This is a positive tradition very successfully deployed at the Bank, which is an important value in the Bank’s organizational culture.

**In 2018, employees submitted 1,350 improvement suggestions.**

## Caring For Employee Well-Being

### Employees’ Benefits

The Bank emphasizes three 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 regular and provisional 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 In 2018, we also delivered gifts to all Bank employees in honor of the 70th Independence Day of Israel.

- ▶ **Employees' family circle** – benefits for life events of employees and their families. This includes gifts given at events such as birthdays, bar / bat mitzvahs, weddings, births, etc., as well as upon starting in first grade and starting military / national service.

Bank employees also enjoy a range of other benefits:

- ▶ **Banking benefits** – Bank employees also enjoy various benefits in management of their bank account and credit facilities and loans at preferential terms.
- ▶ **Benefits for the family** – subsidized day care and kindergartens for employees' children and tuition reimbursement for their children's higher education.
- ▶ **Eligibility for study fund.**

**Help in times of crisis** – As part of our concern for the family circle, unit managers, with help from Human Resources, accompany and support the employee and their immediate environment when facing difficulties and in times of crisis. In addition to the Bank's support in crisis situations, 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.

**Saluting employees serving on the Military Reserve** – In 2018 we delivered a gift to employees serving on the Military Reserve

for longer than 5 days. The Bank also recognizes those in the Army reserve at the meeting of all Bank managers.

**Israel Trail** – Bank employees are invited, once a month and at a nominal cost, to walk the Israel Trail, guided by tour guides. In honor of the 70th Independence Day of Israel, we held special trips to Reches HaShayarot and to Atlit. We also conducted training and a photography workshop in Mazkeret Batya, a tour of Lachish Park during the holiday of Sukkot and a family tour of Lake Nitzanim Park on Election Day. In 2018, 800 employees and family members took part in this activity.



**Summer events** – In 2018, some 2,500 Bank employees and their families attended a special summer event.

**Good film club** – Employees and their spouses are invited, for a token cost, once a quarter to watch a selected movie at one of several cinemas around the country, along with a lecture and light refreshment. Bank retirees are also invited to take part in this activity, through the Retiree Council. In 2018, 3,500 employees and family members took part in this activity.

## Maintaining A Healthy Lifestyle



As part of promoting a healthy lifestyle among employees, in 2018 we held **healthy cooking workshops** at 7 different locations across Israel, attended by 350 employees, who received tips on healthy diet and enjoyed the experience of cooking together.

- ▶ **General lectures for employees** – During the year, lectures about CPR, ergonomics and cyber topics are delivered to enhance the general knowledge of employees in these areas.
- ▶ **Fun team-building days** – The Bank makes sure that employees go on fun days and team-building activities, which are an opportunity to break out of the routine, relax and re-charge.
- ▶ **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.
- ▶ **Marathons** – The Bank encourages employees to take part in marathons around Israel and contributes towards the cost of enrollment in these marathons, such as the Jerusalem

Marathon, Marathon to Increase Awareness of Cancer, Lod Marathon and the Tour De Trom bicycle rally, attended by over 780 employees and their family members.

- ▶ **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. In 2018, representatives of these teams took part in the Eilat Sportiada sports games. We also conducted a musical soiree for all of the Bank's sports teams, attended by the Bank President & CEO, to encourage and promote employee participation in these teams.
- ▶ **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.
- ▶ **Awareness of disease and plagues** – 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.
- ▶ **Well-being Manager** – The Bank appointed a Well-being Manager, tasked with contacting employees who are seriously ill, supporting their requests and needs and assisting employees whose family requires financial assistance for medical treatment.
- ▶ **Blood donation** – From time to time, the Bank, in cooperation with the Blood Bank, conducts blood donation campaigns among Bank employees.

## 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. Therefore, 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.
- ▶ **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.

- ▶ **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)** – Employees confirmed for 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.

Employees nearing retirement or early retirement are invited to attend a retirement workshop. In 2018, those retiring were also invited to an experiential tour. Retiring employees are eligible to benefits in account management, holiday gifts as well as cultural events organized by the Retiree Council.

**In 2018, 55 female and 54 male employees retired after many years of diligent service with the Group.**

## Benefits For Bank Yahav Employees And Retirees

Bank Yahav provides these employee benefits: Eligibility for study fund, summer camp, scholarships, student dormitories, newspapers, vacation pay, annual bonus, benefits from the well-being Fund and clothing allowance. They are also eligible to receive benefits and bonuses on holidays and upon certain events, such as a bonus to mark 25 years of seniority, gifts on holidays, gifts for personal events and so forth.

Bank Yahav offers an increased severance pay track for employees taking early retirement. 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. The Bank offers a contribution towards payment of a retirement advisor's fee to employees with over 30 years' service.





## Maintaining Employee Safety

The Bank attaches great importance to maintaining employee safety, health and security – as an integral part of employment conditions and care for Bank employees. The Bank has appointed a special manager to manage health and safety issues, as required by law.

One key aspect of employee safety is road safety. The Bank makes sure to deliver training to employees who use a company car or a leased company car about the car’s safety systems and careful driving. As part of the concern for employee transportation safety, the Transportation Safety Officer sends out periodic emails with current updates on winter driving, driving during the holidays etc.

**Work-related accidents down by 63%** – in 2018 there were 15 work-related accidents on the way to, from, or during work, compared with 41 in 2017. The Bank will continue to act to further reduce the number of accidents in future.

As from 2016, the Bank sends annually a postcard to employees whose children reached the legal driving age, providing tips on accompanying a new driver. In this postcard, the Bank provides parents of new drivers with tips on the following: Safe driving and adapting your driving to conditions around you.

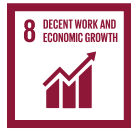
## Absence Data (In Days) In 2018

		Paid leave	Military reserve service	Sick leave taken	Absence rate due to sick days
Mizrahi Tefahot	Female	54,622	67	47,845	5.0%
	Male	29,492	2,485	15,850	
	Total	84,114	2,552	63,696	
Bank Yahav	Female	12,174	11	8,072	4.6%
	Male	4,960	160	2,256	
	Total	17,134	171	10,328	

## Addressing Distress Situations At The Branch

As part of safeguarding employee safety, Bank employees receive training on dealing with stress situations at the branch. As part of training delivered to 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.

**Training on handling conflict situations with customers at Bank branches** – A workshop was conducted, which provided participants with tools and skills for handling conflict situations with customers at Bank branches. This workshop was attended by 100 employees who serve as Security Officers, in addition to their role as bankers, at branches across Israel.



# Diversity, Equality And Avoiding Discrimination In Employment



The Bank regularly promotes equal opportunity in the workplace. This is based on recognizing the ultimate importance of the value of equality. The Bank does not discriminate against any employee by religion, ethnicity, race, gender, age, place of residence nor any other attributes. This commitment is based on the belief that promoting sector equality in the workplace generates social and economic value for the Bank, for employees and for all of society. Hiring employees of diverse ethnic backgrounds allows Bank customers of these ethnic backgrounds to receive service while recognizing their unique needs and providing them with an appropriate response. Diversity is reflected in being able hire any person to work for the Bank; equality is reflected in providing equal conditions to all Bank employees.

## Workplace Diversity

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. The Bank adapts its screening tests in the hiring process (conducted at external, professional screening centers) to candidates from these demographics – usually by providing additional time and the option to be tested in their mother tongue (such as Arabic).

**Employees from Jewish Orthodox sector** – As part of its strategy to create a diverse work environment, the Bank acts to include employees from the 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 the Jewish Orthodox sector. Including at Lev Academic Center in Jerusalem and at the Jewish

Orthodox campus of Ono Academic campus. The Bank also uses the Glatt Jobs website, dedicated to job searching for the Jewish Orthodox population. These hiring methods are used in conformity with Bank needs.

A dedicated team consisting of 20 Jewish Orthodox women was established in 2017 at the Banking Center (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.

### **Inclusion of students in a special program of the Technology Division -**

Since 2015, the Technology Division has been running a trainee program for computer science students. Each class runs for 4 years, training select students on specialized computer disciplines required for the Division. The 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. Those graduates who successfully complete this course receive offers to join the Technology Division's permanent staff. In 2018, the second class of this program started.

**Employees from the Arab sector** – As part of its strategy to create a diverse work environment, in 2018 the Bank continued to recruit employees from the 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.

**Additional paid leave for non-Jewish employees** – 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. Therefore, as from 2018, 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.

**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 the Disabled Act, the Bank put in place a strategy for including employees with disabilities and locating relevant positions for them in different units. The Bank has appointed an officer responsible for employment of persons with disabilities. We also maintained contact 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.



## Equal Opportunity Employment And Prevention Of Discrimination

As part of promoting equality at the Bank, the Bank adheres to a policy for avoidance of discrimination. This applies to discrimination against both employees and customers. Avoidance of discrimination against Bank employees is reflected in processes for equal hiring, employment and promotion while avoiding any kind of discrimination. The Bank also operates an anonymous hot line and fax for employee inquiries as needed.

### Equal Hiring

The Group implements a hiring process which ensures equal opportunity to candidates of both genders and various ethnic backgrounds in Israeli society. Candidates are hired based on their skills and on Group needs and the Group does not discriminate against any employee by national, religious, cultural or ethnic affiliation, by race, gender, sexual orientation, disability nor any other attribute.

If necessary, adjustments are made to the recruitment and screening processes, in order to ensure equal opportunity for all candidates. Such relief is typically in the form of additional time or the option to take the test in your native tongue (such as Arabic).

## Equal Employment

The Group strictly complies with statutory requirements regarding equal and fair employment.

**Equality in employee benefits** – The Group ensures equality in employee benefits as well. 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.

In 2018, one complaint of discrimination were received from employees or from job applicants. In this complaint, an applicant complained about not being hired by the Bank, alleging that they were rejected due to their advanced age. A review by the Bank revealed that this applicant was not hired due to professional considerations based on relevant criteria only. The Bank replied in this manner to the applicant's complaint.



## 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. Each employee's pay, in all ranks and positions at the Bank, is determined regardless of the employee's gender – but rather based on their skills, professional experience and their designated position. Therefore, there are no pay differences between men and women at the Bank. In all areas of operation, the Bank adheres to equal pay to employees in conformity with statutory provisions, and consequently also complies with the binding minimum pay, as well as equality in terms of benefits given to employees.

### Equal Pay For Male And Female Employees

Each employee's pay, in all ranks and positions at the Group, is determined regardless of the employee's gender – but rather based on their skills, professional experience and their designated position. A recent review conducted by the Bank to compare pay for men and women in similar positions (disregarding employee-specific attributes, such as years of service and individual allowances, such as housing, mileage etc.) showed that on average, there were no significant pay differences between men and women.

## Women In Management And At The Group

**A 2% increase in the number of women employed by the Group –** As of the end of 2018, 4,093 women were employed, or 63.5% of the Group headcount, compared with 4,014 women at the end of 2017, or 63.2% of Group headcount at that time.

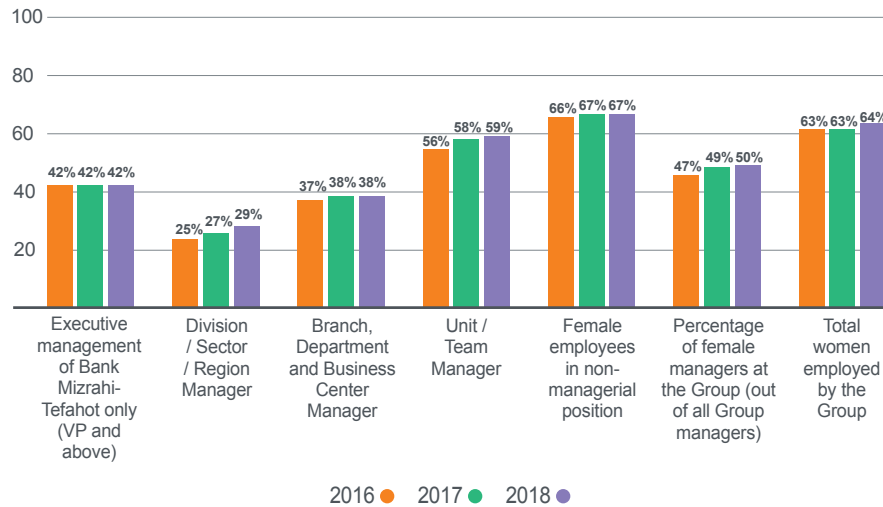
**A 4% increase in the number of women managers at the Group –** As of the end of 2018, the number of women managers at the Group was 614, or 50% of all managers, compared with 590 women at the end of 2017, or 49% of all managers at that time.

### Percentage Of Women By Rank<sup>1</sup>

	2016	2017	2018
Executive management of Bank Mizrahi-Tefahot only (VP and above)	42%	42%	42%
Division / Sector / Region Manager	25%	27%	29%
Branch, Department and Business Center Manager	37%	38%	38%
Unit / Team Manager	56%	58%	59%
Female employees in non-managerial position	66%	67%	67%
Percentage of female managers at the Group (out of all Group managers)	47%	49%	50%
<b>Total women employed by the Group</b>	<b>63%</b>	<b>63%</b>	<b>64%</b>

1. The data is for Bank Mizrahi-Tefahot and Bank Yahav (excluding overseas affiliates)

## Percentage of women by rank



including anonymous ones. Every complaint is reviewed in conformity with procedures and the circumstances of each case, and a decision is made on how to act and what steps to take.

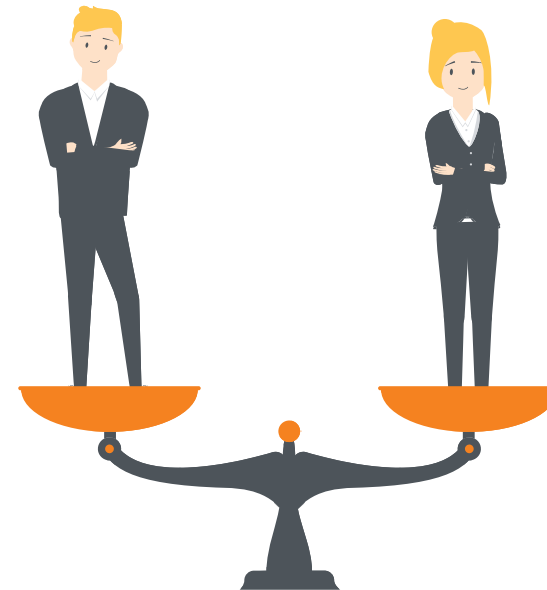
**In 2018, we delivered 639 hours of training on prevention of sexual harassment and workplace abuse, to employees and managers.**

## Equality In Pay Promotion

Group employees receive pay promotions based on equal criteria and on their skills, taking into account only relevant considerations.

