



Corporate Social Responsibility Report Summary 2017



Corporate Social Responsibility at Mizrahi-Tefahot Group

This is a summary of the fifth corporate social responsibility report issued by Mizrahi-Tefahot Group, providing an overview of operations of the entire Group, subsidiaries in Israel and overseas affiliates in 2017 with regard to corporate social responsibility. The report reflects Group commitment to act in areas of corporate social responsibility and to annually report its performance to stakeholders.

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. The new SRS standard replaces the G4 standard, used by the Group for reporting last year, also emphasizing materiality and dialogue with stakeholders of the reporting entity.

The report was compiled in conformity with the stakeholder model and includes the materiality matrix, which specifies the material topics for the Group and for its external stakeholders. This process was conducted in two parallel channels, integrated to allow us to create the materiality matrix and to focus on the 22 material issues.

Our commitment to corporate responsibility across all Group units is based on understanding of issues raised by stakeholders, dialogue with Group employees, dialog with our customers and on our commitment to achieve our objectives. This area is managed in an orderly fashion, includes multiple entities across the organization and requires significant coordination and preparation, in order to lead processes with long-term impact.

The full report, available on the Bank website, refers in detail to actions the Group took in 2017 on diverse matters, including: promoting customer interests, social and community involvement at the Group, creating a proper, accountable work environment for Group employees, environmental protection, maintaining proper corporate governance, ethics, risk management etc. These matters are foremost on the organizational agenda and form an integral part of our business core and organizational culture.

In the current year as well, the Group expanded its reference to international trends and bodies and throughout this report, we added reference to the list of 17 UN Sustainable Development Goals (SDG). Furthermore, the Group continues to report in conformity with the Global Compact initiative, reflecting its commitment to adopt international standards for social-environmental responsibility in all its endeavors based on ten principles of human rights, employment, environment and combating corruption.

The report was written with assistance from Good Vision, corporate social responsibility advisors of Grant Thornton Fahn Kanne Group, a GRI stakeholder. Furthermore, all data reported in this report was subject to external due diligence by the Israeli 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.

This annual report is a managerial tool for constant improvement. For us, it is the best reflection of our continued commitment to implementation of corporate social responsibility and sustainability.

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!**





Investing in customers

Mizrahi-Tefahot Group is committed to the success of all its customers and strives to create value for them over time, in each of its activities. This commitment is reflected in fair conduct and in creating diverse channels to obtain services and products that meet the needs of each customer.

Recognizing the importance of ensuring customers satisfaction, the Group is committed to listening to customers needs, to maintaining their privacy and to providing professional tools for their success.

The Bank's unique growth strategy is reflected in the consistent growth in number of branches providing a solution for diverse segments and ensuring full transparency with respect to information the Bank is required to provide to customers about the services and to make them accessible for persons with disabilities. The Bank also ensures that its marketing messages are respectful and not offensive, in line with statutory provisions and with proper banking conduct directives of the Bank of Israel.



Investing in Customers



Investing in the community



Investing in employees



Investing in the Environment



Corporate Governance





Fairness!

Mizrahi-Tefahot is perceived as **the most fair bank** in the banking system

6 "Live" branches

With a personal banker, available during extended business hours, along with advanced digital services



181 billion NIS

Total loans to the public
5.7% year-over-year growth compared to 2016



Over **a billion NIS** Total loans for social and environmental endeavors



Investing in Customers Overview

3 new branches

about **25,000** customers and potential customers Participated in client surveys during 2017



187 service locations

Nation-wide, from Kiryat Shmona to Eilat Access to a personal banker and to Bank services through various channels



1,710 training hours on accessible service

Attended by 1,632 employees and 215 managers

Intensified activity in the Jewish Orthodox sector, in Arab society and among retirees



212 self service stations

Constant growth in number of self-service stations nation-wide

250 ATMs



1,300 customers Participated in conferences for business customers on various subjects

Rated 8.8 out of 10

This year too, the Bank maintained the high level of customer satisfaction with the bankers - the highest among the top 5 banks



Wide banking deployment

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 nation-wide branch operations. In order to expand services and availability to customers, the Group opens new service locations every year, with 3 new branches opened in 2017. The Group operates an extensive nation-wide branch network; as of the end of 2017, the Group had **187 business centers, branches and overseas affiliates** – including 46 Bank Yahav branches. All Bank branches offer full cash services, and at Bank Yahav all branches offer queue-replacement services and some offer full cash services. In most branches, it is also possible to obtain financial investment advice tailored to customer needs by a qualified financial advisor. The Group has 212 self-service stations and 250 ATMs, allowing customers to conduct diverse transactions and to obtain information independently. Most of these stations are available 24 hours a day, even when the branch is closed. Moreover, 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.

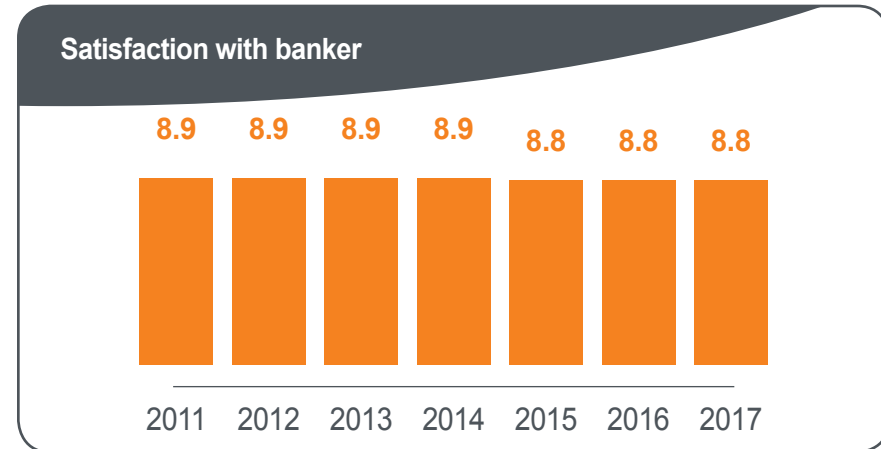
Quality of service and customersatisfaction

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.

