



MIZRAHI TEFAHOT

# Corporate Social Responsibility Report Summary – 2018



## Corporate Social Responsibility at Mizrahi-Tefahot Group

This is a summary of the sixth 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 2018 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 stake holders.

This report was 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. The standard emphasizes materiality and dialogue with stakeholders of the reporting entity.

The report was compiled in conformity with the stake holder model and includes the materiality matrix, which specifies which topics are material for the Group and for its external stake holders. This process was conducted in two parallel channels, which together allow us to create the materiality matrix and to focus on the 18 material issues.

Mizrahi-Tefahot Group is proud to partner on ethics-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. Our commitment to corporate responsibility across all Group units is based on understanding of issues raised by stakeholders, dialogue with Group employees and with our clients 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.

In the full report, available on the Bank website, we list actions taken by the Group in 2018 on diverse matters, including: promoting client interests, social and community involvement at the Group, creating a proper, accountable work environment for Group employees, environmental protection, maintaining proper corporate governance, ethics and risk management. 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 adopting international standards for social-environmental responsibility in all its endeavors, based on ten principles of human rights, employment, environment and combating corruption.



The process of compiling this report was assisted by advisors from the Corporate Social Responsibility and Sustainability Group of BDO Consulting, a stakeholder in GRI. 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!**



## Promoting SDGs in our business and social activities.

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 development as part of our business activities. Throughout the report, you can read about the Group’s comments and activities to promote these goals. Furthermore, as part of preparations for reporting the Group’s activity to achieve these goals, we set social and environmental goals that promote the SDGs on which the Bank is focused.



# Investing in Customers

Mizrahi-Tefahot Group is committed to the success of all its clients, 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. Recognizing the importance of ensuring client satisfaction, the Group is committed to listening to client needs, to maintaining client privacy and to providing professional tools for client success. The Bank's unique growth strategy is reflected in consistent growth of the branch network, providing a response to diverse segments and ensuring complete transparency with regard to information which the Bank is required to disclose about its client services and the accessibility thereof. The Bank also ensures respectful, non-abusive marketing messages, in conformity with statutory provisions and with Proper Conduct of Banking Business Directives of the Bank of Israel.