## Preventing Sexual Harassment

As part of the measures designed to ensure a safe and pleasant work environment for employees of all genders, the Bank is committed to preventing sexual harassment. The Supervisor for Prevention of Sexual Harassment is the address for any inquiries on this subject,





# Staff Training And Development



The Bank attaches great importance to professional and personal growth of its employees. 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. Training and personal development processes are applied 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.

The Bank offers a program of courses, seminars and workshops which support the professional, behavioral and management skills required for the position at the highest standards. Courses are delivered in various fields of operations. In addition, the Bank encourages achievement and expansion of academic education of its employees, as well as extra-curricular external workshops. The Bank maintains a dialogue with employees about their performance and targets, through evaluation and feedback processes; 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), as well as on general topics for expanding their knowledge and for acquiring various personal skills. Each employee is assigned a customized training curriculum, consisting of courses appropriate for their role.

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 seminars 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: loans, investments, service and selling, management, work process deployment, IT deployment etc. Bank employees also take part in external professional conferences, such as: Annual CPA/ attorney conferences, capital market conferences and so forth.

During training delivered to employees, special emphasis is placed on regulatory training – a deployment method for each regulation, 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. In the past year we conducted,

inter alia, a conference on deployment of compliance culture for branch managers and compliance trustees, a conference on compliance for economists etc.

- ▶ **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.
- ▶ **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. Material is made available to managers and employees on the Bank’s learning portal, mentoring is provided as part of starting in a new position, computer-based kits for individual learning are provided etc.
- ▶ **Learning system** – In 2018, we extensively used the new learning system, deployed the previous year, which provides employees with transparency 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 have been uploaded into the system. Furthermore, dissemination of training deliverables is automated by the system, with each recipient getting their own individual email message. Examples of regulatory E-learning kits disseminated in the BINA system: Bribery and corruption, fairness, red flags

in real estate. This system also provides additional material to managers and employees, consisting of E-learning kits for individual self learning and so forth.

- ▶ **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. This year, too, the Bank continued the Tree of Knowledge project, with presentations given by senior lecturers from business and academia. In 2018, we delivered 6 presentations. Each session was attended by 100 managers and headquarters employees.
- ▶ **Academic education** – The Bank encourages employees to complete and expand their academic education, and contributes towards tuition costs for select eligible employees.

Bank Yahav creates an annual training plan for all employees, based on the Bank’s work plan and needs, which is then disseminated to all employees.

**In 2018 we delivered 286,590 training hours in total, compared to 270,146 hours in 2017.**

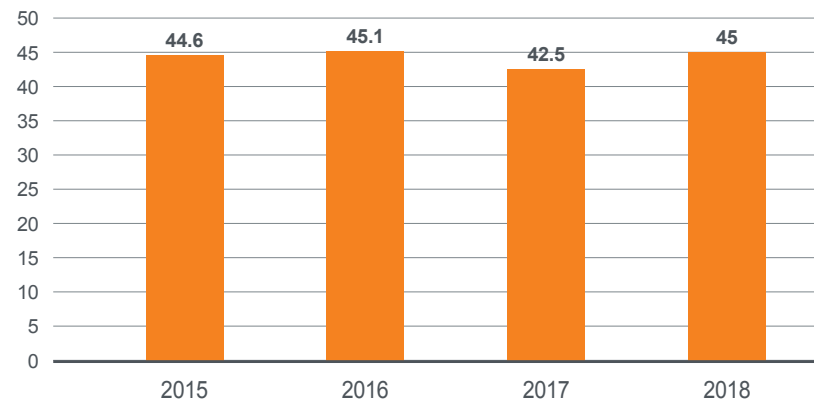


### Average training hours were as follows:

	2017			2018		
	Female	Male	Average – overall	Female	Male	Average – overall
<b>Managers</b>	52.2	47.1	49.5	57.9	61	*59.5
<b>Employees</b>	40.2	42.1	40.9	42.5	41.2	41.6
<b>Headquarters</b>	22.3	20.6	21.5	23.7	24.6	24.2
<b>Branches</b>	51.8	62.3	55.2	66.9	54	58.1
<b>Average hours – overall</b>	42	43.4	42.5	46.6	44.1	45

\* Increase in number of training hours for managers is due to a two-day managers conference attended by all managers.

### Average training hours were as follows:





## 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 forms** – Participants complete feedback forms at the end of the training, designed to review their satisfaction with the training; employees and managers also provide feedback over time, in order to review the contribution of training to improved

performance, deployment and application of knowledge during day-to-day work. The feedback serves to review the lecturer quality, any aids in use and relevance of the content for the employee's job. Feedback ratings and comments are monitored and analyzed, with reference to standard deviation for each item, resulting in the required modifications being made to future training sessions, with monitoring of their implementation. The weighting of feedback and ratings for all training and courses delivered in 2018 showed a high level of effectiveness and satisfaction by the training participants.

- ▶ **Review and revision of study material** – Once every other month the relevant staff convenes at the training center in order to review feedback received and to decide on any changes required in order to improve training. Changes are also made as a result of response choice analysis of the composition of responses to course questions and testing of assimilation of the material learned. For each course, we review which topics were clearly delivered and well understood by participants, and which require further highlighting.
- ▶ **Effectiveness testing after course completion** – For courses that concern compliance content at the Bank, course participants are required to undergo another test six months after they completed the course, to test the implementation of the course material and to review the effectiveness of content and course delivery.

## Career Development Tracks

Promoting employees to management positions – the Group encourages promotion of its employees to management positions and provides them with tools for this purpose. In 2018, 95% of management appointments were promotions of Bank employees. New managers and their families are invited, on several occasions throughout the year, to an event held in the office of the Bank President & CEO and in his presence, as well as the presence of Bank managers, to recognize and highlight their promotion to Bank management.

The Bank offers multiple career development tracks for both employees and managers:

- ▶ **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 skills.
- ▶ **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 undergo diverse training as part of this program, such as: management cadre, MATARA program for training managers for senior positions and employee training program for future professional positions (business management cadre).
- ▶ **Manager training at Bank Yahav** – Bank Yahav offers a management cadre training course, intended for training of incumbent and potential managers on different levels. These employees are selected

based on a screening process, which may be undertaken by any employee with the appropriate seniority and experience.

## Training Employees On Human Rights Topics

The Bank attaches great importance to having all Bank employees be capable of handling issues related to human rights, in all aspects of their work. This is a major cornerstone of Bank life and one of its key values.

**Preserving human rights in Bank operations** – As part of the Bank’s commitment to preserve human rights, the Bank preserves human rights in all areas and avoids any action or business initiative which may impact human rights. To this end, the Bank delivers training on topics including the following: Preventing sexual harassment, customized training for security staff on limitations on the use of force etc. The issues of preventing discrimination and respecting human rights are handled at the Bank by the Human Resources and Administration Division with regard to employee hiring and employment, by the Retail Division, Business Banking Division and Financial Division with regard to avoidance of discrimination in customer recruitment and in provision of service to customers.



The Bank attaches great importance to having all Bank employees be capable of handling issues related to human rights, in all aspects of their work. This is a major cornerstone of Bank life and one of its key values. To this end, the Bank delivers training on human rights from the customer aspect and from aspects of all stakeholders at the Bank. Ethics-related training is also delivered for deployment of the Code of Ethics, preventing sexual harassment, equal opportunity at work, accessible service and public inquiries.

**In 2018, Mizrahi-Tefahot Group delivered 9,500 hours of training on policies and procedures with regard to human rights aspects relevant to Bank operations.**



## Dialogue With Employees

The Bank attaches great importance to maintaining a constant dialogue with Bank employees and managers, as part of the Bank's responsible employment policy. In order to expand the discourse with the employees, the Group operates in two complementary channels:

1. **Maintaining an on-going dialogue with employees and expanding intra-organizational communication.**
2. **Providing regular feedback annually to employees**

## Maintaining A Dialogue With Employees And Expanding Intra-Organizational Communication

In order to foster an organizational culture of open discourse, the Group acts as follows:

- ▶ **Accessibility to employees** – Maintaining constant contact with all employees, through HR staff frequently present at all units and the HR Desk available to answer questions from employees.
- ▶ **Direct meetings** – The members of the management and senior management of the Group conduct tours of all units and branches, and regularly and directly meet with employees throughout the country.
- ▶ **Running forums** – The Bank operates several forums, whose members include employees and managers from different levels and departments. Such a meeting between representatives of different levels and departments enhances communication between Group departments and improves their mutual work interfaces. The forums managed by the Bank include an Internal Communication Forum, consisting of representatives of all units and branches, which convenes periodically to discuss ways to improve internal communication.
- ▶ **Meetings of senior executives and employees** – During banking courses, executives deliver presentations to employees and present the division they head.

### **"Path of Enrichment" conferences**

In 2018, the Bank developed "Path of Enrichment – for employees who would like to know more". This training is designed to reinforce intra-organizational communication and improve employee knowledge of Bank operations, its business environment, culture and attributes. In 2018, we held 3 sessions of this conference, with participants receiving content with regard to the real estate and mortgage market, trading in the

▶ **Information bulletin "Among Us Online"** – an employee newsletter published on the internal website for Bank employees. Each newsletter contains articles on diverse subjects within the organization, such as: personal advancement, employee volunteer activity, special systems put into work at the Bank and so forth. Monthly information bulletin "Among Us Online" – In 2018, the Bank issued 5 issues of "Among Us Online" for a total of 44 issues to date, with an average of 600 employees who read the various articles.

▶ **"Among us, this is serious"** – The "Among us, this is serious" website lists aspects and milestones for professional and personal assistance to employees.

▶ **"Round Tables"** – In 2018, the "Round tables" project invited all Bank employees to open discussions, led by a senior manager or executive, on issues that are on the Bank's agenda. The

project resulted in three meetings attended by 144 employees. This activity is another step in promoting intra-organizational communications at the Bank, based on the wish to conduct a dialogue and raise ideas regarding the Bank's key activities and processes.

▶ **"Good to Know"** – At Bank Mizrahi-Tefahot presentations are delivered to employees by managers and professional employees of the Bank, designed to increase awareness of the roles and extensive activity throughout the Bank and to reinforce the connection between divisions and employees' sense of belonging. In 2018, presentations were delivered on a range of topics, such as: Paperless branch, capital adequacy, growth engines for customer recruitment, cyber and information security, international operations and private banking. These presentations were delivered once every two months and each presentation was attended by about 85 employees.

### **Providing Feedback To Employees**

The Group ensures that employees receive regular feedback about their performance. **In 2018, 100% of Mizrahi-Tefahot employees received feedback in a personal discussion or meeting.**

Feedback is provided in a personal talk. 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 are provided 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.

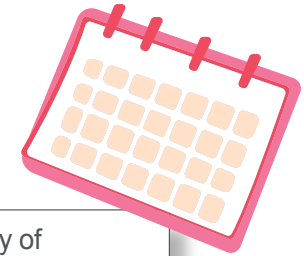
## Looking Forward

### ► Achievement Of 2018 Goals



Goal	Status
Recognition for retirees – Assistance and recognition for Bank employees upon reaching retirement age, through a retirement workshop	Done
Continue activity to recruit and hire employees with disabilities	Done
Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches	Done
Expanding extra-curricular activities for employees in the fields of health and well-being.	Done
Reinforce intra-organizational communication through organization-wide conferences and general interest days	Done
Expand and intensify transparency and information accessible to employees in training areas, through the new Learning Management System (LMS)	Done
Improve training effectiveness by using the new learning system	Done

### ► Goals For 2019



<p>4 חינוך איכותי</p>	Further expand the use and transparency of information using the BINA system of the Training Center.
	Increase the number of participants in conferences of "Path of Enrichment" to improve intra-organizational communication.
<p>8 הגברת תפוקות העיסוק של כלליות</p>	Deployment and training for managers on appropriate work environment, preventing sexual harassment, preventing abuse and gender equality.
	Continue activity to recruit and hire employees with disabilities and assistance for managers of those employees.
	Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches.



# Investing In The Environment



## Investing In The Environment Overview

**10.8%**  
decrease in power  
consumption  
compared to the previous year

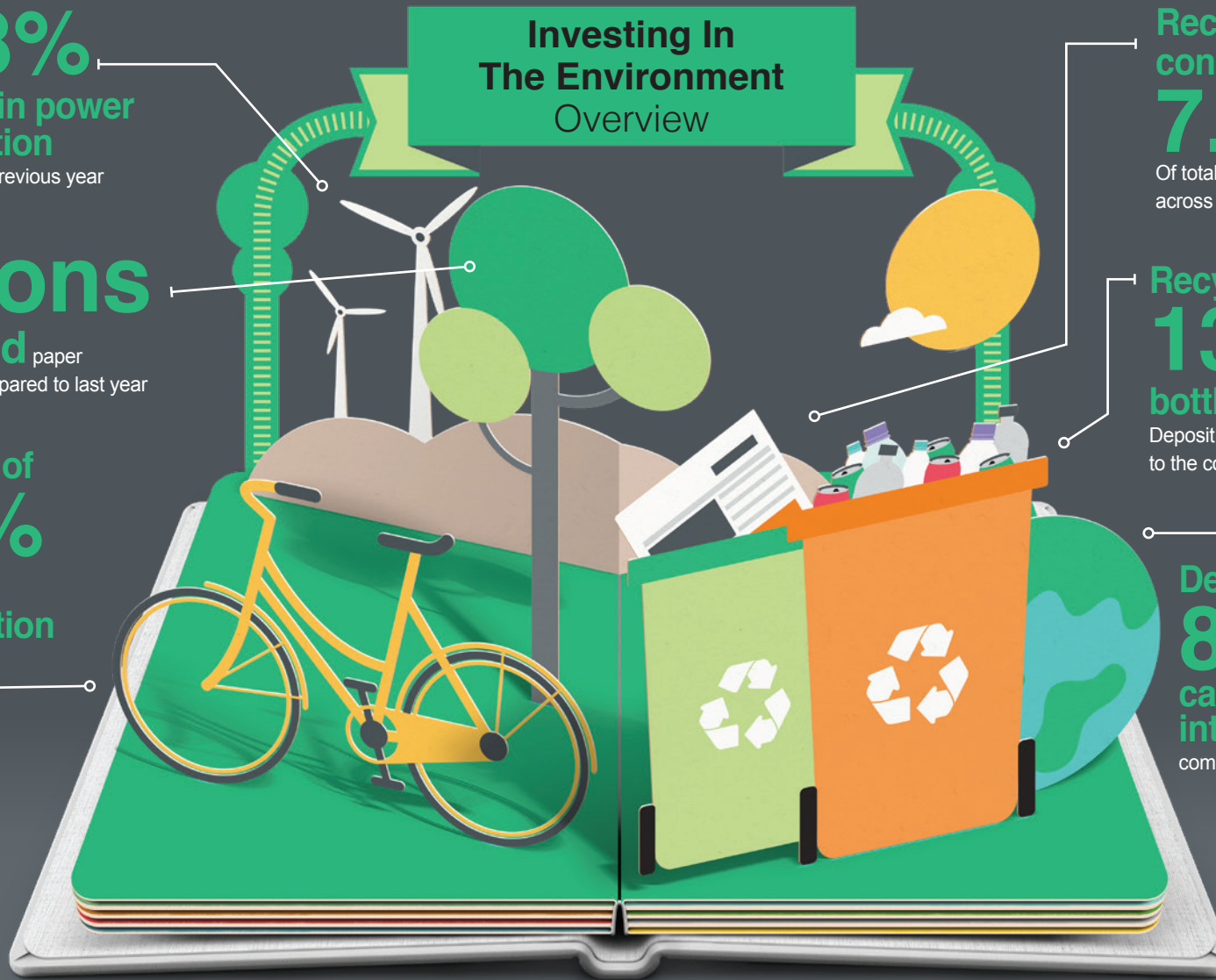
**12 tons**  
Reduced paper  
consumption Compared to last year

Decrease of  
**3.2%**  
in fuel  
consumption

Recycled paper  
consumption at  
**7.9%**  
Of total paper consumption  
across the Group (in 2017: 7.4%)

Recycled  
**13,320**  
bottles and cans  
Deposit fee for these was donated  
to the community

Decrease of  
**8.3%** in  
carbon footprint  
intensity per employee,  
compared to the previous year





# Group Responsibility For The Environment



The Group recognizes the impact of its operations on the environment and on the Earth’s climate, primarily due to resource consumption and incorporating environmental considerations in decision making when extending loans. Therefore, the Bank Group strives to minimize the negative environmental impact of its operations by reducing material consumption, improving energy efficiency and managing environmental risk. These matters are managed at the Bank by the Business Banking Division with regard to environmental credit risk management and by the Logistics Department of the Human Resources and Administration Division with regard to consumption and improved energy efficiency.