Dialogue with customers is maintained through multiple channels. The Group's primary channel of communication with its customers is bankers in branches, alongside other channels: telephone, email, mail, internet, app, social media, conferences and workshops.

In order to assess customer satisfaction and maintain its high level, the Bank uses focus groups and regularly conducts surveys. 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 2017 shows that customer satisfaction with our bankers continues to be very high and stable over time.



We adapt ourselves to our customers

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, including:

- **Products adapted to the economic reality** – In the current economic situation, when interest rates remained low and the average individual customer is often interested in investing their money so as to ensure their financial liquidity, the Bank has developed deposit products that meet this need.
- **Mortgage products** – Buying an apartment is a significant step in the customer's life. In order to facilitate the customer's planning for the future and to help them address feelings of confusion and fear of the long-term commitment, the Bank launched a number of products and services, such as: "A mortgage to match your abilities", "Mortgage on hold" and so forth.



Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance

● **A unique solution for diverse demographics** – The Bank defined Arab society, 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, and in 2017 the Bank continued to expand its operations with these demographics. 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.

● **Products and services customized for the business sector** - Business bankers are available to customers through all communication channels, managed under the unique Hybrid Banking umbrella. In 2016, the Bank was awarded, for the second time, a tender for extending loans guaranteed by the State – extending an attractive credit line that allows businesses to grow and develop with assistance from professional bankers. The Bank also offers unique deposits that may be appropriate for businesses, such as a unique product called "Mortgage for businesses", as well as advanced foreign trade solutions.

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. In 2017, some 1,300 customers took part in conferences for business customers on various subjects.

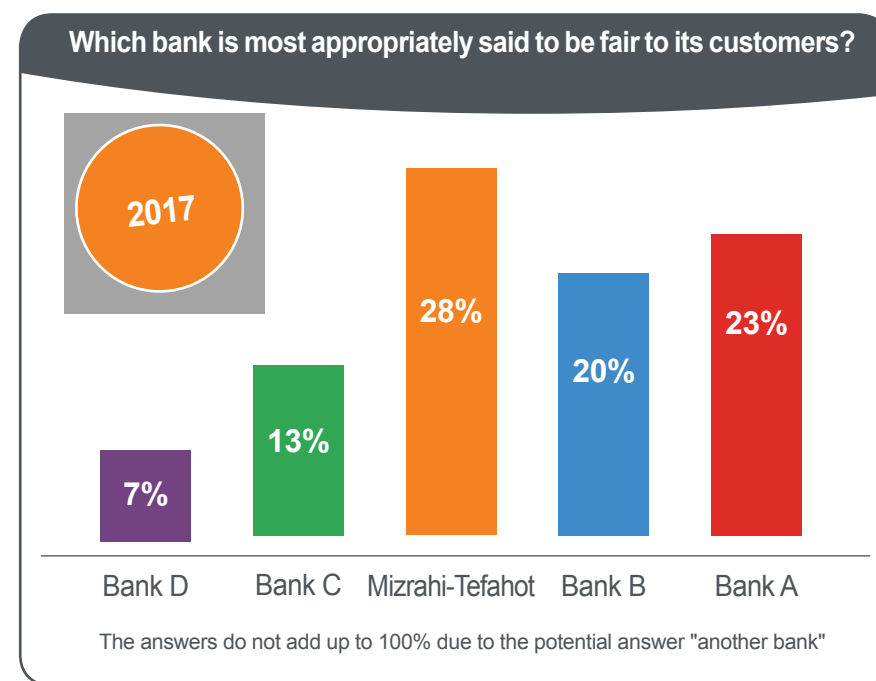
Making banking services accessible for disabled persons

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 People 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 people with disabilities to conveniently use such service. As of the end of 2017, 95% of Bank Mizrahi-Tefahot branches and 100% of Bank Yahav branches, 80% of Bank Mizrahi-Tefahot ATMs and 94% of Bank Yahav ATMs are accessible for people with disabilities.

Fairness and transparency

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, mutual success and creating shared value.

A survey conducted among the general public shows that Mizrahi-Tefahot was perceived as the most fair bank in the banking system. These findings reflect the degree of public trust towards Bank Mizrahi-Tefahot.¹



¹ A dedicated internet survey among 1,000 respondents aged 18-65, conducted once a quarter.



Supporting under-privileged populations

It is Group policy to be considerate and understanding of each customer's situation. Therefore, the Group provides respectful, sensitive service to all its customers and, in particular, to under-privileged populations, striving to assist them both directly and through entities that work with such populations. The Group invests significant effort in aiding customers that face difficulty in meeting their obligations, by reaching agreements based on their capabilities in order to eliminate debt and to return customers to good standing. Thus, as for mortgages, out of all cases of payments in arrears sent to the Collection Center in 2017 (20 thousand new cases of arrears), only 1.5% 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.



Development of social and environmental 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.

Promoting credit for development of energy sources – In 2017, the Bank approved credit amounting to NIS 448 million for the green energy sector.

Extending credit for development and creation of social products – The Bank supports small businesses through various funds (for example, "Tzafona Daroma Fund", "SME Fund" and IVN Foundation), promoting social objectives or businesses in outlying areas, as well as by supporting and promoting social businesses. In 2017, the Bank provided NIS 650 million for such causes.



Taking no risk – protection circles for safeguarding information

The Group takes extensive measures to protect information. Activities concerning information security and safeguarding customers information privacy focus on risk management and assessment for systems and processes, developing advanced technological capabilities to address cyber threats, controlling access to customer information and ensuring adherence to procedures regarding banking secrecy, increasing awareness through information and training, and specification of strict customer authentication processes when accessing Bank systems.