## 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

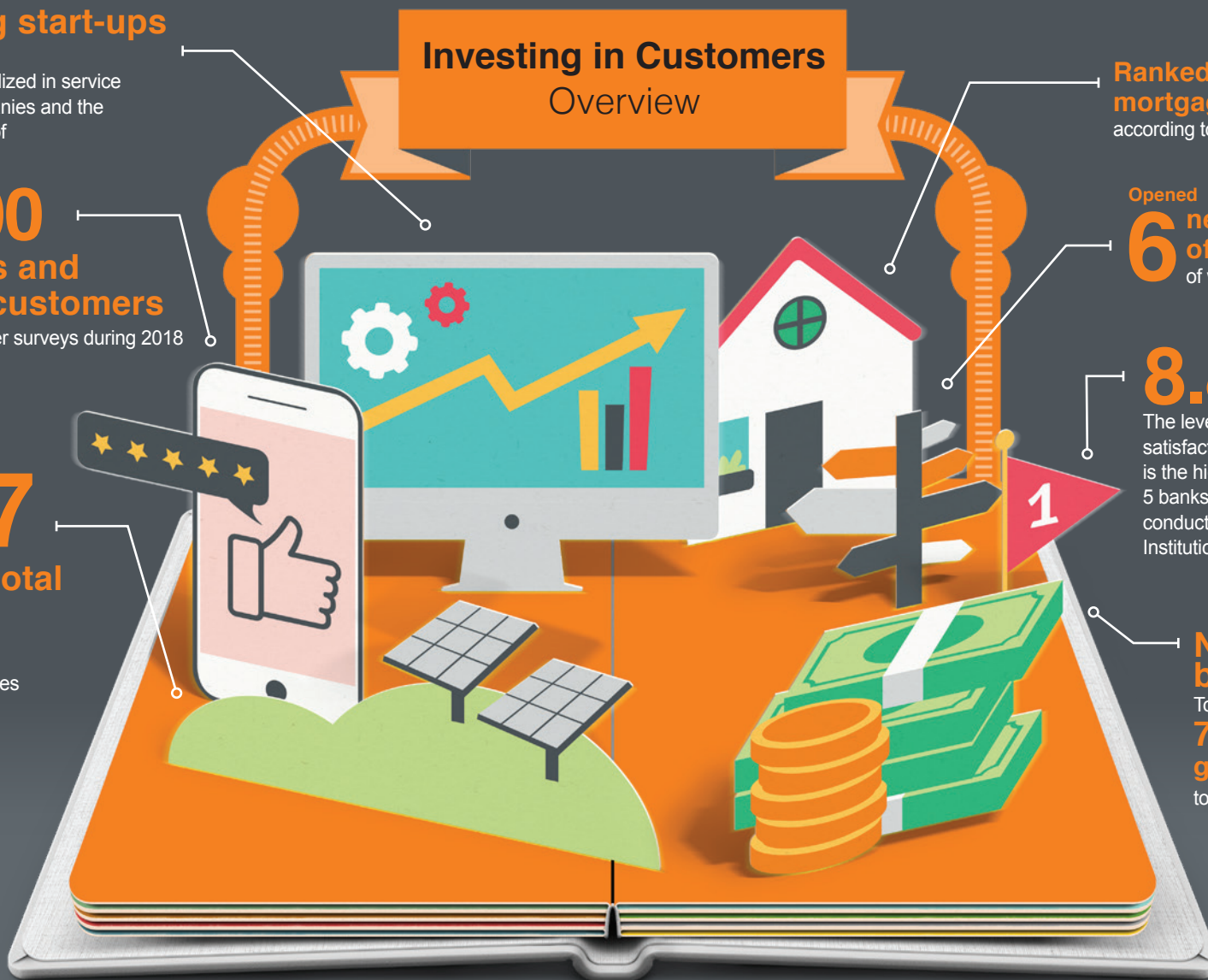
Opened  
**6** new points  
of sale  
of which 3 in Arab towns

**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





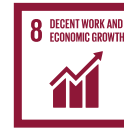
## Wide Banking Deployment

High-quality professional service provided across all banking areas, close to where clients 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 clients, **the Group opens new service locations every year, with 3 new branches opened in 2018.**

The Group operates an extensive nation-wide branch network; As of the end of 2018, **the Group has 193 service locations nationwide**, including business centers, branches and affiliates. 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.

**The Group has 234 self-service stations and 203 ATMs** allowing clients to conduct diverse transactions and to obtain information independently.

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



## Quality Of Service And Enhancing Client Satisfaction

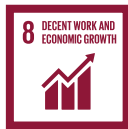
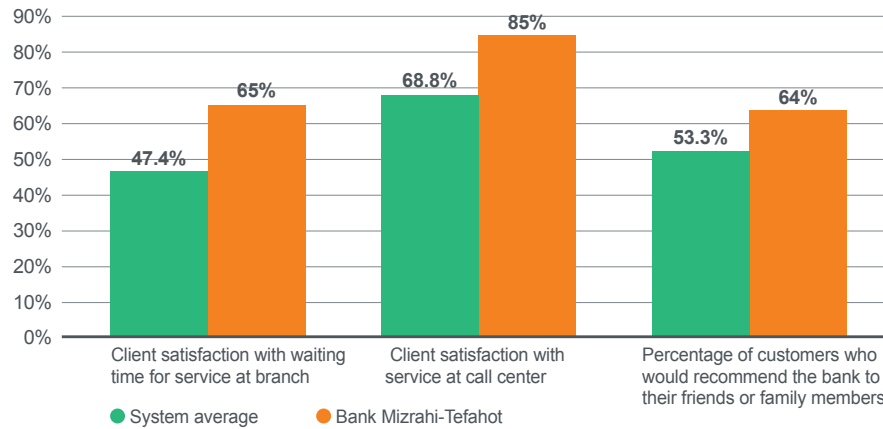
The Bank is working to provide high-quality personal service to all clients. To this end, the Bank is committed to conduct itself fairly vis-à-vis customers, to create a variety of channels for them for obtaining service, and to develop banking products suited to customer needs, while ensuring customer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

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

In order to assess customer satisfaction and to maintain high customer satisfaction, the Bank uses focus groups and conducts regular surveys, including satisfaction 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-à-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. at 8.8 (out of 10).**

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**



**We Adapt Ourselves To Our Clients**

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 clients, their financial situation, their different life stages and the unique needs of different demographics, including:

- ▶ **Products adapted to the economic reality** – In 2018, the Bank developed additional 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.