Bank operations are primarily office work; key environmental impact due to our operations is from power consumption for operation of properties, use of fuel for transportation, paper consumption for office use, and office waste generated by current operations. Along with this direct impact, the Group indirectly impacts climate change by direct and indirect emissions of greenhouse gas, due to fuel and power consumption.

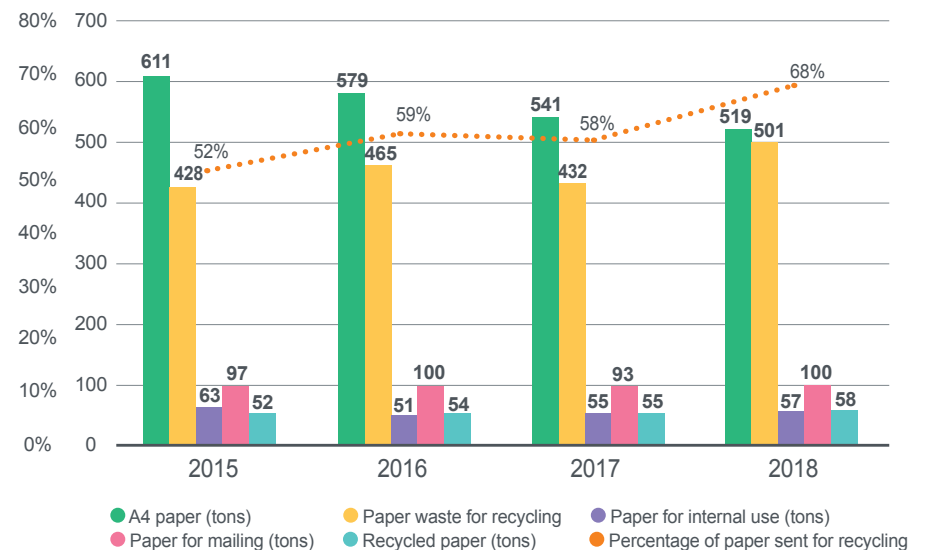
- ▶ **Reduce paper consumption at the Bank** – As part of the Bank’s commitment to reduce paper consumption, the Bank strives for more intelligent use of paper on these levels: First, reduce the need for printing (at branches, in printing centers and for client mailings); second, by using recycled paper and by transitioning clients to electronic mailing (as permitted by the Bank of Israel). As a result of all the activities in this field, we see a steady decline in the volume of paper consumed, and an increase in the rate of recycled paper usage out of total consumption.
- ▶ **Waste recycling and processing** – The Bank sees the importance of reducing its negative environmental impact due to waste generated in the course of business and therefore, the Bank operates multiple waste recycling initiatives. Waste recycling is focused in four key areas: paper, bottles & cans, printer ink & toner cartridges and surplus electronic products.
- ▶ **Compliance with environmental regulation** – The Bank complies with all applicable laws, including environmental legislation.

## Reducing Paper Consumption

The Group uses paper mainly for forms, letters to customers, report printing etc. Note that a considerable percentage of the paper is produced according to Bank of Israel directives for clients, and is hand-delivered to them.

	2015	2016	2017	2018
<b>Total paper consumption (tons)</b>	823	784	744	732
<b>Recycled paper used as percentage of total paper consumption</b>	6.3%	6.9%	7.4%	7.9%

### Paper consumption by the Group (2015-2018)



In 2018, the Group reduced the paper used by 12 tons, 1.6% lower than in 2017. This was despite the increase in the number of employees and branches in 2018. One of the factors in this reduction is the Paperless Branch project – in 2018, the Bank completed the conversion of customer service at its branches to the use of tablets by employees for digital capture of signatures. This allows for improved efficiency and reduced paper consumption, as well as shorter service times and added value for all Bank customers, from the private sector as well as from the business sector. Other reasons for reduced paper consumption include: Providing an option to capture printouts to a digital file and sending a copy of the transaction to the customer in digital format only, replacement of all printers at Mizrahi-Tefahot Group with two-sided printers and increased use of daily control reports, through computer systems that replace the paper reports that used to be printed daily at branches and headquarters.

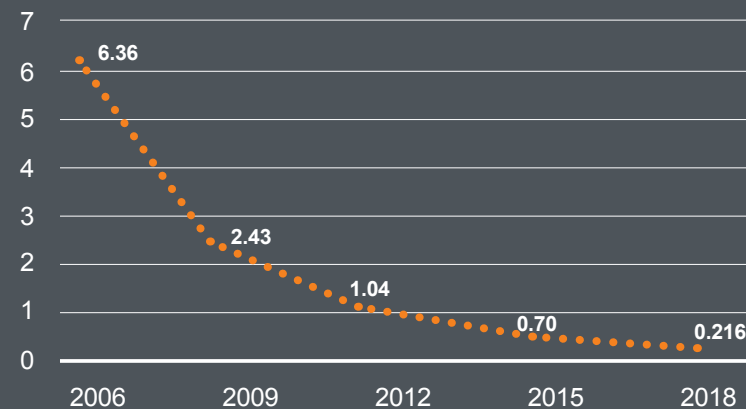
Along with efforts to reduce consumption, the Group acts to include purchasing of recycled paper. In 2018, this purchasing constituted 7.9% of total paper consumption by the Group, 7% increase in consumption of recycled paper). All recycled paper used by the Bank is made of 100% recycled fibers, and the Bank ensures that raw materials used by the supplier are from an approved source and compliant with international standards.



**In recent years, the Bank has started a key project to significantly reduce printing of control reports at its various units.**

As part of this project, the Bank mapped reports of branches and headquarters units, and reviewed the significance and importance of each report, as well as its frequency. Concurrently with this report mapping, a support system was put in place to control data presented in the reports, and a transition took place from printouts to a computer system. In 2006, monthly printing reached 6.36 million pages; by 2018, the number of pages printed each month was down to only 216 thousand. This project is on-going and efforts to further reduce the number of pages being printed continue.

**Printed pages (millions)**





## Waste Recycling And Processing

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

Waste type	Handling	Destination for removal	Volume in 2015 (in tons)	Volume in 2016 (in tons)	Volume in 2017 (in tons)	Volume in 2018 (in tons)
Paper waste	Sent for recycling (tons)	KMM	428	465	432	501
Percentage of paper waste sent to be recycled as percentage of total paper purchased			52%	59.3%	58.1%	68.4%
Handling of electronic waste	Scrap (tons)	Ecommunity	14	22	35	66
Processing of ink jet and toner cartridges	Scrap (units)	KMM and Cahila	16,271	18,065	14,851	12,472



Along with the decrease in absolute paper consumption and the increase in use of recycled paper, in the past three years there was also an increase in the percentage of paper sent to be recycled as percentage of total paper purchased. **In 2018, the Group sent for recycling 68% of the total paper purchased by the Group**, compared to 58% of total paper purchased in 2017, a 10% increase over the past year.

In 2018, the number of there was also a decrease in the number of ink jet and toner cartridges sent to be scrapped, compared to previous years – a decrease by 16% compared to 2017, by 31% compared to 2016 and a decrease by 23% compared to 2015. This is due to the reduction in paper consumption and to massive replacement of older printers by newer, more economical ones, both in terms of toner consumed and power used. The printer replacement also resulted in increase in electronic waste sent to be scrapped in 2018, as well as to reduced use of plastics.

### Campaigns To Promote Recycling By Employees

As part of diverse actions taken by the Bank to deploy the values of sustainability, the Bank promotes campaigns designed to promote recycling by employees. These campaigns focused in particular on recycling of bottles, batteries and electronic waste. In order to increase employee awareness of this matter, the Bank placed special signage to promote recycling. In each of the designated areas, these campaigns were successful and achieved great cooperation and satisfaction among employees.

- ▶ **Recycling bottles** – The Bank has placed containers for collecting cans and bottles. **In 2018, 13,320 bottles were collected**, and the deposit money for the bottles was donated to families in need.
- ▶ **Recycling of batteries and electronic waste** – The Bank is part of Ecommunity, a social corporation for recycling of electronic waste which employs employees with disabilities. Bank employees are reminded to bring used batteries and electronic waste, which is collected in containers placed around the Bank.
- ▶ **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. The collection is conducted in cooperation with the “Pitchon Lev” NGO.
- ▶ **Re-use of furniture** – When a property is sold / returned, the Bank reviews if the furniture can be used elsewhere at the Bank – and if so, the furniture is relocated. If this is not possible – the furniture is donated to the community.
- ▶ **Reusable cups** – In 2018, the Bank purchased for all employees reusable cups made from recycled bamboo, to encourage them to reduce the use of disposable cups.

## Improved Energy Efficiency

Due to activities in office buildings, energy consumption is one of the Group’s most significant environmental impacts. Therefore, the

Group manages and measures this and takes steps to improve energy efficiency. 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 (Excluding Overseas Affiliates)

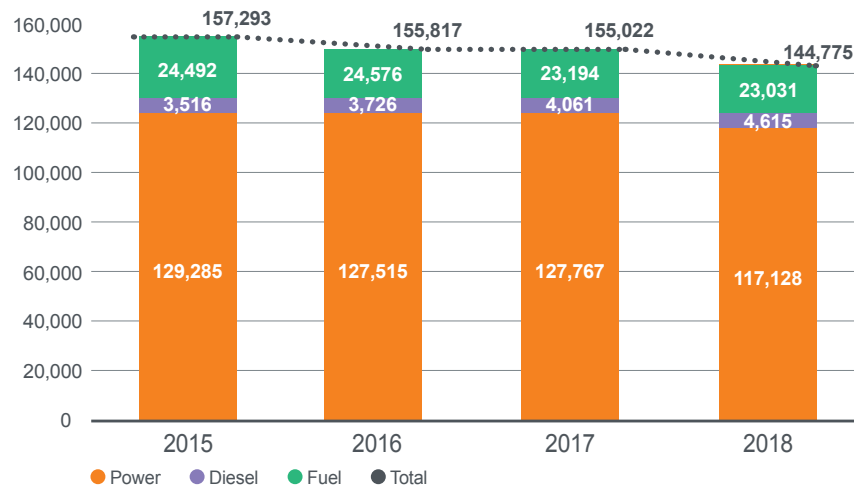
	2015	2016	2017	2018
Total power consumption (KWh*)	5,923	5,727	5,658	5,116
Consumption per employee (KWh*)	291	280	286	229
<b>Power consumption per m2</b>	<b>35,912,433</b>	<b>35,420,720</b>	<b>35,490,911</b>	<b>32,535,599</b>
Total fuel consumption (liters)	729,016	731,837	690,497	675,060
Total fuel consumption (liters)	95,202	101,366	110,344	99,631
<b>Total diesel consumption (liters)</b>	<b>824,218</b>	<b>833,203</b>	<b>800,841</b>	<b>794,691</b>
Total power (GJ**)	129,285	127,515	127,767	117,128
Total fuel (GJ)	24,492	24,576	23,194	23,031
Total diesel (GJ)	3,516	3,726	4,061	4,615
<b>Total energy (GJ)</b>	<b>157,293</b>	<b>155,817</b>	<b>155,022</b>	<b>144,775</b>

1. KWh – kilowatt-hour 2.GJ – Giga Joule – unit for measuring energy

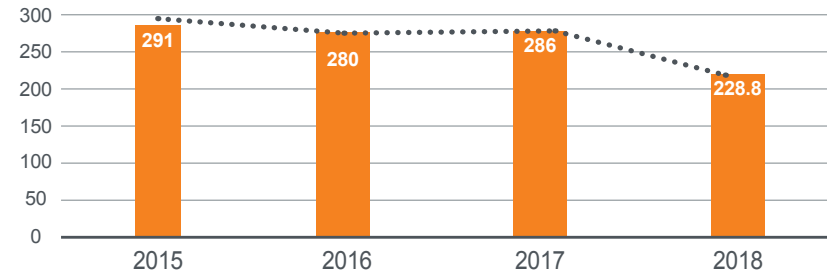
The data above shows a 9.5% decrease in power consumption per employee, as well as decrease in total power consumption by the Group. In summary, in 2018 the trend of increased energy consumption efficiency at the Group (power and fuel) continued, with total energy consumption down by 6.6%.

The increase in diesel consumption is due to expansion of cash transportation services provided to external parties through courier vans operated by Mizrahi Security Services. In 2018, the Bank purchased additional courier vans due to the increase in such activity.

### Total energy consumption (GJ)



### Energy intensity (total KWh per m2)



### Improved Energy Efficiency Measures For Power Consumption

- ▶ **Use of LED lighting** – Gradual replacement of lighting fixtures at Bank premises to use low-cost lighting. It is Bank policy to install low-cost lighting in any branch or facility newly constructed or refurbished. Moreover, in 2018 a wide-range tender took place for purchasing led lighting elements, gradually across all Bank facilities where such lighting is not in place – at branches and headquarters. In 2019, the tender will be awarded, and the lighting elements would start to be replaced.
- ▶ **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. The Bank also installed a lighting control system which automatically turns off the lights in empty rooms and turns it back on when someone enters the room.