Suppliers exposed to information about our customers are committed to maintain strict information security measures that are designed to provide good security for such information. The Bank also conducts rigorous checks and surveys with regard to information security at suppliers' premises to ensure that the required security level is maintained.





Investing in the community

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

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 nation-wide 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. Promoting disadvantaged children and youth;
- b. Supporting NGOs and businesses who promote social causes or employ persons with special needs.

Investing in Customers

Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance



2,400

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

60,000

students participated in "Green Light" road safety training sessions, sponsored by the Bank, in 200 schools nation-wide

14.7 million NIS

Total investment in social and community activities by the Group in 2017
3% growth compared to 2016

ZAZIM

64 out of 300 projects
Were selected to receive bank support as part of the "ZAZIM" project



99%
of Bank suppliers are local

83

Students received scholarships

Over 500 participants

In 14 workshops
On mortgages,
for the public at large
Providing tools to select
the most appropriate track



28,834
hours of volunteering
in the community

Invested by Group employees
In 171 organizations,
projects and community
and social ventures

Investing in the community Overview

125

Bank branches & headquarters units
Adopt social organizations and institutions in their local communities



190,000 NIS

Total purchasing from social NGOs in 2017, by the Bank and its employees



400 employees and their families ran the Jerusalem marathon in cooperation with the Israel Cancer Association

10,000 students

Study Hebrew as part of the "Ivrit B'Salam - Spoken Hebrew" project



מעגלי במזרחי טפחות

Continue to meet at Mizrahi-Tefahot

157 "Let us meet" events at 25 branches
Of which - 30 about financial topics



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's well-being in various regions all across Israel.

Involvement in projects to promote and empower children and youth

As part of Group policy to invest in helping children and youth, the Bank promotes social issues and encourages youth involvement in the community, as follows:



- **"Zazim"** – Support for 64 community projects, proposed and operated by youth movement members.
- **"LATET Youth"** – Support for the "LATET" youth organization in which 2,400 youth participate in 32 communities around the country, initiating and operating social projects for the benefit of the community in which they live.
- **Road Safety** – Sponsorship of the "Green Light for Children" program. In 2017, road safety training was delivered at 200 schools around Israel, attended by 60,000 pupils.
- **"Neighborhood Carriers"** – Support for this program, designed to empower students and enhance their sense of affinity, belonging and local pride in the neighborhood in which they live.
- **Promoting creativity and culture – "Shenkar Flowers"** – Supporting 80 teenagers with artistic skills, training them over the school year, through students from Shenkar College.

- **"Young Summer"** – Encouraging volunteering by employees' children during the summer vacation, by providing gifts to youngsters who volunteer.

Social involvement in neighboring communities

The Bank's headquarters units operate at two main Bank hubs, located in Lod and Ramat Gan. These units are also involved in funding and social activity, as part of their involvement in neighboring communities in these cities

The Bank's social involvement in Lod was expressed, inter alia, in sponsoring the "Hollilod" social film festival and the youth film competition, which were written and produced by high school students in Lod; contribution to the establishment of an early childhood center, serving the Arab and Jewish population living near the Chicago Community Center in the city; sponsorship for the "Melodica" social club, which offers social activities for youth in the city; and a Bar / Bat Mitzvah event for youth in Lod.

Bank employees also 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.

The Bank's social involvement in Ramat-Gan is expressed, inter alia, in adoption and assistance for all welfare clubs of Ramat Gan by Bank units located in the Bank's headquarters building in the city. In addition to regular involvement throughout the year, 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 "Emperor's New Clothes" play at the Ramat Gan Theater.

Investing in Customers



Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance



Support for NGOs that focus on the health and well-being of children and youth –

- **"Tour De Trom" bicycle rally** – Sponsorship of the bicycle rally, held in cooperation with the ILAN NGO sports center – designed to raise funds for ILAN children. In 2017, some 140 employees took place in the rally.
- **Hanukkah of Gifts** – As part of this unique project, on Hanukkah 2017, some 1,500 children from boarding schools and welfare day-clubs enjoyed Hanukkah gifts purchased by 1,300 Bank employees.
- **"Make a Wish"** – In 2017 as well, the Bank participated in planning and wish fulfillment for sick children. The wish realization was planned at a workshop, attended by 50 Bank employees, who also took part in making the wish come true.
- **"Ezer MeZion"** – an NGO acting for the well-being of cancer patients, including children. In 2017, the Bank sponsored the "MAKOM" exhibition by women with cancer, who participated in an art workshop as part of their treatment.
- **Summer camp for sick children** – The Bank supports non-profit organizations that hold summer camps for sick children and for children with special needs. In 2017, for the seventh time, a fun day was held in Eilat for 150 children, in cooperation with employees of the Eilat branch and with the **"Zichron Menachem"** NGO. Furthermore, this year, in cooperation with the **"Shalva"** and **"Rachashei Lev"** NGOs camps for children were held in Eilat, with participation of employees of the local branch.



Investing in Customers

Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance



Support for NGOs and businesses that promote social causes

1. Support for NGOs that employ persons with special needs:

● **"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.

In 2017, the public purchased 13,500 items through this website

● **Purchasing gifts and gift items from NGOs** – The Bank purchases gifts and gift items through various NGOs. Total purchasing from social NGOs in 2017 amounted to NIS 190 thousand (compared to NIS 160 thousand in 2016).

● **"Creating from the Heart for the Community"** – Support for the fair that has been taking place since 2010 on Hol HaMoed Sukkot 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.

● **"Recurring Story"** – A venture for book lending to Bank employees, operated by the



recovering staff of "All Good" NGO.

2. Support and professional assistance for social businesses:

● **"Business with Value" project** – The Bank's social entrepreneurship program, in cooperation with IVN Foundation. In 2017, 4 NGOs were selected to receive assistance and professional advice from Bank employees and business advisors, as well as a financial grant to increase and expand their business, in conformity with the business plan.

● **"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 a sponsor of the "Honeycomb" activities, both financially and through assistance, with the participation of managers at different stages of assistance for these ventures.