- ▶ **Products related to mortgages** – 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 financial needs and financial abilities over the short and long term. **The Bank launched multiple products and services, such as: “A mortgage to match your abilities”, “Let us meet for mortgages – public workshops to enhance the understanding of mortgages”.**

- ▶ **Products and services customized for 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. 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. One example of this is the **Real Estate Retail Credit Department** – responsible 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),



## 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. The Bank website and apps are fully accessible.

- ▶ **Bank website** – Bank Mizrahi-Tefahot has a technologically advanced, functional and professional website that combines means to contact a personal, human and professional banker. The Bank website provides access to secondary websites for specific areas or target audiences, for mortgages, capital market and benefits for Mizrahi-Tefahot credit card holders.
- ▶ **App** – Bank Mizrahi-Tefahot 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, “Tefahot to Home” app, capital market app and an innovative product – online mortgage application form.



## Fairness And Transparency Towards Clients

Fairness and transparency are fundamental values in the Group’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 2018, the Bank conducted a Fairness survey among the general public to study the Bank’s standing as a fair bank, compared to other banks. Similar to previous years, this year Bank Mizrahi-Tefahot was perceived as the most fair bank in the banking system.**



## 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 adapts



its services for speakers of diverse languages, at branches and at service centers, addressing various demographics using the media commonly used by each segment.

## 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

**In 2018, the Bank opened two new branches in Arab towns.** The Bank addresses the Arab sector through marketing focused on diverse media channels, led by the presenter selected especially for this segment; In 2018, we also incorporated customized activities dedicated for the Arab sector as part of “Let us meet at Mizrahi-Tefahot”.



## 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, and continues 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.

### 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, such as custom deposits, e.g. “**Cherry deposits**”. Continued “**Let us meet – Sixties**” activity – A series of meetings and lectures designed for retirees, held at different Bank branches, and “**Digital banking empowerment for older citizens**” – Joint activity by the Bank of Israel, the Ministry of Social Equality and the Banking Association.





## Promoting Disadvantaged Populations And Help Customers In Crisis

It is Group policy to provide considerate service, understanding of the customer's situation, especially in cases of financial hardship and in times of crisis. In this context, the Bank strives to help through several major channels, to promote disadvantaged populations and to provide respectful service for clients in crisis. Thus, 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 settle with customers in debt on arrangements that they can comply with. The Bank also 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. Other activities to assist disadvantaged populations include deposits provided for foreign workers and asylum seekers.



## Promoting Accessibility For Persons With Disabilities

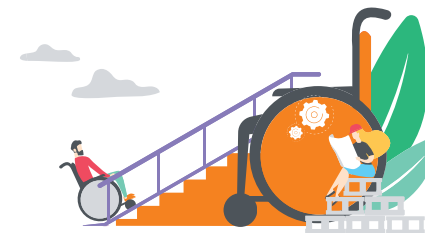
Recognizing the importance of this issue, the Group emphasizes making services accessible for all its customers. Bank

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.

**As of the end of 2018, 96%<sup>1</sup> of Bank Mizrahi-Tefahot branches and 100% of Bank Yahav branches are accessible to persons with disabilities; all Group ATMs are accessible to persons with disabilities.**

The Bank ensures that the services provided through online communication channels are also made accessible as necessary. 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.

The Bank emphasizes this topic, with Group employees and managers receiving custom training on providing accessible service. As part of **this training, 3,199 training hours on accessibility were delivered to employees.**



1. 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.



## 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.

**Promoting credit for development of energy sources – In 2018, the Bank provided NIS 1,103 million to promote environmental causes and green energy, supporting small and medium businesses that promote such initiatives.** Such as projects involving renewable energy, energy generated from renewable sources as well as financing for co-generation facilities. In addition, 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.