- ▶ **Power savings at Bank headquarters in Lod** – This was 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 based on specific requirements for each area. 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. This matter is under review and adjustments are regularly made.
- ▶ **Use of emergency generators during regular peak hours** – According to an agreement signed in 2014 with IEC, the Bank sells electricity 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 the Technology and Logistics Center.
- ▶ **Installation of diesel circulation system in generators** – in order to avoid 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.
- ▶ **AC system installation** – In 2018, AC units in computer rooms were networked for optimized operation of the AC systems.
- ▶ **Replacement of older, inefficient AC systems at branches** – In 2018, systems were replaced at 5 more branches.

- ▶ **Efficient space utilization** – The Bank regularly reviews the efficient utilization of all its assets. In case of need for additional work stations, the first planning option considered is how to do so without any additional space, by re-organization of the work areas. The Bank also regularly reviews and carries out sale / return of surplus space. More efficient use of space indirectly results in savings in power consumption as well.  
  
In 2018, space reduction was approved at 3 branches. Despite the increase in headcount and continued opening of new branches in 2018, the Bank's total space was reduced compared to 2017. This is further evidence of the bank's successful use space.
- ▶ **Installation of Optinergy system at the Technology-Logistics Center** – In 2018, the Bank approved installation of software for monitoring and control of power consumption, to assist in improving energy efficiency. This system also allows for malfunction forecasting and preventive maintenance of AC and refrigeration systems and so forth. The system should be in use sometime in 2019.
- ▶ **Review of alternative energy at the Technology-Logistics Center** – In 2018, we reviewed the option of setting up a power plant at the Technology-Logistics Center, operated by natural gas, to generate electricity to be used by this facility, as well as "co-generation", or use of excess heat emitted by the system for cooling the facility. This is currently being reviewed as part of the overall design of the campus to be constructed in the coming years (Technology-Logistics Center 5).

## 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:

- ▶ **Transition from in-person meetings to video conferences** – Since 2012, the Bank started installation of video conference systems at headquarters and regional buildings. In 2014, a system was launched to measure the number of such meetings, to allow the Bank to better estimate the savings due to this initiative. These calls result in fewer employees traveling between Bank sites. In 2018, call volume was 36,000 minutes (or 1,261 calls). Recently, a decision was made to simplify the use of this system, in order to increase its use.

- ▶ **Shuttle service** – The Technology-Logistics Center operates a shuttle service for employees arriving from different locations around Israel. The shuttle size matches the actual number of passengers. A shuttle service also operates between Bank headquarter buildings in Ramat Gan and in Lod for employees who need to attend meetings, so as to reduce the use of their own vehicles or taxis. In 2018, similar to 2016-2017, 350 employees made daily use of organized transportation (in each year).
- ▶ **Carpooling** – The Bank encourages employees to carpool, by rewarding employees who gave rides to other employees and who have accumulated a specified number of signatures on a specially designed card and through cooperation with MOOVIT. In 2018, some 30 Bank employees received an award for taking part in carpooling.

In 2018  
.....



## 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 (component 1), indirect emissions as a result of power consumption at the Bank (component 2) and other indirect emissions along the supply chain. In 2017, the Group calculated for the first time emissions due to business flights, paper consumption, paper waste being recycled, and electronic waste being scrapped (component 3).

Measurement of greenhouse gas emissions is carried out in accordance with the Green House Gas Methodology (GHG) methodology<sup>1</sup>, using calculation adjustments specified by the Ministry of Environmental Protection.

The calculation excludes Group operations overseas.



1. <http://www.ghgprotocol.org/>

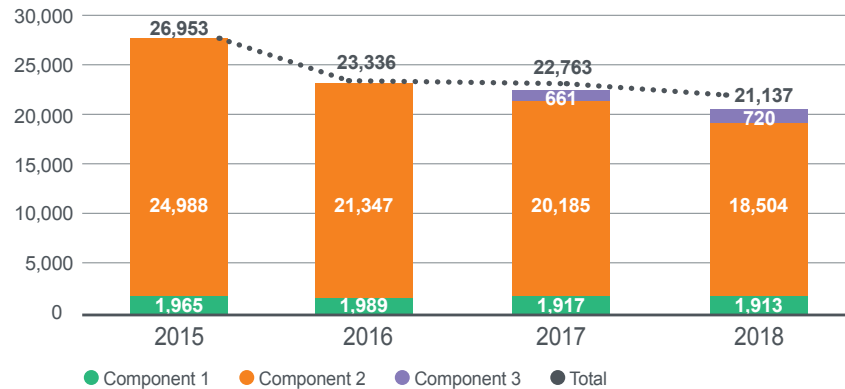
## Mizrahi-Tefahot Group's Carbon Footprint (CO<sub>2</sub>e)

	2015	2016	2017	2018	Change in % compared to 2017
<b>Component 1 – direct emissions due to fuel consumption</b>	1,965	1,989	1,917	1,913	-0.2%
<b>Component 2 – indirect emissions due to power consumption</b>	24,988	21,347	20,185	18,504	-8.3%
<b>Total carbon footprint (CO<sub>2</sub>e) – components 1 and 2 only</b>	<b>26,953</b>	<b>23,336</b>	<b>22,102</b>	<b>20,417</b>	<b>-7.6%</b>
<b>Carbon footprint intensity (CO<sub>2</sub>e tons per employee) – components 1 and 2 only</b>	<b>4.5</b>	<b>3.8</b>	<b>3.5</b>	<b>3.2</b>	<b>-8.5%</b>
<b>Component 3 – Other indirect emissions in the supply chain as due to business flights, paper consumption and waste (electronic and recycled paper)*</b>	Not measured	Not measured	661	720	8.9%
<b>Total carbon footprint (CO<sub>2</sub>e) – components 1, 2 and 3</b>	-	-	<b>22,763</b>	<b>21,137</b>	<b>-7.1%</b>
<b>Carbon footprint intensity (CO<sub>2</sub>e tons per employee) – components 1, 2 and 3</b>	-	-	<b>3.6</b>	<b>3.3</b>	<b>-8.3%</b>

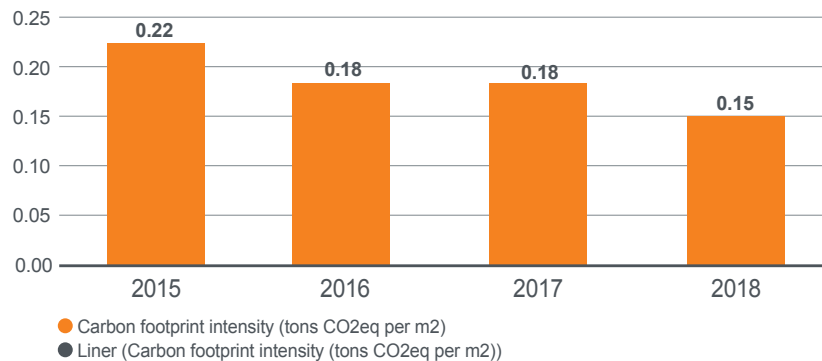
1. Emissions in component 3 exclude emissions involved in paper transportation and waste transportation to waste treatment facilities.

Greenhouse gas emissions for the Group decreased in 2018, compared with 2017, in absolute terms – a 7.1% decrease – and per employee with reference to carbon footprint – a decrease by 8.3%.

### Group carbon footprint<sup>1</sup> (CO<sub>2</sub>e tons)



### Carbon footprint intensity<sup>2</sup> (tons CO<sub>2</sub>eq per m<sup>2</sup>)



1. In 2015 and 2016, component 3 was not measured, hence the chart includes no data on GHG emissions in component 3 for these years. Note that this does not imply that there were no emissions for component 3 in these years.

## Dialogue On Environmental Issues

Mizrahi-Tefahot Group maintains a dialogue on environmental issues, focused on discourse with relevant clients and suppliers about the environmental impact resulting from their operations.

- ▶ **Suppliers** – During visits by the Logistics Division to strategical suppliers, they administer a specific questionnaire on environmental issues. This questionnaire tests the extent to which suppliers act in conformity with social responsibility, including environmental aspects thereof. This questionnaire poses the following questions to suppliers: Where is waste disposed? How is waste processed? Are the company premises in a Green building? How does the company relate to Green standards? etc.
- ▶ **Environmental organizations** – The Bank maintains a dialogue with organizations and NGOs on environmental issues, where ideas are raised for activities in which the Bank could contribute to environmental protection. Several projects resulted from this dialogue: recycling drink cans and bottles, recycling medications, recycling batteries, recycling electronic waste, carpooling, environmental initiatives as part of the ZAZIM project etc. The Bank includes its employees and customers in these activities.



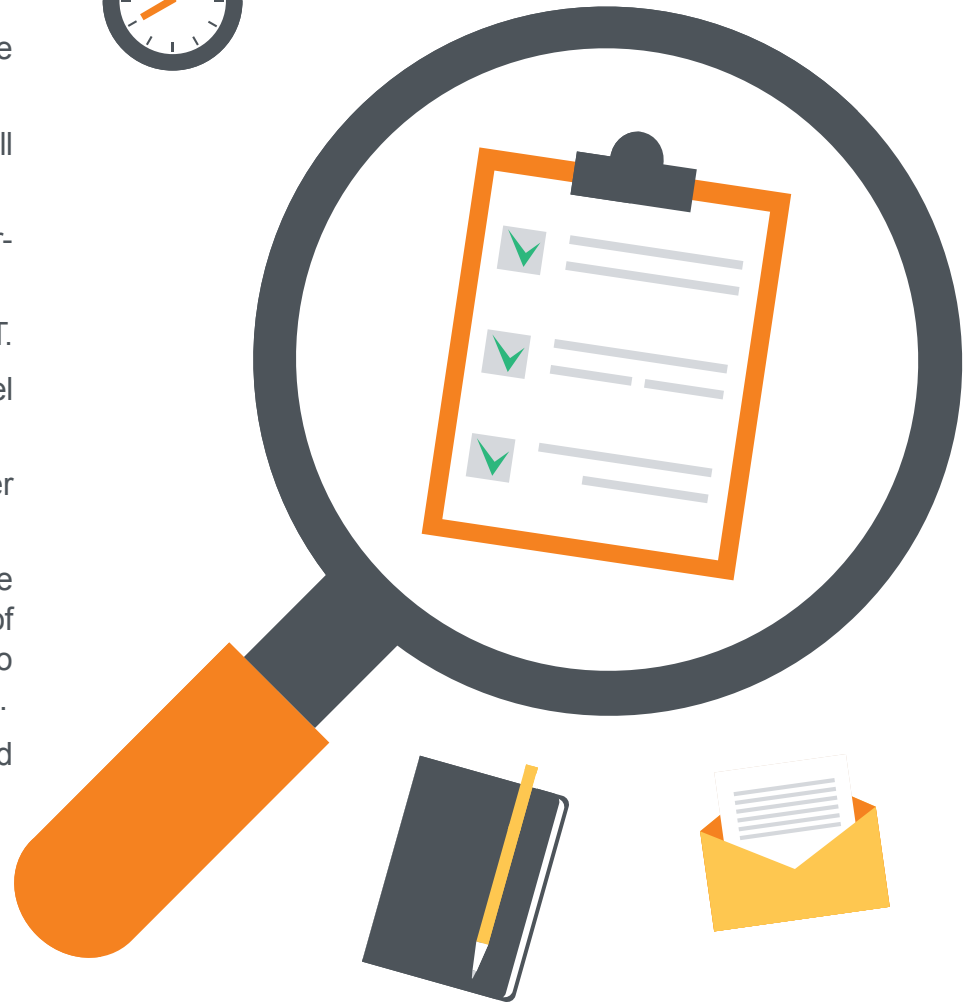
## Regulatory Compliance And Control

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

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

- ▶ Paper consumption and shredding are controlled by computer-based systems and by different suppliers.
- ▶ Fuel consumption data for the Group are provided by PAZOMAT.
- ▶ The Group's power consumption data is provided by Israel 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.

All these are constantly monitored by relevant employees and managers of the Logistics Division.





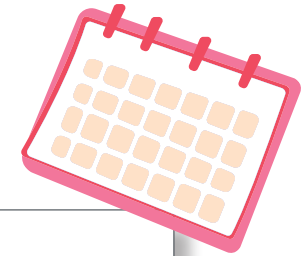
## Looking Forward




### ► Achievement Of 2018 Goals

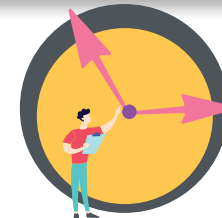


Goal	Status
Further review of efficient utilization of existing space, addition of required work stations with no increase in space if possible and sale / return of surplus space which the Bank no longer needs.	Done
Continue to reduce paper consumption due to continuation of the "Paperless Branch" project.	Done
Review and formulate a multi-year work plan to replace lighting at branches with LED lighting	Underway, a wide-range tender took place in 2018
Map and locate all air conditioners over 10 years old and formulate a multi-year work plan to replace air conditioners found to be inefficient in terms of energy consumption.	Done
Thermal insulation of windows as part of renovation of new branches, and formulate a multi-year work plan for other branches.	Done
Replace old chillers in 3 more branches in 2018.	Done
Install meters for water installations at headquarters buildings, in order to save power at night and on weekends.	Not implemented
Review the possibility of installing voltage reduction controllers at headquarters and branch buildings	Under review

### ► Goals For 2019



 8	Sample visits to major suppliers.
 9	Continue review for efficient utilization of space.
 13	Continue reducing paper consumption.
	Install Optinergy system to monitor and control power used at the Technology-Logistics Center and start obtaining results and conclusions on this issue.
	Continue review of the option of setting up a power plant at the Technology-Logistics Center, operated by natural gas, to generate electricity to be used by this facility.
	Start replacement with LED lighting at branches, by the winner of a tender to be conducted in 2019.
	Replacement of old chillers, with low energy efficiency, at 3 more branches.

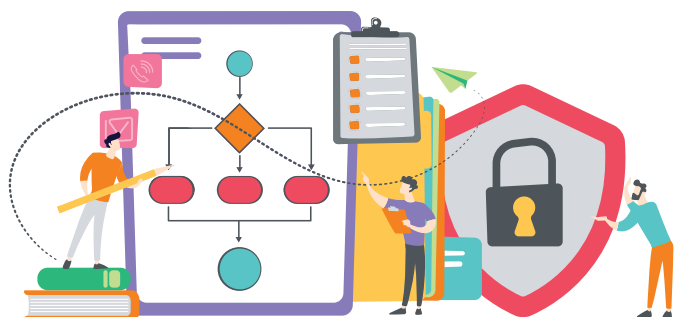


# Commitment To Accountable Conduct





# Group Commitment To Accountable Conduct



Being a leading financial institution in Israel, the Bank adheres to accountable conduct throughout the Bank Group. This commitment is reflected by respecting the law and applying corporate governance rules and regulations applicable to the Bank. The Bank adheres to ethical conduct and acts to prevent corruption. The Bank is also committed to a risk management culture which supports achievement of its targets and implementation of its business strategy while maintaining commitment to its customers. These matters are managed by multiple divisions, including the Risk Control Division, the Technology Division, the Human Resources and Administration Division and by the Bank Secretary.