Promoting financial education and training of business owners



Being one of the top 5 banks in Israel, which impacts the economy and the market, we attach great importance to promoting financial education among the Israeli public and we make an effort to provide our customers with tools for proper financial management, including tools for economic empowerment and proper budget management.

Other activities in this framework include:

- **"Money Road" training kit** – A program which provides youth across the country with training on financial issues. In 2017, "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.
- **Financial and professional support for students employed as trainees by the Bank during their course of studies.**
- **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"). In 2017, some 80 business managers and owners participated.
- **Financial meetings at branches throughout Israel** – In 2017, as part of the "Let us meet at Mizrahi-Tefahot" program, 30 financial meetings were held at branches throughout the country, in which 1,000 participants took part. These meetings included lectures on savings, retirement advice, mortgages and investments in the capital market.
- **"Let us meet on the international stage"** – A series of meetings for the business sector and companies with our foreign trade experts – the content of these meetings was adapted to businesses and companies and the general public was also invited to attend, at no cost.

- **Mortgage workshops** – These workshops provide participants with clear, professional information about the world of mortgages and tools to choose the most suitable track. In 2017, we conducted 14 workshops, attended by 560 participants.
- **Seminar for NGO managers** – The seminar "Innovation and Accelerating Fund Raising", held in 2017 and designed to help expand their business activity, was attended by 70 NGO managers.

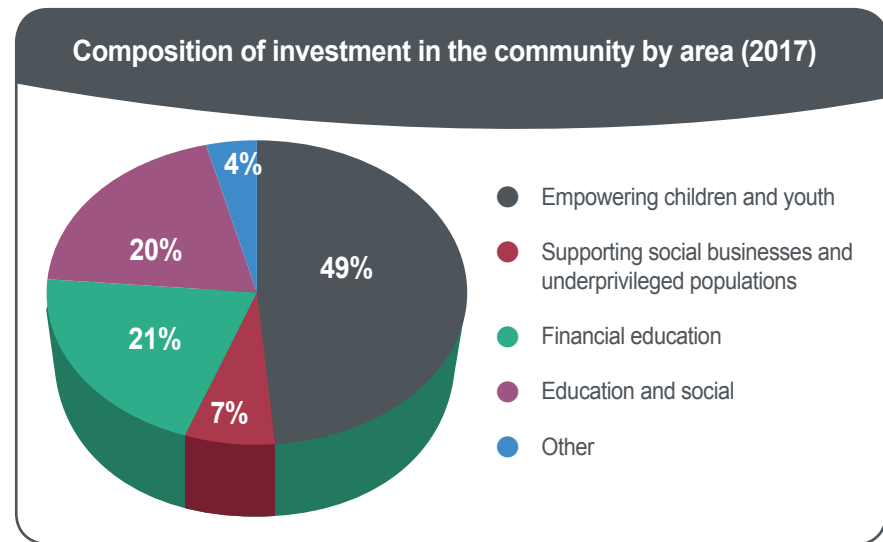
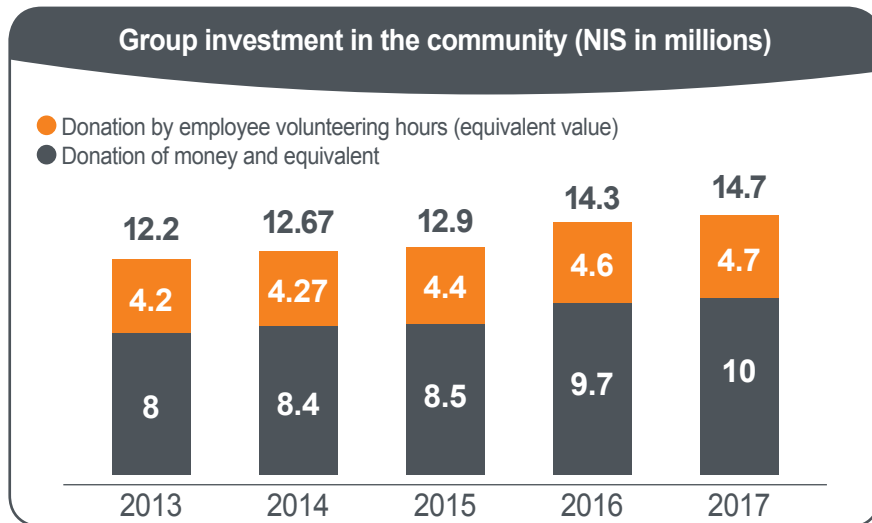


"Let us meet at Mizrahi-Tefahot"

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, and residents of the neighborhood and the general public are invited to attend at no cost. In 2017, 157 meetings took place at 25 major branches around Israel, including meetings designated for retirees, the Arab and Jewish Orthodox populations, with content customized for these target audiences.

Investing in the community

In 2017, total investment in social community activities by the Group amounted to NIS 14.7 million.



Responsible supply chain management

As part of Group activities to benefit the community, the Group acts and influences others, through responsible and well-ordered supply chain management and contracting with Israeli suppliers. Contracting with suppliers includes a review of the supplier in terms of maintaining basic human rights of its employees. Thus, 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. As part of the considerations for selecting suppliers, the supplier's approach towards aspects of environmental responsibility is taken into consideration. It is also Group policy to prefer local suppliers, hence 99% of suppliers are from Israel.



Investing in 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 commitment by the Bank to its employees 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.