**Promoting lending for development, creation or launch of social products – in 2018, the Bank provided NIS 640 million to promote social causes.** The Bank provides loans as part of the “Government-backed fund for small and medium businesses”, also providing loans as part of the “Northern-Southern Fund” to promote small and medium businesses in outlying areas. The Bank also provides loans in jointly with the **IVN Yozma 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.



## Aligning Products With High-Tech Industries

Israel’s high-tech industry is growing at a rapid pace. 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, **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.



## Information Security And Keeping Information Confidential

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

The Group ensures that suppliers exposed to information about our clients strictly maintain information security measures, designed to provide good security for such information. The Bank also conducts rigorous checks and surveys with regard to information security at suppliers' premises, so as 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. 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.

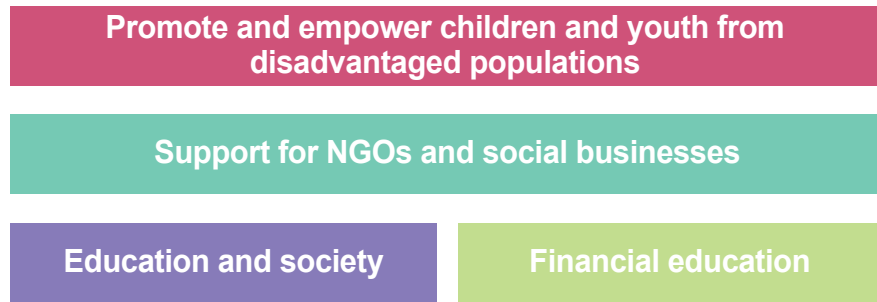
The Bank's community engagement is carried out accompanied by a constant dialogue and realization of broad initiatives with community partners throughout Israel, engagement of employees and managers, geographic and other diversification of activities utilizing the Bank's nationwide presence, through partnerships and with internal and external communication of the Bank's community involvement.



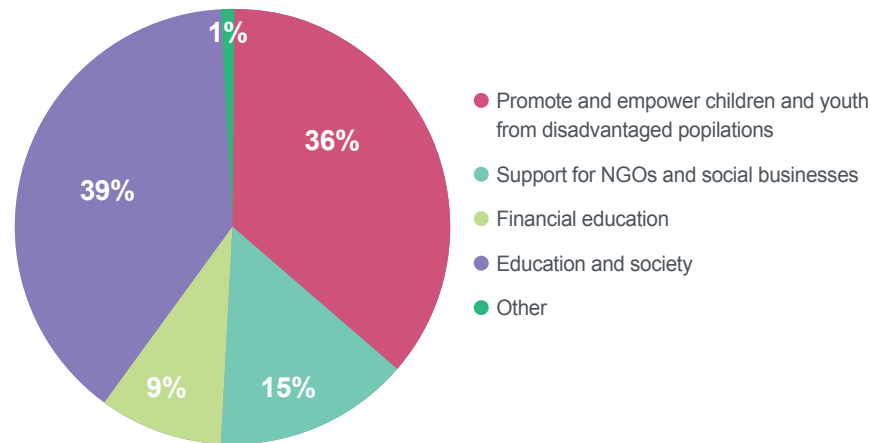


The Bank is primarily focused on four specific social areas, to which it funnels most of the charitable donation and volunteer activity by the Bank and its employees in the close community and beyond.

### Key areas of activity



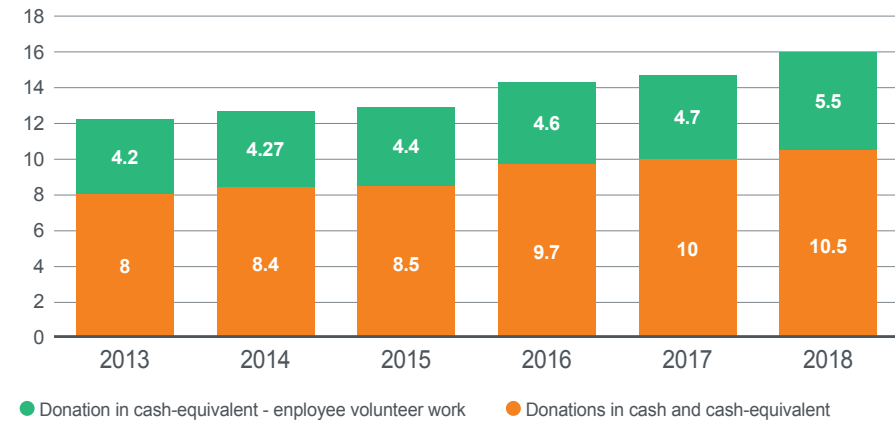
### Composition of investment in the community by type of activity:



## Investing In The Community

In 2018, total investment in social community activities by the Group amounted to NIS 16.1 million, an increase by 9.5% compared to 2017. Total investment includes donations in cash and cash equivalent, as well as cost associated with Bank activities in the community; the Bank also donates equipment and infrastructure from time to time.

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



## Employee volunteer work

In 2018, some 1,500 Group employees volunteered 28,691 hours for the community, in 171 community and social organizations, projects and ventures.



## 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.

In 2018, the Bank invested in diverse projects to promote and empower children and youth, such as “Zazim” project to encourage youth movement participants to volunteer activity. Support for “Noar Latet”, an organization that offers educational programs on social entrepreneurship, volunteer work and empowering youths; “Kaitzair”, calling on employees’ children to volunteer during the summer break and providing them with a gift in recognition of their volunteer work, as well as other projects that support children with cancer and youth at risk.

In total, the Bank invested in this area 36% of the total investment in social-community activities.



Make A Wish



Zazim project

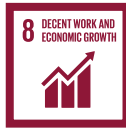


## Promoting The Local Community

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, in particular in Lod and Ramat Gan, and is also involved in funding and social activity as part of its activity among neighboring communities. **Some 125 Bank branches and headquarters units adopt social organizations in their towns**, that act on behalf of children and youth at risk. Furthermore, in 2018 the Bank supported community projects in Ramat Gan and Lod.







## 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. These projects include cooperation with the IVN Fund supporting social businesses and NGOs that aid those with special needs in an innovative, ground-breaking way. This project selected 4 NGOs to receive professional assistance from Bank employees and business consultants in this area.

Support for the “Heart-felt creation for the community” fair, held during the Sucot holiday, in Jerusalem. At this fair, NGOs that employ people with special needs offer their products to tens of thousands of visitors.

The Bank sees great importance of these and many other projects, designed to support NGOs and social-oriented businesses; therefore, the Bank includes employees in most of these projects and holds fairs for the holidays, offering employees the chance to purchase goods from various NGOs.

**In total, the Bank invested in this area 15% of the total investment in social-community activities.**



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. In this context, the Bank offers mortgage workshops to the public at large. The Bank also created a program to train youths on financial topics. In 2018, too, the Bank continued to offer scholarships to students, in order to promote financial education among students and to strengthen its ties with institutions of higher education.

**In total, the Bank invested in this area 9% of the total investment in social-community activities.**

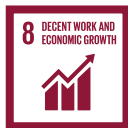


## Promoting Education And Society

In 2018, the Bank continued to support and promote education and society in Israel. The Bank sees the great importance of approaching diverse populations and segments in Israeli society. To this end, the Bank chose to take part in projects such as “Project Birthright”, with the objective to reinforce Jewish identity and links to Israel among Jewish youngsters from around the world; and also providing scholarships for students of Ethiopian origin.

In 2018, we continued the project “Let us meet at Mizrahi Tefahot”. As part of this project, a wide range of activities are being offered at key Bank branches, by leading lecturers in their fields. Customers of all banks, residents of the neighborhood and the general public are invited to attend at no cost. **In 2018, we held 161 meetings at 26 key branches around the country, attended by 8,620 participants.**

**In total, the Bank invested in this area 39% of the total investment in social-community activities.**



## Reinforcing Israel’s Economy Through Responsible Supply Chain Management



### Responsible Supply Chain Management

Mizrahi-Tefahot Group 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.

**The Group has a policy in place for preferring local suppliers. The Group receives services from 3,300 active suppliers. Of these, 95% are Israeli suppliers and of those, 18% are from outlying areas.**

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

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. Furthermore, the Bank only contracts with suppliers who operate in compliance with all relevant laws and regulations.