## Board of Directors

**Operation of the Board of Directors** – As part of managing corporate governance at the Bank, the Board of Directors is responsible for Bank business and its financial robustness, and takes the utmost steps in order to discharge its duties, in conformity with the law, with Proper Conduct of Banking Business Directives, including

Proper Conduct of Banking Business Directives, including Directive 301, as well as with procedures specified by the Board of Directors. As part of approval of the Bank’s annual work plans, the Board of Directors would be asked to approve the work plan with regard to social responsibility.

## Board Members

As of December 31, 2018, the Group Board of Directors consisted of 12 Board members – 9 male and 3 female. The Board of Directors includes 9 Board members with accounting and financial skills (at the Audit Committee – 6 Board members with such skills) and 4 external Board members, pursuant to Proper Conduct of Banking Business Directives, of whom 2 are external Board members appointed pursuant to the Corporate Act. All external Board members are also independent Board members.

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 consists of seven members with significant experience with Committee membership.

All Bank Board members have professional qualifications, in conformity with provisions of the Corporate Regulations, and are classified as “expert Board members” for the purpose of Corporate Regulations. All Board members do not report to the CEO, directly nor indirectly.



The following is a list of members of the Bank Board of Directors as of December 31, 2018:

- ▶ Moshe Vidman, Chairman (25, 2019)
- ▶ Zvi Ephrat (▶ Hannah Fayer)
- ▶ Sabina Biran (▶ Gilad Rabinowitz (started their term in office on March 12, 2019))
- ▶ Ron Gazit
- ▶ Avraham Zeldman (▶ Ilan Kremer (started their term in office on March 28, 2019))
- ▶ Nachshon Yoav-Asher
- ▶ Mordechai Meir (concluded their term in office on March 28, 2019)
- ▶ Jacob Abraham Neyman external Board member (pursuant to the Corporate Act)
- ▶ Liora Ofer (concluded their term in office on February 7, 2019)
- ▶ Jonathan Kaplan
- ▶ Joseph Shachak (concluded their term in office on April

All Board members are aged 51 or higher.

More information about Board members is provided on pp. 265-266 of the Bank's 2018 annual report. In addition, the report issued together with the financial statements (on the Stock Exchange's MAYA website) lists issues related to corporate governance, audit and other information about the Bank and management thereof, on pages 372-390.

Board members are appointed by the General Meeting of shareholders, in conformity with provisions of the Bank's Articles of Association and in conformity with provisions of the Corporate Act.

## Improvement Of Board Operations Effectiveness

On July 5, 2017, the Bank of Israel issued an update to Proper Conduct of Banking Business Directive 301 concerning "Board of Directors". These updates to the directive are designed to improve the effectiveness of Board work and to enhance the professional qualifications of the Board of Directors. The revised directive stipulates, inter alia, that the Board of Directors may not consist of more than 10 members; expands the definition of "having banking experience" and increases the number of Board members required to have such experience from one fifth to one third; stipulates that the Board of Directors shall include at least one Board member with proven experience in technology; reduces the list of topics for which Board authority may not be delegated to Board committees; stipulates that the Board of Directors should set policy on the maximum term in office of the Chairman of the Board of Directors; as well as other provisions with regard to Board authority, work and function.

The revised directive is effective as from the circular issue date. As for the number and qualifications of Board members, the effective start date is July 1, 2020. The Bank is preparing to implement the revised directive.



## Board Of Directors – Committees

In 2018, the Board of Directors operated four standing committees<sup>1</sup>:

Name	Credit Committee
<b>Composition</b>	Moshe Vidman – Chair, Zvi Ephrat, Nachshon Yoav-Asher, Liora Ofer, Joseph Shachak, Hannah Fayer.
<b>Role</b>	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.
Name	Risks Management Committee
<b>Composition</b>	Moshe Vidman (chairman), Sabina Biran, Ron Gazit, Avraham Zeldman, Abraham Neyman, Jonathan Kaplan, Joseph Shachak.
<b>Role</b>	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 is authorized to discuss the risk appetite document as well as the master policy document with regard to the risk management and control framework. The committee is also authorized to discuss and formulate recommendations to be brought before the Board of Directors plenum with regard to overall strategy targets and overall risk strategy. The committee is also authorized to discuss issues concerning liquidity risk management, business continuity management, new products, the capital adequacy assessment process and the quarterly risk document – and to recommend to the Board of Directors approval of the various risk management policy documents.
Name	Remuneration Committee
<b>Composition</b>	Abraham Neyman (chairman), Sabina Biran, Hannah Fayer.
<b>Role</b>	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 Act 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.
Name	Audit Committee
<b>Composition</b>	Abraham Neyman (Chairman), Sabina Biran, Mordechai Meir, Joseph Shachak, Hannah Fayer, Avraham Zeldman.
<b>Role</b>	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 execution of the enforcement plan of securities laws and anti-trust laws, as well as its implementation.

1. Note that following changes to the composition of the Board of Directors during the year, changes were also made to committee composition

## Board Of Directors – Operation

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.

During 2018, the Bank Board of Directors held 31 plenary meetings, 4 seminars for Board members and 60 committee meetings. (32 meetings of the Audit Committee, 13 meetings of the Risk Management Committee, 9 meetings of the Credit Committee and 6 meetings of the Remuneration Committee)

Various issues are brought for discussion by and reporting to the Board of Directors. The majority of matters presented at Board of Directors meetings have previously been discussed by the professional parties and control functions at the Bank, as well as by Bank 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 and also refer to immediate reports with regard to such events which require such reports:

- ▶ Once a month, the Bank President presents his report, an overview of all Bank operations and special event, including issues of social responsibility.
- ▶ Once a quarter, Bank management presents an overview to the Board of Directors and to its Risk Management Committee,

including discussion of all risks facing the Bank, developments in risk control and management in the reported quarter and, occasionally, issues of social responsibility.

During the reported year, no exceptional critical events on economic, social or environmental issues were brought before 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 Act 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 Act and in Directive 301. Board members may also, in special cases, obtain professional advice at the Company’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 Act and in Directive 301.

In conformity with the Corporate Act, shareholders may propose issued for discussion prior to the General Meeting of shareholders. In addition to General Meetings of Bank shareholders, convened by the Bank as required by law, Bank management is in contact with various interested parties, and reports on such issues that arise, to the extent relevant, to the Board of Directors.

**Assessment of effectiveness of Board operations** – The Bank assesses the effectiveness of the Board of Directors’ operations, in conformity with Directive 301, using structured questionnaires. Once every two years, the Board of Directors self-assesses the effectiveness of its operations, in discussion attended exclusively by Board members.

Bank Yahav assesses the effectiveness of the Board of Directors’ operations in accordance with Proper Conduct of Banking Business Directive 301. The assessments made to date have been carried out by external advisors and discussed by the Board of Directors plenum.



## Remuneration Policy

Remuneration of Board members, including external Board members, other than terms of office and employment of the Chairman of the Board of Directors (as described below) is in compliance with Corporate Regulations (Rules for remuneration and expense reimbursement for independent board members), 2000 (“Remuneration Regulations”).

On February 14, 2017, 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 “the revised remuneration policy”), effective for three (3) years as from January 1, 2017. In addition, the terms of employment of the Chairman of the Board of Directors and of the Bank President & CEO were approved. This policy is in compliance with the Corporations Act, 1999, Proper Conduct of Banking Business Directive 301A with regard to remuneration policy at banking corporations (hereinafter: “Directive 301A” or “the Remuneration Directive”) and the Remuneration of officers in financial corporations act (Special permission and non-allowance of expenses for tax purposes with respect to excessive remuneration), 2016 (hereinafter: “Executive Remuneration Act”). The revised remuneration policy is based on the general principles which the Bank’s Board of Directors, after recommendations by the Remuneration Committee, saw fit to adopt with regard to officer remuneration at the Bank with due attention, inter alia, to the Bank’s strategic plan and to current employment terms of officers at the Bank.

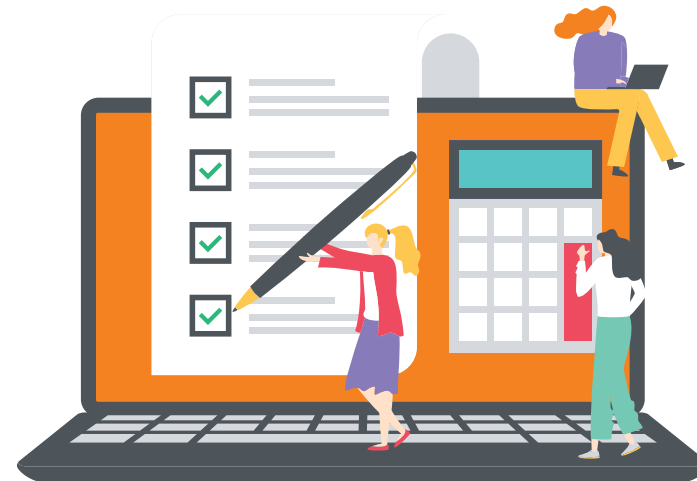
Terms of office and employment of the Chairman of the Board of Directors for the period as from December 1, 2015 were approved by



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 remuneration policy, the maximum remuneration as defined in the Executive Remuneration Act (i.e. excluding payments for severance pay and provident funds by law) for the Chairman of the Board of Directors and the Bank President & CEO 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 will not exceed the amount specified in section 2(a) of the Executive Remuneration Act, which currently stands at NIS 2.5 million.

In conformity with the revised remuneration policy, the maximum variable remuneration shall not exceed 85% of the fixed remuneration, except under special 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 a retention bonus equal to two months' salary, which constitutes fixed remuneration pursuant to the revised remuneration policy. 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 corporate social responsibility), including a monetary bonus and which may include long-term equity-based remuneration not

to exceed one half of the performance-based variable remuneration. 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 and to strengthen the link between overall Bank performance and the officer's contribution to achievement of such performance to the officer's remuneration, in line with the Bank's risk profile. According to the revised 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.



Furthermore, on March 20, 2017, the Board of Directors resolved, after receiving the recommendation from the Remuneration Committee, to approve a revised remuneration policy 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 for 2017-2019. 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 more information about the revised remuneration policy, see immediate report dated January 9, 2017, reference No. 2017-01-003454.

## Avoiding Conflict Of Interest

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 Act, 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.





# Commitment To Regulatory Compliance



The Bank strictly complies with the law and implements any corporate governance rules and regulations applicable there to. The Legal Division advises on application of statutory provisions and implications of Bank Group operations, and also assists in deployment of regulatory updates. The Risk Control Division verifies Bank activities on these fronts:

- ▶ **Organized deployment of operating procedures** – The Bank strictly complies with statutory provisions through an organized set of operating procedures, working processes and IT systems. The process of implementing laws and statutory provisions and updates there to are monitored by the Compliance Department of the Risk Management Division.
- ▶ **Training and employee publications** – Training on various regulatory issues is delivered as part of banking training delivered as part of training of Bank employees and specifically, based on role and department. The Compliance Department publishes from time to time brochures and notices which highlight issues of compliance with statutory provisions.
- ▶ **Control over implementation** – Compliance is verified, inter alia, by implementing controls over compliance with provisions in various areas.
- ▶ **Compliance risk identification and mapping** – Identify focal points of increased risk, potentially due to breach of statutory provisions, so as to focus effort on mitigating such risk and on avoiding such breach.

- ▶ **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 Compliance Department** – The Bank operates an anonymous hot line for employee reporting, as needed, with regard to fraud and manipulation of securities and other compliance issues.
- ▶ **Audit** – The Bank conducts independent audit of compliance with procedures and provisions related, inter alia, to material departments and processes at the Bank.
- ▶ **Fair competition** – The Bank adheres to fair competition with its competitors, does not promote any public agenda and does not apply any lobbying.
- ▶ **Fairness** – The Bank maintains a fair relationship with everyone, in particular with customers, including sales of products and services which match the customer and their needs.

## Compliance And Regular Control Over Proper Conduct

The Bank maps the regulations and appointed persons responsible for ensuring compliance with these regulations in all areas. Each division is responsible for regulatory compliance in its own area. As part of compliance operations and implementation of the compliance culture, the Group provides its employees with training on the following subjects: Compliance, AML and terror financing, bribery and corruption risk, internal enforcement, cross-border risk, compliance with international sanctions, anti-trust law, fairness to customers, proper disclosure and the Code of Ethics. The Group also refers to mandatory non-discrimination against various populations, including operations involving minorities.

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 and takes various actions to reduce such risk.

In 2015-2018, no significant fines<sup>1</sup> were imposed on the Bank for non-compliance with laws and regulations. For payment by the Bank Group in conjunction with an agreement to conclude an investigation

1. In July 2018, the Bank received a demand from the Israeli Securities Authority (ISA) to pay a monetary sanction of a non-significant amount, in connection with a violation of ISA applicable to investment advisors, which took place in 2017

by the US Department of Justice, see chapter below on this matter.

As part of proper management, the Bank does not promote any public agenda nor does it apply any lobbying. The Bank makes no contributions to any political parties, politicians or official institutions. Such contributions are prohibited in Israel and the Bank complies with the law. The Bank only operates in the public arena as required and only in the context of Bank business.



## Investigation Concerning Bank Group Business With Its US Clients

In 2011, authorities in the USA and in Switzerland have been negotiating the tax treaty between these countries. As requested by Swiss authorities, several Swiss banks, including Mizrahi Bank Switzerland, have provided, as from September 2011, to Swiss authorities quantitative data as requested about their business with US customers, to be provided to US authorities. In a letter dated August 2013, Mizrahi Bank Switzerland was informed by the US Department of Justice that an investigation of its business has been launched.

In June 2014, the Bank was first informed of expansion of the US DOJ investigation, which would apply to all inter-state activities of the Bank Group with its US clients.

The parties negotiated an agreed settlement outline for the Bank Group; on March 12, 2019, the Bank, Mizrahi Switzerland Ltd. and Mizrahi-Tefahot Trust Company Ltd. (“the Bank Group Companies”) and the US Department of Justice signed a Deferred Prosecution Agreement (DPA) (“the Agreement”).