Investing in Employees

Investing in Customers

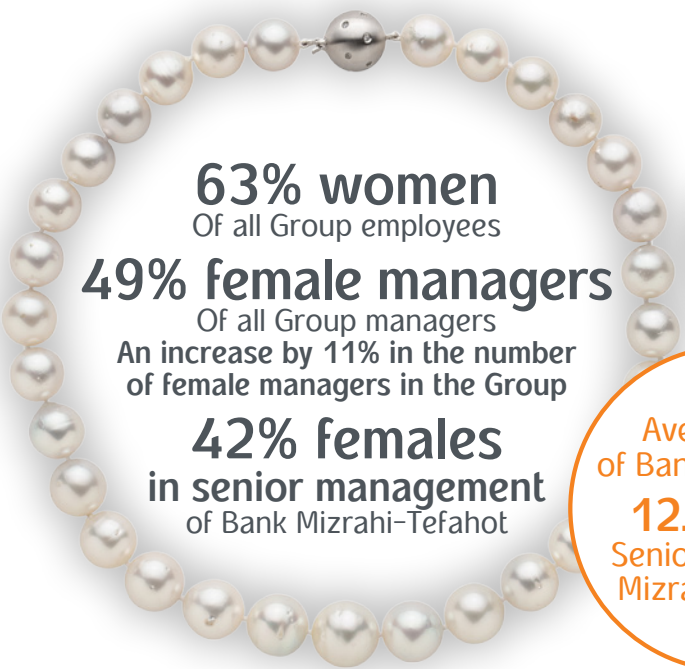
Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance





63% women

Of all Group employees

49% female managers

Of all Group managers

An increase by 11% in the number of female managers in the Group

42% females in senior management
of Bank Mizrahi-Tefahot



Round tables

Open discussions between employees and managers, on issues on the agenda at the Bank



Medical check-ups

Offered to all Bank employees aged 40 or over

150 athletes

Bank employees take active part in Bank teams, practice and competitions

40
Average age of Bank employees

12.6 years
Seniority at Bank Mizrahi-Tefahot

2,500 employees, retirees and their families
Took part in "Good Film Club"

Retirement seminar for retirees



6,354 employees

were employed in the Group in 2017
3% growth compared to 2016

Investing in Employees Overview

39 work hours per week

Fewer work hours than specified by law

600 employees and family members

Took part in meetings on healthy nutrition, body and mind healthcare and better life coaching



1,033 improvement proposals

To improve customer service Received from employees in 2017

About 270,000 training hours
Delivered to all Group employees in 2017

42.5 hours per worker on average



74%
of Bank employees with a university degree

99% promoted internally

Percentage of managers promoted from among Bank employees

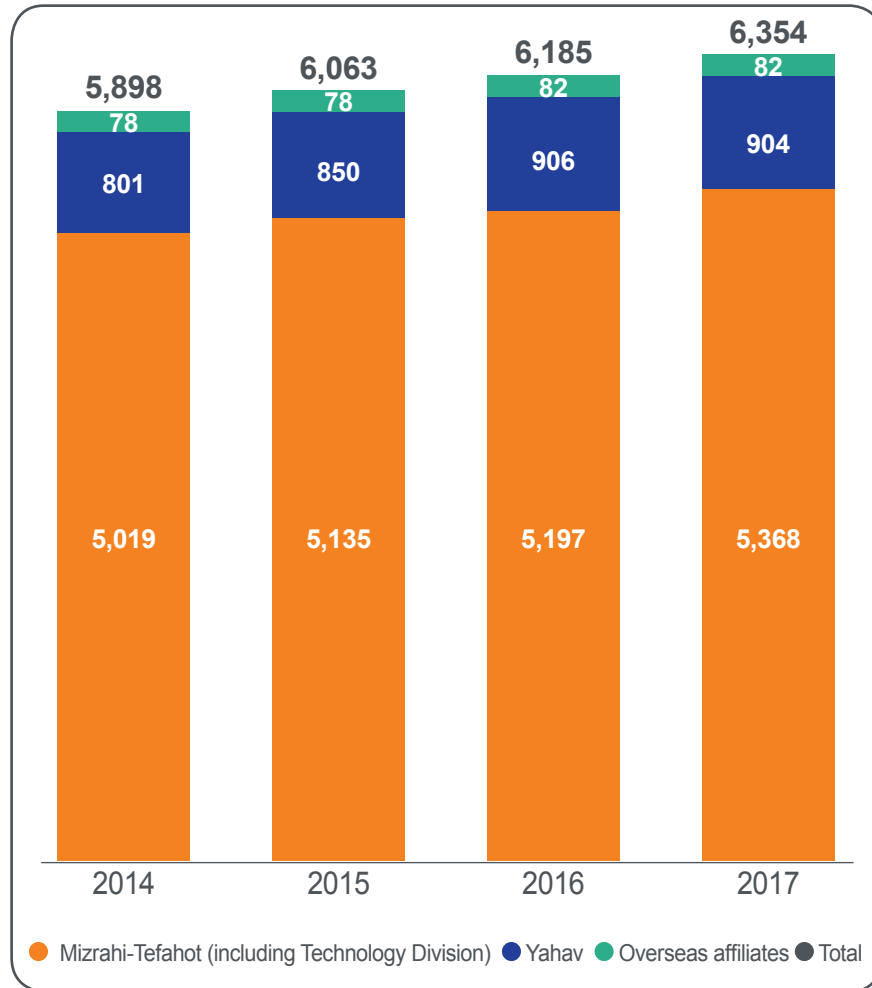


99%
of employees are employed in Israel



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 2017, the Group employed 6,354 employees and managers:



Promoting fair work environment and employment terms

The Group is committed to creating a respectful work environment for employees, ensuring their rights and well-being by providing employees with better work conditions than required by Law. In this regard, the Group assists employees throughout their employment, professional development, creates well-being benefits for employees and their families and institutes a respectful organizational culture. In 2017, many activities took place at the Bank for the well-being of employees and their families, including: walking the Israel Trail, the Good Film Club and family events in the summer and on public holidays.

As a rule, it is Bank policy that each Bank employee is an employee of the Bank for all intents and purposes from Day One, therefore the Bank does not employ any contractors through service providers or labor companies.