Employees of the Bank’s Logistics Division Manager and Purchasing Manager visit premises of major Bank suppliers.

The Group verifies that employment terms of outsourced employees (cleaning, security and catering) are checked by a qualified payroll reviewer. The Bank also conducts risk assessment, including for corruption risk, with regard to suppliers and contractors regularly working with the Bank.

# 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

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 welfare 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 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

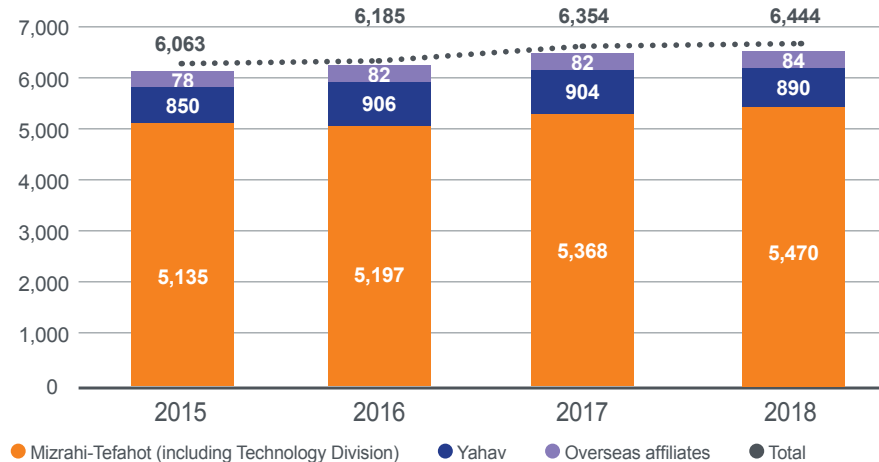


## Mizrahi-Tefahot Employees

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.**



**Bank employees include 2,351 male employees (36.5%) and 4,093 female employees (63.5%).**



## Promoting Fair Work Environment And Employment Terms



### 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

**Collective bargaining agreements apply to 94% of Bank Mizrahi-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.

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.

### Employee Remuneration

The Bank leads multiple measures to remunerate and provide positive incentives to employees, including: Pay promotion, award of individual bonus and prizes, wage increase bonus and ROE



bonus, outstanding employee nomination and promoting efficiency improvement suggestions by employees.

## Caring For Employee Well-Being And Employee 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 Bank provides benefits to employees and their family members, on special events over the employees' lifetime and throughout their work for the Bank. Furthermore, Bank employees also enjoy various benefits in management of their bank account and credit facilities and loans at preferential terms.**

## 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. We also provided talks on diverse topics, such as: CPR and ergonomics, fun team-building days to break out of the routine; including employees in

sports activities, such as marathons; a gym at the headquarters building in Lod and sports competitions as part of the Workplace League; paying for medical check-up screening for employees aged 40 or over etc.

## 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, through the number of weekly work hours that is lower than stipulated by law, additional paid leave at the Bank's expense, increase vacation pay, vacation voucher and so forth.



## 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 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.

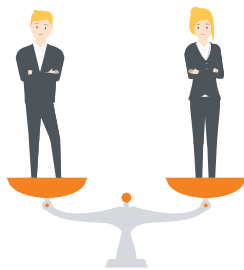
**In 2018, 99 employees retired after many years of diligent service with the Group.**

### Maintaining Employee Safety

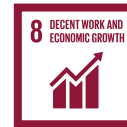
The Bank attaches great importance to maintaining employee safety, health and security – as an integral part of employment conditions and care for Bank employees. The Bank has appointed a special manager to manage health and safety issues, as required by law.

### 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.



## Diversity, Equality And Avoiding Discrimination In 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. 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).

As part of its strategy to create a diverse work environment, the Bank acts to include employees from the Jewish Orthodox and Arab sectors, adjustments are made to the recruitment and screening processes, and in cooperation with NGOs active in these segments.