In conformity with the agreement, the Bank Group agreed to accept responsibility according to U.S. law (Respondeat Superior doctrine), for the acts and omissions of certain former employees of the Bank Group – private bankers, relationship managers and other employees with similar levels of responsibility – who had acted in breach of its policy and procedures during the years 2002-2012; Acts and omissions (as described in an agreed Statement of Facts, which is

attached as an exhibit to the DPA) as a result of which US clients were able to avoid their US tax obligations.

Pursuant to the agreement, the Bank Group paid to the US Government a total of USD 195 million (“the Total Payment Amount”). The Total Payment Amount consists of USD 53 million, reflecting the tax payable by the relevant US customers of the Bank Group Companies to the US Tax Authority; USD 24 million, reflecting the revenues generated by the Bank Group Companies with respect to provision of banking services to these customers; and a penalty amounting to USD 118 million.

The Bank also agreed to take certain actions (the vast majority of which are already implemented) relating to the implementation of FATCA mechanisms and to adequate compliance programs, including with regard to relevant affiliated companies. The Bank Group has committed to continue the full cooperation with the US authorities to the extent required by such authorities, with regard to the subject matter of the investigation.

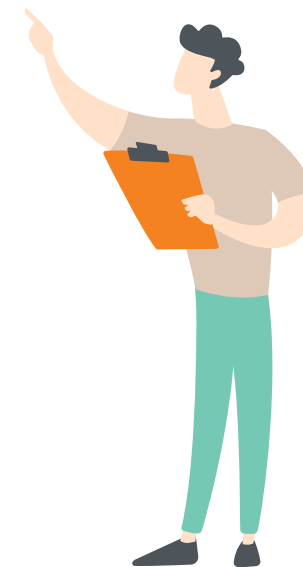
Pursuant to the DPA, a deferred indictment (“Information”) against the Bank Group has been submitted to a US court, with respect to the above conducts of the Bank Group employees. The indictment is deferred for a period of two years, such that if the Bank Group complies with the provisions of the agreement, the indictment shall be dismissed at the end of such deferral period, without any conviction.

On March 19, 2019, the US Court confirmed the validity of the Agreement.

The Bank regularly reported to the Supervisor of Banks about developments in the investigation, and Mizrahi Bank Switzerland

reported to the Swiss supervisory authorities. Furthermore, Bank Group Companies reported the agreement and details thereof to their relevant supervisory authorities in Israel, Switzerland and the USA.

On March 27, 2019, the Bank received a letter from the Supervisor of Banks, requiring the Bank, as the investigation is concluded and in view of the agreement reached, to conduct a structured, in-depth review and lesson learning process, including appointment of an independent commission, headed by a retired judge, to review the management and control processes and to formulate any general and personal conclusions and recommendations, as needed. On March 27, 2019, the Bank Board of Directors resolved to create such a commission.





# Risk Management And Control



The Bank has an organized system in place for risk control and management including, inter alia, a framework document on risk control, which specifies the Bank's risk appetite, guidelines for risk management and corporate governance (Master Document) and policy documents on management and control of specific risk in various areas. These 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 and by the Board of Directors plenum and govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations. These risks include: strategic and reputation risk, credit risk, including environmental risk, financial risk, operational risk including information security and cyber risk, human resources and legal risk, compliance risks including: Compliance and regulatory risk, AML and terror financing, cross-border risk, conduct risk, risk associated with management of online banking, policy with regard to the Bank's branch strategy, including principles for opening new branches and managing branch closure. In 2018, a new policy was approved with regard to management of overseas affiliate risk.

## Policy On Responsible Risk Management

The Bank's investment policy calls for maintaining a low risk profile by holding a loan portfolio which consists mostly of diversified, retail loans. In addition, the Bank's nostro operations are primarily

focused on investing in liquid, high-quality assets carrying minimum credit risk, mostly debentures of the State of Israel. Therefore, the risk level of the Bank'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.

Bank operations with regard to risk management are in conformity with Proper Conduct of Banking Business Directive 310 concerning “Risk Management”, issued by the Supervisor of Banks in 2012. The regulation is primarily based on Basel Committee guidelines for risk management, as reflected in recommendations made by the Basel Committee. The regulation includes a corporate-wide risk management concept, listing principles for setting up a framework for risk and capital management and control. The regulation also clarifies the processes required of the Board of Directors in order to duly discharge its duties pursuant to Proper Conduct of Banking Business Directive 310, including a requirement to appoint a Risk Management Committee of the Board of Directors. According to the regulation, senior management is responsible for regular risk management, and is required to create a Risk Management function, and to appoint a Chief Risk Officer to head this function. The regulation lists the responsibilities and position of the Risk Management function and the Bank fully implements this regulation.

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.

Dedicated policy documents govern the Bank’s internal control system. This framework supports aspects of the Code of Ethics, determines the reporting chain in case of improper action and specified

guidelines for the internal control culture at the Bank. The Bank’s policy documents 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.

In 2017, the compliance policy document was expanded to include a framework for addressing conduct risk. This risk has been addressed by the Bank for some time, was added to the compliance policy and was approved by the Bank Board of Directors, in view of the great importance the Bank attaches to managing this area.

Risk management is conducted at Group level; specifically, appropriate forums and procedures have been created to ensure that risk management and control processes at Bank Yahav and overseas affiliates of the Bank, too, are in line with Group policy.

Further to the foregoing, in 2018 a new policy document was added for management of overseas affiliate risk, in conformity with Bank of Israel Directive no. 306 “Supervision of overseas affiliates”, issued in 2018 and effective as from January 1, 2019. Group international operations include business operations and limited, focused private banking services via subsidiaries, branches and affiliates in Israel and in a few countries overseas. The policy document is a key document for setting the framework for risk management and control for affiliate operations.

In 2018, other updates were made to various policy documents,



including the following: Management of credit risk associated with trading activity of customers in derivatives and securities (in particular for speculative customers), specification of principles for opening and management of accounts for financial service providers supervised by the Capital Market Authority, as well as accounts for offering coordinators registered in the Coordinator Registry of the Israeli Securities Authority, and to the policy on AML risk management.

## Preventing Terror Financing And Trade With Enemy Entities



The Bank adopts a risk-based approach that contributes to effectiveness of control lines and to properly addressing AML and terror financing risk, including implementation of risk-based measures for mitigating such risk.

AML and terror financing risk through the Bank are part and parcel of all levels of Bank activity with customers. In order to manage this risk, Bank policy includes guidelines in this area. 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, 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, to rules regarding the activity of correspondent banks and for monitoring unusual activity.

## Involvement Of Management And The Board Of Directors In Risk Management

Once a year, Bank Management presents the Bank's annual ICAAP 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 during 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 organization as to the risk level, in conformity with the Bank's risk appetite and policy and the quality of risk management. The effectiveness of risk management is also independently reviewed by Internal Audit and is presented and discussed as part of this process. Board members receive training from time to time on the subject of risk management.

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.

In 2018, the employee mapping process was added to the lines of defense. This mapping was conducted for various units based on material risk factors managed by the Bank. This process emphasized the defensive functions for risk management and control, which have been expanded in recent years. Furthermore, a current mechanism for periodic assessment of the effectiveness of the organizational structure of the lines of defense was incorporated in the policy document on risks management framework.

Furthermore, as from the end of 2015, the Bank issues, in conformity with Bank of Israel directives, a quarterly risk report online, which contains a similar overview with regard to development of risk management and control at the Bank, corporate governance activity with regard to risk management etc.

## Review Of Effectiveness Of Risk Management Processes

As noted, the Bank reviews annually 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 position on the quality of risk management and control and assessment of the risk trend going forward.

In 2018, further steps were taken to reinforce the circle of assessors, in order to obtain a more complete picture of all aspects from the different lines of defense.

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. As part of this process, a dialogue takes place between risk owners and risk controllers, including discussion of annual work plans and their impact on the level and quality of risk management, with the aim of ensuring that weaknesses identified would be addressed

during the year .

As part of the review of risk management quality and throughout the RAS process, meetings were held with risk managers, to discuss and elaborate the outcomes and to identify the challenges and risk facing the Bank. In addition, a general “heat map” was created for the material risk factors facing the Bank. The “heat map” refers to the risk intensity and likelihood of realization over a one-year horizon. 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. Note that the heat map includes reference to cyber risk (global risk), compliance and regulatory risk, fairness, fraud and embezzlement, Bank preparations for providing customer services during an emergency (business continuity) and so forth.

The results of the overall qualitative assessment, 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.



# Management Of Environmental And Social Risk

As part of its credit risk management policy, the Bank has set policy on environmental risk management in lending. This policy, as part of the Bank’s risk management and control process, accounts for considerations based on customer quality, repayment capacity, financial robustness, liquidity, reliability, seniority with the Bank, account management and collateral quality – as well as environmental considerations. This is based on the understanding that customer operations may have environmental impact. Based on this concept, the Bank strives to find a balance between the various considerations, including environmental considerations, when providing products and services to its customers.

**Training relevant employees on environmental risk –** For optimal deployment and implementation of the Bank’s environmental risk management policy, training is delivered about processes for credit approval processes and environmental risk assessment.

The environmental risk policy stipulates the methodology for identification, assessment and handling of environmental risk. The environmental risk policy is approved annually by the Bank Board of Directors, as part of the policy documents.



## Environmental Risks

Environmental risk to the Bank is the risk of loss which may be incurred due to deterioration in the borrower’s financial position due to high costs incurred as a result of environmental hazard (such as: air pollution, soil pollution, climate change, hazardous materials etc.) and regulation concerning environmental protection, or due to impairment of collateral exposed to environmental risk or to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other risk factors derived from this risk: goodwill, third party liability etc.

In recent years, global awareness of the potential financial exposure arising from regulations related to environmental protection has grown. In conformity with directives of the Supervisor of Banks, banks are required to act to incorporate management of exposure to environmental risk within all risks at the Bank, including specification of work processes for identification of significant risk when granting credit and inclusion of risk assessment, if any, within periodic assessment of quality of credit extended. As part of this process, the Valuation Unit also reviews, as needed, any environmental aspects related to land, in order to identify any actual or suspected soil pollution and accordingly, determines the collateral value of the assets referred to it.

The business units review customers where the environmental aspect is material and when the approved credit amount is also material.

For real estate projects, the external supervisors that accompany the project are required to refer to environmental protection aspects as integral part of the project. Furthermore, when valuating properties as collateral for loans other than housing loans, the valutors are

required, in conformity with Standard 19, to refer to any environmental protection aspects, as required by the Standard.

In case of any indication or suspicion of significant environmental impact, the environmental review is expanded and intensified.

Credit approvals are revised annually, or in case of change in the volume or structure of credit extended to the customer, in which case such approvals are discussed more frequently. In case of discussion of extending material credit and the environmental risk is also material, the business unit includes reference to this matter in the credit application.

The Bank’s policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk. The environmental risk policy is approved annually by the Bank Board of Directors, as part of the policy documents.



## Social Risk

Social risk is one of the risk factors facing the banking system. The Bank's reputation may be impacted by materialization of social risk, such as: Involvement in topics which are socially sensitive, publication which may offend some demographics etc. Social risk in banking (such as: regulation and money laundering) are included as part of overall risk management at the Bank. In line with Group policy, the Bank reviews all risk and customer information before extending credit; this is a comprehensive process which includes review of all aspects indicating the customer quality, financial robustness, repayment capacity and conduct.

### 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, and as needed, the Bank modifies the product mix accordingly, and reports branch performance to management in conformity with guidance and the recommended product mix.

### Implementation And Deployment Of This Issue

A major component for including environmental risk in overall lending considerations is internalizing and deployment of awareness of relevant persons to this matter, among those involved in extending loans of material amounts.

In order to improve employees' capacity to apply the Bank's social and environmental policy, the Bank delivers regular training and

seminars. In addition, employees attending the Senior Lending Course, studied the topic of environmental risk is covered in a presentation by representatives of the Risk Control Division on the Bank's credit policy, with reference to the issue of environmental risk. In 2018, 68 employees and 23 managers attended the Senior Lending Course.





# Deployment Of Business Ethics



In 2008, the Board of Directors approved the Bank’s Code of Ethics. 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 training activities, including an Ethics Committee headed by the Bank secretary, 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 Code of Ethics

The Bank’s Code of Ethics reflects the Bank Spirit and its organizational culture, as reflected by its management and staff. The Code of Ethics defines appropriate rules of conduct for all those acting on behalf of the Bank, 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.

Bank Code of Ethics – values which guide Bank operations:

- |   |              |   |              |
|---|--------------|---|--------------|
| ✓ | Commitment   | ✓ | Reliability  |
| ✓ | Integrity    | ✓ | Loyalty      |
| ✓ | Fairness     | ✓ | human rights |
| ✓ | Transparency | ✓ | Excellence   |

Full transparency is a prerequisite of corporate governance, and in particular as it relates to efficient risks management. Policies of proper disclosure of events, support processes and appropriate organizational structure create regular work interfaces which support the Board of Directors and allow it to discharge its duties. The Bank’s Board of Directors and management promote, throughout the organization, a high level of ethics and integrity. One of the key means for instilling ethics and integrity is the preparation of the Bank’s Code of Ethics and its deployment among all Bank employees.

The Bank has an Ethics Committee, which convenes monthly, headed by the Bank Secretary, with representatives from headquarters units and branches. The Committee works to implement the Code of Ethics on a regular basis and reviews this deployment process. The Committee also serves as an address for consultation and discusses ethical dilemmas arising from the field.

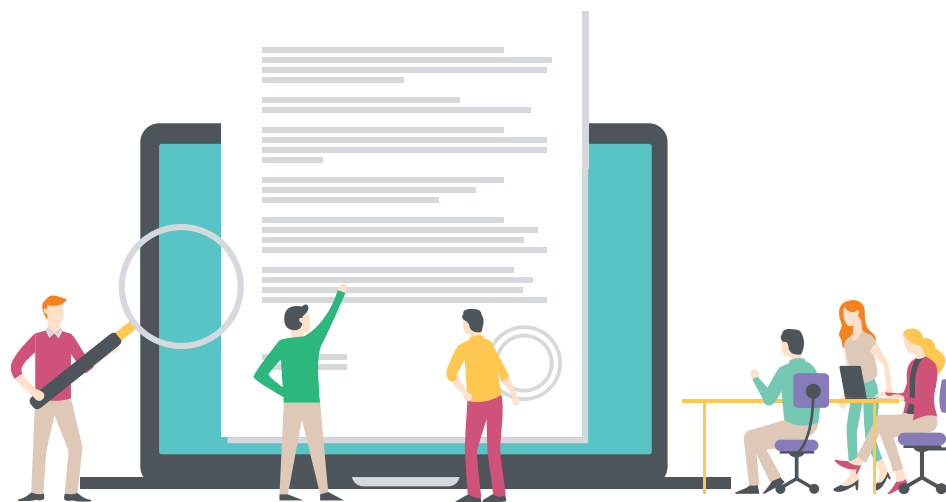
The complete Code of Ethics is available on the Bank website.