A diverse work environment with equal hiring and employment

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. 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. The Bank also implements equality in terms benefits awarded to employees and in terms of promotion based on egalitarian criteria and qualifications, taking into account only relevant considerations

Integration of employees from different sectors requires a work environment that is culturally sensitive and adapts itself to religious and cultural needs of employees, hence the Bank adjusts the selection criteria in the recruitment process for candidates from these demographics, and as from 2018 provides additional paid leave for non-Jewish employees during non-Jewish holidays.

Equal pay to men and women – 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.

Promoting women – In 2017, the number of women employed by the Group grew by 3.7% and the number of female managers at the Group grew by 11%.

Employee remuneration processes

The Bank has multiple tracks for employee remuneration and incentives, including promotion by rank, individual bonus and individual prizes awarded to outstanding employees.



Training and mentoring of employees and managers and career development tracks

The Group's training program includes a variety of courses, training and general interest lectures for employees and managers, both on professional topics, 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 Group encourages promotion of employees to management positions and offers multiple career development tracks for employees and managers, such as: management cadre, MATARA program for training managers for senior positions and employee training program for future professional positions. In 2017, 99% of management appointments were promotions of Bank employees.

In 2017, we delivered 270,146 training hours, for an average of 42.5 training hours per employee.

Maintaining a healthy lifestyle and work-life balance

As part of promoting a healthy lifestyle and maintaining home-work balance among employees, multiple activities take place, including: Lectures on health, fun team-building days for employees, financing of medical check-ups for employees aged 40 and over, providing a gym for employees in the Lod headquarters building and more.

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. These employees are invited to attend a retirement workshop and are eligible to benefits in account management, holiday gifts as well as cultural events organized by the Retiree Council.

Investing in Customers

Investing in the community



Investing in employees

Investing in the Environment

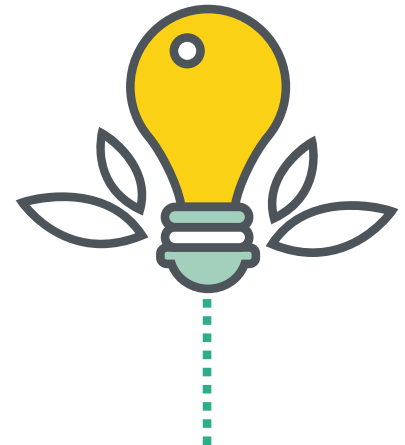
Corporate Governance



Investing in 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 Group strives to minimize the negative environmental impact of its operations by reducing material consumption, improving energy efficiency and managing environmental risk.



40 tons
Reduced paper consumption
Compared to last year

Recycled paper consumption at 7.4%
Of total paper consumption across the Group (in 2016: 6.9%)



1.2% decrease
in power consumption per employee

58% of total paper
Purchased by the Group is being recycled



Recycled 12,600 bottles and cans
Reduced paper
The deposit money for the bottles was donated to families in need

Reduced carbon footprint intensity
This year as well, the Group reduced its carbon footprint per employee **by 8%** compared to the previous year.



6% decrease in fuel consumption

Investing in the Environment Overview

"Ecommunity"
Cooperation with a social enterprise for recycling electronic waste, which includes employees with disabilities

38% increase
in treatment of electronic waste



38,400 video conferencing call minutes
Resulting in fewer employee trips between Bank sites
42% increase in call minutes, compared to 2016

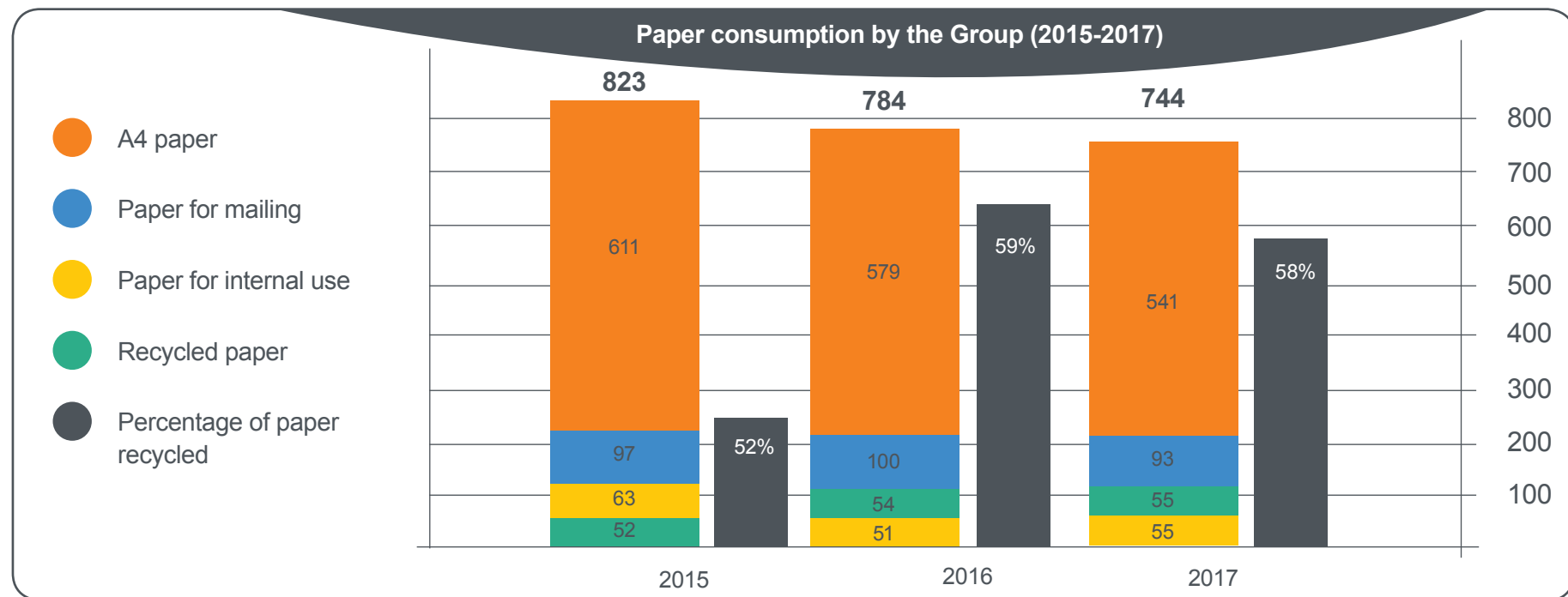
Reducing paper consumption

The Group uses paper mainly for forms, letters to clients, 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.

In 2017, the Group reduced the paper used by 40 tons, 5% lower than in 2016. This was despite the increase in the number of employees and branches in 2017. One of the reasons for this reduction is the "paper-less branch" project, to be continued in coming years, so that a further decrease is expected in 2018.

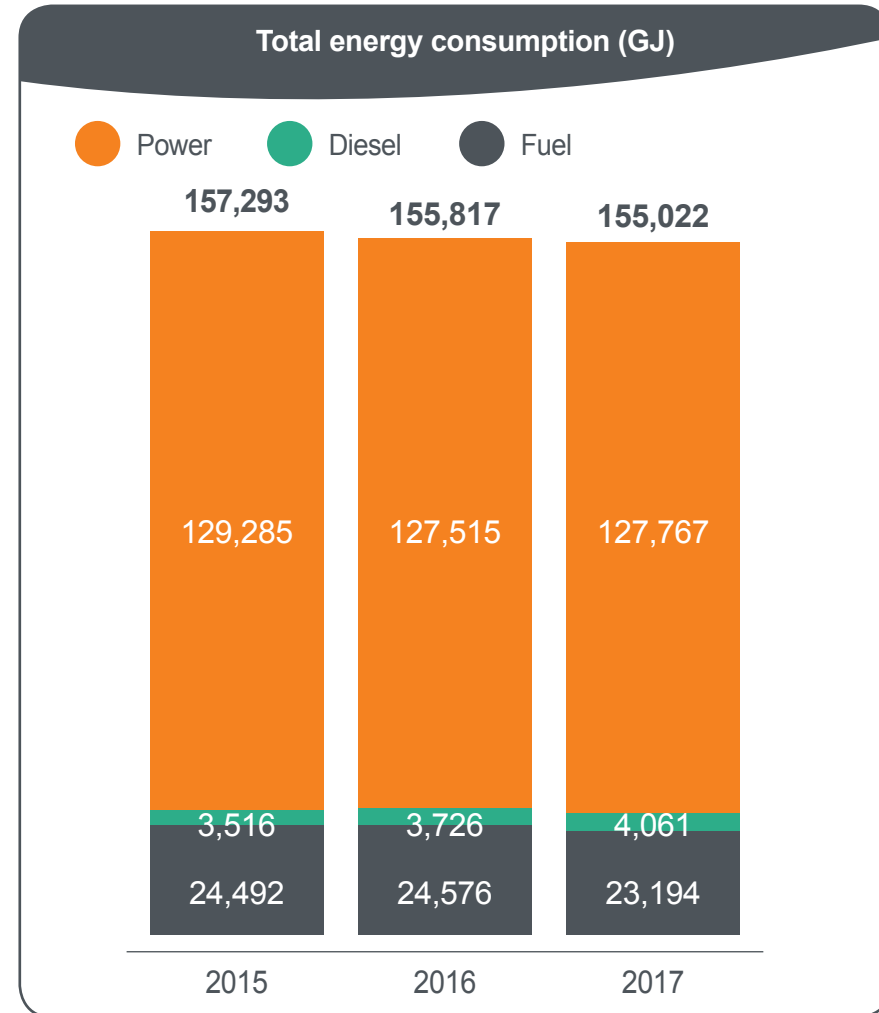
Along with efforts to reduce consumption, the Group acts to include purchasing of recycled paper, such as toilet paper and paper towels, as well as purchase of electric hand dryers to reduce paper consumption. This purchasing in 2017 constituted 7.4% of total paper consumption by the Group, 0.5% higher than in 2016.

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.



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.



Improved energy efficiency measures for power consumption

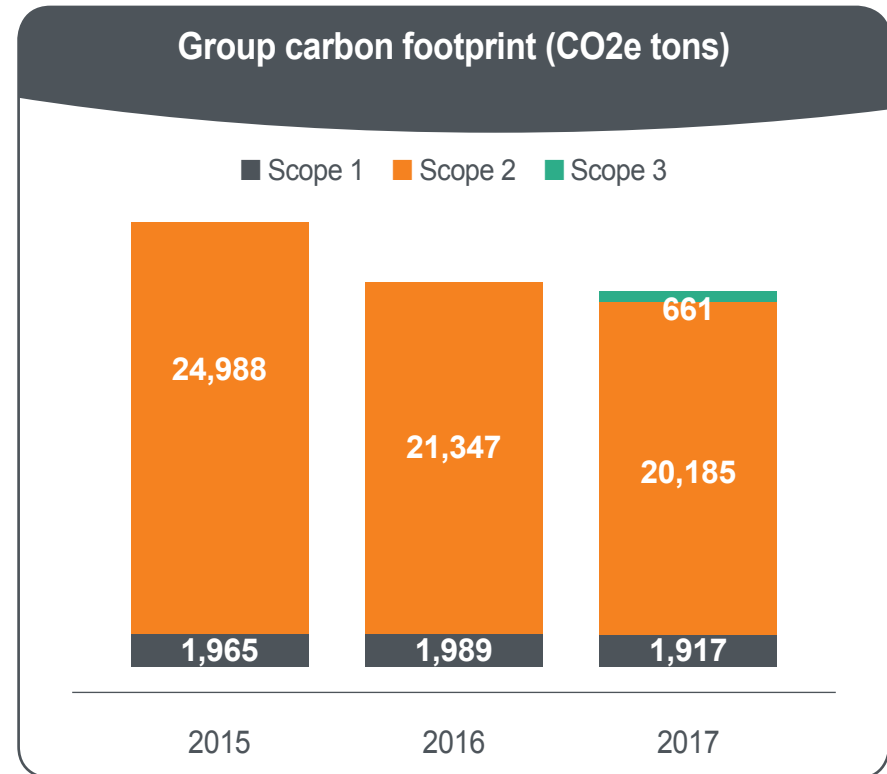
In 2017, several steps were taken to streamline energy consumption, the main ones being: Use of LED lighting for economical lighting, a command and control system in the headquarters buildings that initiates lights-out during non-business hours and reduced lighting in parking lots, saving electricity by adjusting the temperature provided by the air conditioning system to the desired temperature and more.