## Deployment Of The Code Of Ethics

In 2018, Bank units continued to deploy the Code of Ethics, using various tools, in accordance with the work plan:

- ▶ **Reporting to management and to the Board of Directors** – In accordance with the work plan for deployment of the Code of Ethics, once every quarter, the Management Forum receives a status report on ethics and semi-annually, the Chair of the Ethics Committee presents to the Board of Directors a report on deployment of the code and ethics-related events that took place.
- ▶ **Ethics-related training** – In 2018, we delivered 4,831 of training on the Code of Ethics and on ethics issues, to 3,899 employees and managers. Each new employee at the Bank is required to study an E-learning kit with regard to the Bank's Code of Ethics and also receives in-person training as part of a training course. Use of the E-learning kit on Ethics is monitored.
- ▶ **Ethics Week** – As part of Ethics-related activities across the organization, in 2018 we held the Ethics Week, designed to place Ethics in the focal point of organizational attention; during this week, all Bank units received training, through a game about ethics in social media.
- ▶ **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.

- ▶ **Deployment 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.
- ▶ **Management meeting concerning ethical issues** – A monthly meeting between Bank management and managers (from Sector Manager and higher) is convened to discuss ethical issues.
- ▶ **Ethical dilemmas** – Presentation of ethical dilemmas on the Code of Ethics website.



- ▶ **Introduction of Ethics as a topic in core courses** – A training unit on Ethics is incorporated in some banking courses.
- ▶ **Manager training** – Manager training includes discussions of ethical issues relevant for managers, based on values in the Code of Ethics. Furthermore, in 2018 we held a conference for managers, where all managers attended an ethics-related activity.
- ▶ **Division-level activities** – Division-level activities are designed to describe ethical dilemmas and relevant processes for each division and to formulate an internal ethics program.
- ▶ **Various ways of contacting** – The Bank allows employees to contact with regard to any issue, including ethics-related issues, in by various channels and at any time. This is done by means of contacting the Chair of the Ethics Committee by email, an email address dedicated to ethics-related issues, and an online form for anonymous inquiries. External parties may address ethics-related issues through the Public Call Center or through the Bank website. 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).

**Measuring the effectiveness of deployment of the Code of Ethics** – In 2015, a survey was conducted to review the effectiveness of deployment of the Code of Ethics among Bank units, further to the survey conducted in 2013. This survey reviewed, inter alia, the need to revise the values in the Code of Ethics and highlights for expanding ethics activities across the organization. In 2017, focus groups were convened in order to analyze the effectiveness of deployment of the Code of Ethics and to review the need for revision of the Code of Ethics.

**The Code of Ethics and the new strategic plan** – The Bank's new strategic plan for 2017-2021 highlights the differentiation of Mizrahi-Tefahot as a bank that offers personal, human banking along with advanced technology tools. In accordance with this plan and with Bank policy, which highlights the key position of the Banker, with more branches and service positions opened, the Bank deploys across the organization the unique values of the Code of Ethics, forming the basis of the Bank's business and inter-personal conduct.





# Our Commitment To Preventing Corruption



Mizrahi-Tefahot constantly strives to prevent occurrence of corruption events – by employees, customers and others. Prevention of corruption is addressed by the Bank on multiple levels, due to the nature of banking operations. and in conformity with Section 38 of Proper Conduct of Banking Business Directive 350, whereby banking corporations should identify areas with roles which generate potential conflict of interest for employees, reduce them and subject them to monitoring and independent review. In this regard, the Bank specified a policy on addressing aspects of operational risk and internal control and created control and continuous monitoring processes. 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.
- ▶ **Cases of fraud by Bank clients** are monitored and handled by the Information Security and Cyber Departments of the Risk Control Division and the Technology Division, by Mizrahi-Tefahot Security Services in the Human Resources and Administration Division and by the clearinghouse.
- ▶ **Activities of Bank customers, suspected of being connected to bribery and corruption** – are monitored and handled by the Compliance Department.
- ▶ **Cases of theft and robbery** are monitored and handled by Mizrahi-Tefahot Security Services, the Information and Cyber Security Department and the Audit Division.

- ▶ **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 (the Bank Secretary).

In all of these cases, when malfeasance is suspected due to monitoring or due to information received, the Audit Division is involved in 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.

The Bank is conducting several key processes to address these issues on two main fronts: prevention and training as well as handling of exceptional cases and events:

### Prevention And Training

- ▶ **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: Preventing fraud and embezzlement, bribery and corruption risk, information security, Code of Ethics, anti-trust and inside information. In 2018, the E-learning kits were revised and external Bank employees were added to the population required to study it.
- ▶ **Advice and ongoing training** – 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.

- ▶ **Event debriefing** – The Bank has a methodology in place to learn lessons and to take action as required to avoid their recurrence (for both events in Israel and overseas).
- ▶ **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.
- ▶ **Anonymous hot line for employee inquiries to Internal Audit** – The Bank operates an anonymous hot line and fax for employee inquiries as needed.

## Handling Cases And Learning Lessons

- ▶ **Operating identification and control circles** – The Bank operates three identification and control circles: The first circle is control at branches and business units; the second circle is at the Human Resources and Administration Division, the Accounting and Financial Reporting Division, the Legal Division and the Risk Control Division; the third circle is at the Internal Audit Division. These three circles are designed to allow for early identification, prevention, deterrence and handling of such cases, in as much as possible.
- ▶ **Operational Risk Portal at the Bank (“PSTL”)** – This is a database of all relevant events, based on directives from the Bank of Israel, which classifies – out of all events – those which are exceptional / material for analysis, reporting and debriefing, if required.

- ▶ **Risk controllers for operating processes** – The Bank conducts an on-going effort to conduct risk surveys for operating processes across all Bank units, in coordination with unit managers, designed to identify operating risk associated with their operations, to assess the severity thereof and to specify the required reinforcement processes in order to mitigate such risk.
- ▶ **Reinforcing the reporting culture with regard to operating events** – both by dissemination of events to the field, through dedicated conferences and training, debriefing of various events and dissemination of conclusions to the field in order to avoid recurrence of such events.
- ▶ **AML system** – This system flags exceptional events for review by the branches (first line) and by the Compliance Department (second line) and then reported to the AML Authority, in compliance with statutory provisions.
- ▶ **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. This year we conducted multiple processes in this context, to reduce the impact of credit card fraud events (forgery / copying), including

hot alerts to customers in case of suspected inappropriate activity using their credit card.

- ▶ **Information and cyber security risk steering committee** – Headed by the Chief Risk Officer, convenes regularly at least once every quarter, to discuss information and cyber security issues, including an overview of events and recommendations to be implemented.
- ▶ **Internal control forum** – a periodic forum responsible for the integration of internal control areas at the Bank, which discusses, inter alia, significant cross-organization events.
- ▶ **Compliance forum** – Headed by the Chief Risks Officer and attended by managers of business divisions, designed to raise events and cases related to compliance, to discuss material compliance risks and to describe material regulatory changes and preparations for the implementation thereof.

## Preventing Fraud And Embezzlement

The Bank regularly monitors operations of all branches, designed to identify unusual transactions in customer accounts. Embezzlement monitoring covers activities at all Bank branches, designed to identify and avoid embezzlement-related risk. In case of suspected embezzlement or irregularities, the Bank applies its policy on addressing fraud and embezzlement, which sets the means and reporting chain required to address such suspicion. If any breach of Bank procedures by any Bank employee is discovered, 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

to the Bank President and to management – and based on the circumstances, also to the Board of Directors' Audit Committee. 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. Bank policy also requires reporting to the Bank's Internal Audit Department in case of a potential for such event.

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 risk of embezzlement, fraud and breach of statute. The Bank also specified the organizational structure to implement role separation, work processes, IT systems and other tools designed to mitigate such 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.

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 and employees are required to act according to these procedures. 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 Group communicates and provides training to employees on this matter.

In 2018, we conducted reviews based on a structured work plan across the Group, including with regard to corruption aspects.

## Reporting Of Suspicious Events And Handling Of Corruption Events

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.

Bank policy 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 managed and all the relevant parties at the Bank are involved, including Human Resources and Risk Management. 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 2018, the Bank received one report with regard to fraud / embezzlement, concerning embezzlement by an employee. This report was handled in conformity with Group procedures; the employee in question is no longer employed by the Bank. This matter was reported to the Bank of Israel, in conformity with the Supervisor of Banks' directives, and a complaint was filed with the police, in conformity with Bank policy. The Bank and Bank customers did not incur any material damage.

## Corruption-Related Training

**In 2018, we delivered 28,767 hours of training on preventing corruption to 4,381 employees and to 998 managers.**

Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.



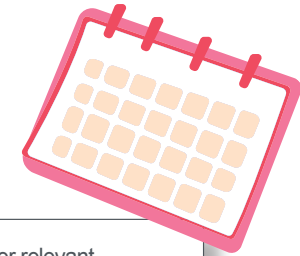
## Looking Forward

### ► Achievement Of 2018 Goals



Goal	Status
Further impart the topic of environmental risk to other relevant departments and employees, through custom training.	Done
Continued review of environmental risk when extending significant credit to customers subject to significant environmental aspects, primarily soil, as part of the routine work process.	Done
Continued improvement of the compliance culture, analysis and implementation of new compliance directives, and increased control effectiveness.	Done
Continued deployment of the process for bribery and corruption risk, including appropriate training and control tools	Done
Continued deployment of the Bank's business fairness concept, through the annual training program, focusing on overseas affiliates.	Done
Continued deployment of the values in the Bank's Code of Ethics, in conformity with the annual work plan, using diverse tools, such as: <ul style="list-style-type: none"> <li>• Conducting ethics-related meetings of executives with branch and unit managers, together with representatives of the Ethics Committee.</li> <li>• Division-level activities designed to describe ethical dilemmas and relevant processes for each division and to formulate an internal ethics program</li> <li>• Conduct an Annual Ethics Day, with special emphasis on ethical conduct in social networks.</li> <li>• Review the need to update the values in the Code of Ethics.</li> </ul>	Done

### ► Goals For 2019



<p>13 שנינו אקלים</p>	Further impart the topic of environmental risk to other relevant departments and employees, through custom training.
<p>16 שלום צדק תודוק המוסדות</p>	Improve the IT capabilities of the Compliance Division to monitor the implementation of regulatory provisions.
	Continued deployment of the values in the Bank's Code of Ethics, in conformity with the annual work plan, using diverse tools, such as: <ul style="list-style-type: none"> <li>• Conduct division-level activities designed to describe ethical dilemmas and relevant processes for each division and to formulate an internal ethics program and continue activity at all levels of the Bank: Branches, headquarters units and subsidiaries.</li> <li>• Analysis of insights from Ethics Week, with regard to ethics in social media and formulation of recommendations with regard to proper conduct rules in social media.</li> <li>• Validation of recommendations made to revise the Code of Ethics would be the basis for Ethics Week 2019 activities.</li> </ul>
	Continued monitoring of Bank of Israel directives and current regulation, including review of their potential impact on Bank operations and customers, and preparation to properly and fairly handle customers in compliance with the content of new legislation. Of the legislation reviewed this year, we should note the Insolvency Act, which would become effective in September 2019.
	Preparation for comprehensive review of handling of outsourcing providers, as part of a new Bank of Israel directive that would become effective in March 2020.



# External Control and Benchmark Index

## Quality assurance certification: Mizrahi-Tefahot Group, 2018 Corporate Social Responsibility Report

### Introduction

Corporate Social Responsibility Institute – This is an independent public entity which promotes the concept of corporate social responsibility. The Institute operates as part of the Academic Law and Business Center, which is a private college (recognized by the Higher Education Council) for law and business administration. The Institute operates, inter alia, by conducting professional meetings, compiling reports, studies and market overviews, translating global applied methodologies into Hebrew etc. In May 2019, Mizrahi-Tefahot Group contacted the Institute, in order to conduct a quality assurance process for its 2018 Corporate Social Responsibility Report.

It is noted that the Institute is paid to cover its time spent on this process. Furthermore, note that the Institute nor Mr. Liad Ortar (who authored this work) are in any business advisory contact with Mizrahi-Tefahot Group and the quality assurance process was independent. During the Quality Assurance process, the draft report was reviewed, comments were made and a statement to ensure the aforementioned quality was worded.

### Work methodology

The process of ensuring the quality of corporate social responsibility reports is primarily designed to improve the quality of reporting output, by providing professional feedback. This process reviews whether the report is compliant with three major principles:

1. **Inclusiveness** – Reference to all sustainability topics raised during the process of consultation and information gathering from a wide range of stake holders.
2. **Materiality** – Reference to matters which are material for company operations.
3. **Responsiveness** – Reporting of matters raised by stakeholders.

### Findings

This report by Mizrahi-Tefahot Group is the sixth report being published, joining the trend of adoption of sustainability reporting by the entire banking system in Israel, in conformity with the requirement by the Supervisor of Banks. The report adopts the current GRI reporting guidelines – SRS – in compliance with the Comprehensive reporting framework. I hereby certify that Mizrahi-Tefahot Group is in compliance with the scope of disclosure and reporting required for this level and is compliant with the three aforementioned principles.

This sixth report continues to show a notable trend of professional improvement.



## Comments on the report:

- ▶ Intensified dialogue processes with stake holders – This report presents a process of review and re-assessment of issues material for Bank performance, hence also for social-environmental reporting. This process included structured data gathering efforts, but the GRI approach is based on the principle of “involving stake holders” or, in our language, dialogue. We recommend that, in addition to surveys, the Bank should also initiate deeper dialogue with representatives of Bank stake holders, in order to enable the aforementioned space for dialogue.

Finally, this report presents a review and re-assessment of the material issues reported by the Bank. This effort was comprehensive and included surveys among large sample populations, as well as in-depth dialogue with Bank management. Identifying the material issues to be reported is at the heart of the reporting process, and reporting organizations are expected to re-assess these issues once every few years. The move from general assessment in the previous reports, to a structured, quantitative assessment process, is highly important and a real improvement of the reporting process. Should this methodology be sustained, we could continue to monitor the change in stake holder positions over the years.