Carbon footprint

As part of the desire to reduce climate change, the Group carefully measures greenhouse gas emissions caused by direct consumption of fuel and diesel (scope 1), indirect emissions as a result of power consumption at the Bank (scope 2) and other indirect emissions along the supply chain. In 2017, we calculated for the first time emissions due to business flights, paper consumption, paper waste being recycled, and electronic waste being scrapped (scope 3).

Greenhouse gas emissions in scopes 1 and 2 decreased in 2017, compared with 2016, both in absolute terms – a 5% decrease – and per employee (carbon footprint intensity) – an 8% decrease.



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





Corporate Governance



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 clients.



Commitment to regulatory compliance

The Group strictly complies with the law and implements any corporate governance rules and regulations applicable there to. Group operations in this area involve: organized deployment of operating procedures, delivering training on various regulatory issues, implementing controls over compliance with provisions in various areas, identification of focal points of compliance risk, handling any exceptions identified by controls, strictly fair competition with competitors and maintaining a fair relationship with everyone.



Policy on responsible market 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 are deposited with the Bank, which maintains a relatively low risk level compared to the banking system.

Management of environmental and social risk



Environmental and social risks are included as part of overall risk management at the Bank.

In line with Group policy, the Bank reviews all risk and client information before extending credit; this is a comprehensive process which includes review of all aspects indicating the client quality, financial robustness, repayment capacity and conduct. The environmental risk policy stipulates the methodology for identification, assessment and handling of environmental risk. The environmental risk management policy is approved annually by the Board of Directors as part of the policy documents.

Investing in Customers

Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance

25

Our commitment to preventing corruption

The Group constantly strives to prevent occurrence of corruption events – by employees, clients and others. In this context, the Group has set a coherent policy for addressing aspects of operational risk and internal control, has put in place on-going control and monitoring processes to provide early detection, prevention, deterrence and handling of such events in as much as possible and is taking different measures to train employees and managers on this issue.

In case of any suspected breach of integrity due to monitoring or to information received, the Group reviews the case and conducts inquiries and debriefing to prevent any recurrence .

In 2017, we delivered 21,487 hours of training on preventing corruption to 4,639 employees and to 1,009 managers. Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.



Safeguarding human rights and ethics

Human rights issues are a material corner stone and a key value for Group operations. The Group safeguards human rights in all activities and avoids any activity or business transaction which may impact human rights. To this end, the Group delivers training to employees on topics including: Preventing sexual harassment in the work place, equal opportunities at work and accessible service, ethics and public inquiries. A refresher eLearning course about accessible service was also delivered to all Bank employees. In 2017, Mizrahi-Tefahot Group delivered 17,077 hours of training on policies and procedures with regard to human rights aspects relevant to Bank operations.

The Bank has a Code of Ethics in place, which reflects the Bank spirit and prevailing organizational culture, consisting of basic values for its operations: fairness, integrity, transparency and human dignity. The Code of Ethics defines the proper rules of conduct for all those acting on behalf of the Bank. In 2017, Bank units continued to deploy the Code of Ethics by conducting activities such as discussions of ethical dilemmas, managerial meetings on ethics issues, creating an eLearning kit on ethics and so forth.

- Investing in Customers
- Investing in the community
- Investing in employees
- Investing in the Environment
- Corporate Governance

Key Targets for 2018

Customers

- Continue to expand activity in the Arab and Jewish Orthodox sectors, by opening new, designated branches and expanding existing services
- Maintain high level of satisfaction among Group customers
- Continue to provide optimal service handling customer complaints, with fair treatment of customers by the Bank
- Expand the activities of "Let us meet at Mizrahi-Tefahot" to specific sectors: the Arab society, the Jewish Orthodox sector, retirees ("Let us meet – Sixties") and businesses

Community

- Increase activities of "Let us meet at Mizrahi-Tefahot" by 5%
- Develop a financial education training kit for fourth to sixth graders
- Expand the number of participants in the "Young Summer" project by 10%
- Random visits to 5 major suppliers

Employees

- Recognition for retirees – assist and recognize Bank employees upon reaching retirement age, through a retirement workshop
- Diversity in hiring – expand hiring in various demographics and continue to recruit and hire employees with disabilities.
- Reinforce intra-organizational communication through organization-wide conferences and general interest days

- Expand and intensify transparency and information accessible to employees in training areas, through the new Learning Management System (LMS)



Environment

- Further review efficient utilization of existing space, add required work stations with no increase in space if possible and sell / return surplus space which the Bank no longer needs.
- Continue to reduce paper consumption due to continuation of the "Paperless Branch" project
- Review and formulate a multi-year work plan to replace lighting at branches with low-cost LED lighting and to replace air conditioners found to be inefficient in terms of energy consumption.

Corporate Governance

- Continued improvement of the compliance culture, analysis and implementation of new compliance directives, and increased control effectiveness.
- 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
- Continued deployment of the Bank's business fairness concept, through the annual training program, focusing on overseas affiliates
- Continued deployment of the values in the Bank's Code of Ethics, in conformity with the annual work plan, using diverse tools, such as: Conduct ethics-related meetings, describe ethical dilemmas, formulate an ethics program within the division, conduct an ethics day and review the need to update the values reflected in the Code of Ethics.

Investing in Customers

Investing in the community

Investing in employees

Investing in the Environment

Corporate Governance