Congratulations to all involved,

**Liad Ortar**

Manager,

The Corporate Social Responsibility Institute

The Academic Law and Business Center



**Combined index:**  
**GRI - In accordance: Comprehensive I COP - UN Global Compact**  
**SDGs - Sustainable Development Goals**



**General indices**

Chapter	Subject	CPI	Index Description	Report Page	UNGC – CoP	SDGs
<b>102 General Indicators</b>	<b>Organization profile</b>	102-1	Organization name	9	No specific CoP requirement	-
		102-2	Description of major activities, products and services	10		
		102-3	Location of organization headquarters	14		
		102-4	Countries in which the organization does business, major countries of operation or those relevant to issues covered by the report	10		
		102-5	Nature of ownership and legal form of incorporation.	10		
		102-6	Markets served by the organization	10		
		102-7	Organization size and information about the organization	12		
		102-8	Information about the organization's employees	95-100	6	
		102-9	Description of the organization's supply chain	88-90	No specific CoP requirement	
		102-10	Significant changes in the organization and in the supply chain	14		
		102-11	Implementation of the principle of "diligence approach" by the organization	151-154		
		102-12	External initiatives, treaties, or principles of corporate social responsibility adopted by the organization	19-20		
		102-13	Membership of associations / organizations and/or national or international advocacy organizations	15		
	<b>Strategy</b>	102-14	Certification by the senior decision maker in the organization (such as CEO, Chairman or equivalent) regarding the relevance of sustainability principles for the organization and its strategy	4-5	No specific CoP requirement	-
		102-15	Significant impact, risk and opportunity related to corporate social responsibility	6-8, 14, 61-62		

Chapter	Subject	CPI	Index Description	Report Page	UNGC – CoP	SDGs	
102 General Indicators	Ethics and integrity	102-16	Description of organization values, principles, standards and behavior norms.	158-160	10	16.3	
		102-17	Description of the organization's external and internal mechanisms for consultation and reporting on ethical and legal behavior and business integrity	158-160 163-165			
	Corporate governance	102-18	Corporate governance structure of the organization, including Board committees	163, 139, 144	No specific CoP requirement	-	
		102-19	Delegation of Board of Directors' authority with regard to corporate social responsibility issues	16-17, 143			
		102-20	Appointment of senior executive responsible for corporate social responsibility	16			
		102-21	Processes for consultation with stakeholders on corporate social responsibility issues	143			16.7
		102-22	Description of the Board of Directors' composition and committees	142			5.5,16.7
		102-23	Does the Chairman of the Board also serve the organization in an executive capacity?	140			16.6
		102-24	Description of the appointment process to the Board of Directors and to Board committees	141			5.5,16.7
		102-25	Avoiding conflict of interest	146			16.6
		102-26	The role of the Board of Directors and of organization management in setting organizational goals, values and strategy	16-17, 139, 143			-
		102-27	Description of the means for development and promotion of the Board of Directors' knowledge on matters of corporate social responsibility	16-18			-
		102-28	Description of the processes for evaluating Board performance	141, 144			-
		102-29	The role of the Board of Directors in identifying and managing corporate social responsibility issues	16-17, 143			16.7
		102-30	The role of the Board of Directors in reviewing the effectiveness of the risk management process with regard to corporate social responsibility in the organization	16-17, 143			-
		102-31	The frequency of review of economic, social and environmental issues in the organization by the Board of Directors	16-17, 143, 153			-
102-32	The senior entity that approves the corporate social responsibility report and is responsible for ensuring that all material issues are reported	22	-				

Chapter	Subject	CPI	Index Description	Report Page	UNGC – CoP	SDGs
102 General Indicators	Corporate governance	102-33	Processes for communicating critical issues and presenting them to the Board of Directors	16-18, 153	No specific CoP requirement	-
		102-34	Critical economic, social and environmental issues, which were presented to the Board of Directors and description of the mechanisms to address and resolve such issues	14, 16-18, 143		
		102-35	Description of remuneration policy of the Board of Directors and senior management	144		
		102-36	Description of the process for determining remuneration	144		
		102-37	Involvement of stakeholders in the remuneration process	144		
		102-38	The ratio of top annual salary to median annual salary	145		
		102-39	The ratio of annual salary percentage increase of the highest paid employee and the median salary percentage increase of all employees	145		
	Dialogue with stakeholders	102-40	Details of groups of stakeholders in the organization	23-24	No specific CoP requirement	-
		102-41	Percentage of employees subject to collective bargaining agreements	102	3	8.8
		102-42	The process of identifying and selecting groups of stakeholders for conducting dialogue	23-24	No specific CoP requirement	-
		102-43	Description of the organization's approach to dialogue with its stakeholders, including the frequency of dialogue with each stakeholder type and group, and whether specific dialogue took place in preparation of the report	23-25		
		102-44	Key issues raised in dialogue with stakeholders and how the organization addresses these issues	26-27		
	Reporting practice	102-45	Details of entities listed in the consolidated financial statements of the organization and whether the corporate social responsibility report covers all of these entities	13, 20	No specific CoP requirement	-
		102-46	The process of defining the report content and the impact limits of material issues	22-25, 27		
		102-47	List of material issues identified in preparing the report	26-27		
		102-48	Re-statement of data from previous reports	22, 99		
		102-49	Material changes in the list of material issues and their limits, compared to previous reported periods	22-23		
		102-50	Reported period	22		

Chapter	Subject	CPI	Index Description	Report Page	UNGC – CoP	SDGs
102 General Indicators	Reporting practice	102-51	Publication date of the most recent report	4, 6, 22	No specific CoP requirement	-
		102-52	Reporting frequency	7-8		
		102-53	Contact person for questions regarding the report or report content	8		
		102-54	The organization's certification of reporting in conformity with GRI Standards	22		
		102-55	Index – GRI Content index	170		
		102-56	Policy and actual performance with regard to external quality assurance for the report	168		

## Benchmarks For Material Issues

Material Issue	CPI	Index Description	Report Page	UNGC – CoP	SDGs	
Economic benchmarks	201 Economic performance	103-1	Explanation of the material issue and limits thereof	9	No specific CoP requirement	-
		103-2	Administrative approach and components thereof	9		
		103-3	Measuring the administrative approach	9		
		201-1	Direct economic value generated by the organization	11-12		8.1 ,8.2 ,9.a ,9.1 ,9.4 ,9.5
		201-2	Financial implications and other threats and opportunities in operations of the organization due to climate change	155-157		13.1
		201-3	Liabilities of the organization in respect of retirement plans or employee remuneration and pensions	109		-
		201-4	Government support / grants / assistance provided to the organization in the reported period	13		-
	202 Market presence	103-1	Explanation of the material issue and limits thereof	101-102, 111	6	-
		103-2	Administrative approach and components thereof	101-102, 111		
		103-3	Measuring the administrative approach	101-102, 111		

Material Issue	CPI	Index Description	Report Page	UNGC – CoP	SDGs	
<b>Economic benchmarks</b>	<b>202 Market presence</b>	202-1	Range of initial wage level at the organization compared to the minimum wage by gender and operating region.	103	6	1.2 ,5.1 ,8.5
		202-2	The rate of senior managers employed from local communities in areas of significant operations	97		8.5
	<b>203 Indirect economic impact</b>	103-1	Explanation of the material issue and limits thereof	69	No specific CoP requirement	-
		103-2	Administrative approach and components thereof	69		
		103-3	Measuring the administrative approach	69		
		203-1	Development and impact of investments in infrastructure and services primarily provided for public benefit through commercial arrangement, donation in kind (for goods) or pro bono (for services).	61-62, 70, 84		5.4 ,9.a ,9.1 ,9.4 ,11.2
		203-2	Significant indirect economic impact of the organization	69-87		1.2 ,8.2 ,8.3 ,8.5 ,10.b
	<b>204 Procurement practices</b>	103-1	Explanation of the material issue and limits thereof	88-89	No specific CoP requirement	-
		103-2	Administrative approach and components thereof	88-89		
		103-3	Measuring the administrative approach	88-89		
		204-1	The ratio of actual expenditure on procurement from local suppliers in significant areas of operation	89-91		8.3
	<b>205 Preventing corruption</b>	103-1	Explanation of the material issue and limits thereof	161-162	10	-
		103-2	Administrative approach and components thereof	161-162		
		103-3	Measuring the administrative approach	161-165		
		205-1	Units of the organization in which a review was conducted to identify corruption-related risk and significant risk identified in such review	163		16.5
205-2		Communication and training on corporate policy and procedures for preventing corruption	164-165			
205-3		Corruption events in the reported period and actions taken	165			

Material Issue		CPI	Index Description	Report Page	UNGC – CoP	SDGs
Environmental benchmarks	301 Materials	103-1	Explanation of the material issue and limits thereof	126-127	8, 7	-
		103-2	Administrative approach and components thereof	126-127		
		103-3	Measuring the administrative approach	126-127		
		301-1	Weight or volume of materials used by the organization	127, 129	7	8.4,12.2
		301-2	Percentage of recycled materials used as raw materials	127-128	8	8.4 ,12.2 ,12.5
		301-3	Products and packages returned for reuse, recycling etc.	129-130		
Social benchmarks	401 Employment	103-1	Explanation of the material issue and limits thereof	95, 101-102	6	-
		103-2	Administrative approach and components thereof	95, 101-102		
		103-3	Measuring the administrative approach	95, 101-102, 123		
		401-1	Recruitment rate of new employees and turnover rate of employees at the organization	99-100		5.1 ,8.5 ,8.6 ,10.3
		401-2	Benefits provided to full-time employees which are not provided to part-time or temporary employees	105, 113	No specific CoP requirement	3.2 ,5.4 ,8.5
		401-3	The rate of return to work and employees retention after returning from parental leave	103	6	5.1 ,5.4 ,8.5
	402 Employee-management relations	103-1	Explanation of the material issue and limits thereof	101-102	3	-
		103-2	Administrative approach and components thereof	101-102		
		103-3	Measuring the administrative approach	101-102		
		402-1	Minimum advance notice given upon re-organization	102		8.8
	404 Training and development	103-1	Explanation of the material issue and limits thereof	116	6	-
		103-2	Administrative approach and components thereof	116		
		103-3	Measuring the administrative approach	116, 119, 123		
		404-1	Average annual training hours per employee	118		4.3 ,4.4 ,4.5 ,5.1 ,8.2 ,8.5 ,10.3

Material Issue	CPI	Index Description	Report Page	UNGC – CoP	SDGs	
Social benchmarks	404 Training and development	404-2	Skill development programs that support continued employability of employees	117-118, 120-121	No specific CoP requirement	8.2,8.5
		404-3	Percentage of employees receiving regular performance and career development reviews	122	6	5.1 ,8.5 ,10.3
	405 Employment diversity and equal opportunity	103-1	Explanation of the material issue and limits thereof	111	6	-
		103-2	Administrative approach and components thereof	111		
		103-3	Measuring the administrative approach	111, 123		
		405-1	Diversity among the organization's management and employees (gender, age, and other diversity aspects)	114-115		5.1 ,5.5 ,8.5
		405-2	The ratio of base pay for men and women at each level in significant areas of operation	114		5.1 ,8.5 ,10.3
	406 Prohibition of discrimination	103-1	Explanation of the material issue and limits thereof	111-113, 120	6	-
		103-2	Administrative approach and components thereof	111-113, 120		
		103-3	Measuring the administrative approach	111-113, 120		
		406-1	Incidents of discrimination and action taken	113		5.1 ,8.8 ,16.b
	412 Human rights assessment	103-1	Explanation of the material issue and limits thereof	120	1, 2	-
		103-2	Administrative approach and components thereof	120		
		103-3	Measuring the administrative approach	120, 123		
		412-1	Number and rate of activities of the organization subject to human rights review or to assessment of the impact of such activities on human rights, by countries of operation	120-121	1	
412-2		Total training hours in the reported period devoted to the organization's human rights policies or procedures and their relevance to the organization's activities, and the percentage of employees who have received training on the organization's policies and procedures with regard to such issues	121			
412-3		Number and percentage of agreements and contracts for significant investment that include human rights clauses or human rights screening	89-90	2		



Material Issue	CPI	Index Description	Report Page	UNGC – CoP	SDGs			
<b>Social benchmarks</b>	<b>413 Local communities</b>	103-1	Explanation of the material issue and limits thereof	69-70	1	-		
		103-2	Administrative approach and components thereof	69-70				
		103-3	Measuring the administrative approach	69-70				
		413-1	The percentage of activities in which the organization involves the local community, in which the impact on the local community was assessed and/or activities that implement community development programs	71-85				
		413-2	Actions that have significant negative impact on local communities (potential or actual)	The Group has no significant negative			1.4	
		G4-FS13	Service locations for disadvantaged populations by area of operation	34-35			No specific CoP requirement	-
		G4-FS14	Initiatives to make financial products accessible for disadvantaged populations	54-60				
	<b>417 Marketing and labeling of products and services</b>	103-1	Explanation of the material issue and limits thereof	51, 53	No specific CoP requirement	-		
		103-2	Administrative approach and components thereof	51, 53				
		103-3	Measuring the administrative approach	51, 53				
		417-1	The type of information required to be provided according to the organization's procedures with regard to products and services offered by the organization, and the percentage of significant categories of products and services subject to such requirements	52-53				
		417-2	The number of cases in the reported period of failure to comply with binding regulation and/or with voluntary codes concerning information and labeling of products and services	53			16.3	
		417-3	The number of cases in the reported period of failure to comply with binding regulation and/or with voluntary codes concerning marketing communications	53				
		G4-FS15	Policies for the fair design and sale of financial products and services	51-56			-	
G4-FS16	Description of initiatives designed to promote financial education for Bank customers and for the public at large	41, 56, 77-79, 117-118						

Material Issue	CPI	Index Description	Report Page	UNGC – CoP	SDGs	
<b>Social benchmarks</b>	<b>418 Customer privacy</b>	103-1	Explanation of the material issue and limits thereof	63	No specific CoP requirement	-
		103-2	Administrative approach and components thereof	63		
		103-3	Measuring the administrative approach	63		
		418-1	Total number of justified complaints regarding breaches of customer privacy and loss of customer data	50		
	<b>419 Compliance with social and economic regulation</b>	103-1	Explanation of the material issue and limits thereof	147-148	No specific CoP requirement	-
		103-2	Administrative approach and components thereof	147-148		
		103-3	Measuring the administrative approach	147-148		
		419-1	Significant fines and sanctions imposed on the organization for failure to comply with social and economic regulation	136, 148		16.3
	<b>Control over policy and management of social and environmental risk</b>	103-1	Explanation of the material issue and limits thereof	151, 155	No specific CoP requirement	-
		103-2	Administrative approach and components thereof	151, 155		
		103-3	Measuring the administrative approach	151, 155		
		G4-FS9	Coverage and frequency of audits to assess implementation of social and environmental policy and processes for management of social and environmental risk	143		
	<b>Bank product profile</b>	103-1	Explanation of the material issue and limits thereof	61	No specific CoP requirement	9
		103-2	Administrative approach and components thereof	61		
		103-3	Measuring the administrative approach	61		
		G4-FS6	The value of the portfolio of products and services provided by the organization	32-33, 61-62		
		G4-FS7	Monetary value of products designed to promote social goals	62		
		G4-FS8	Monetary value of products designed to promote environmental goals	61		