### 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.

### Promoting Women In Management And At The Group

In 2018, the number of female employees at the Group increased by 2% and the number of female managers at the Group increased

by 4%. In 2018, female managers accounted for 50% of managers at the Group and 42% of senior managers.

## 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.



## 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 (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.

**In 2018 we delivered 286,590 training hours in total.**

**In 2018, the average training hours per employee was 45.6.**

**Career development tracks** – the Group encourages promotion of its employees to management positions and provides them with

tools for this purpose, such as the manager development program and the training program for management cadre. **In 2018, 95% of management appointments were promotions of Bank employees.**

## 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: **maintaining an on-going dialogue with employees, expanding intra-organizational communication; and providing regular feedback annually to employees.**

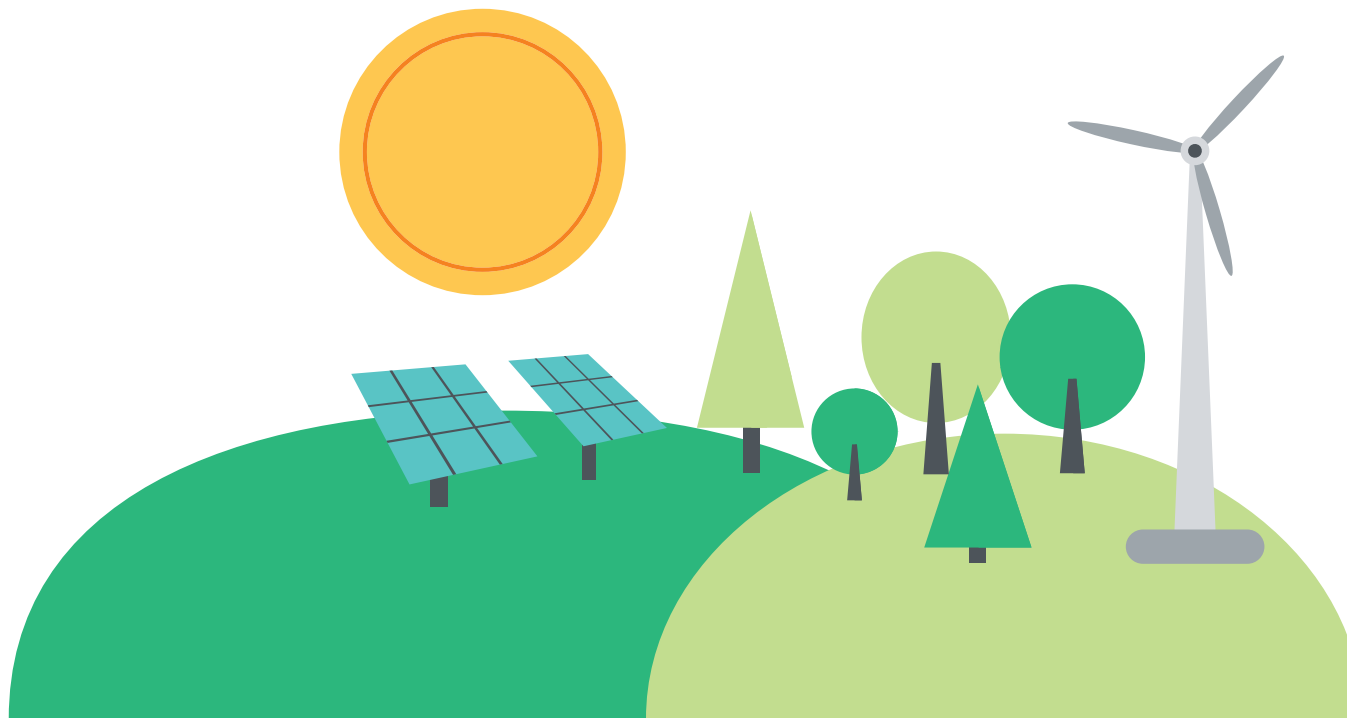
In order to foster an organizational culture of open discourse, the Group acts as follows: direct meetings between management and senior management with employees across the country, through tours of units and branches, accessibility to employees through HR representatives, "Path of Enrichment conferences for employees who would like to know more", publication of "Among Us Online" information bulletins and so forth.





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



## Investing In The Environment Overview

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

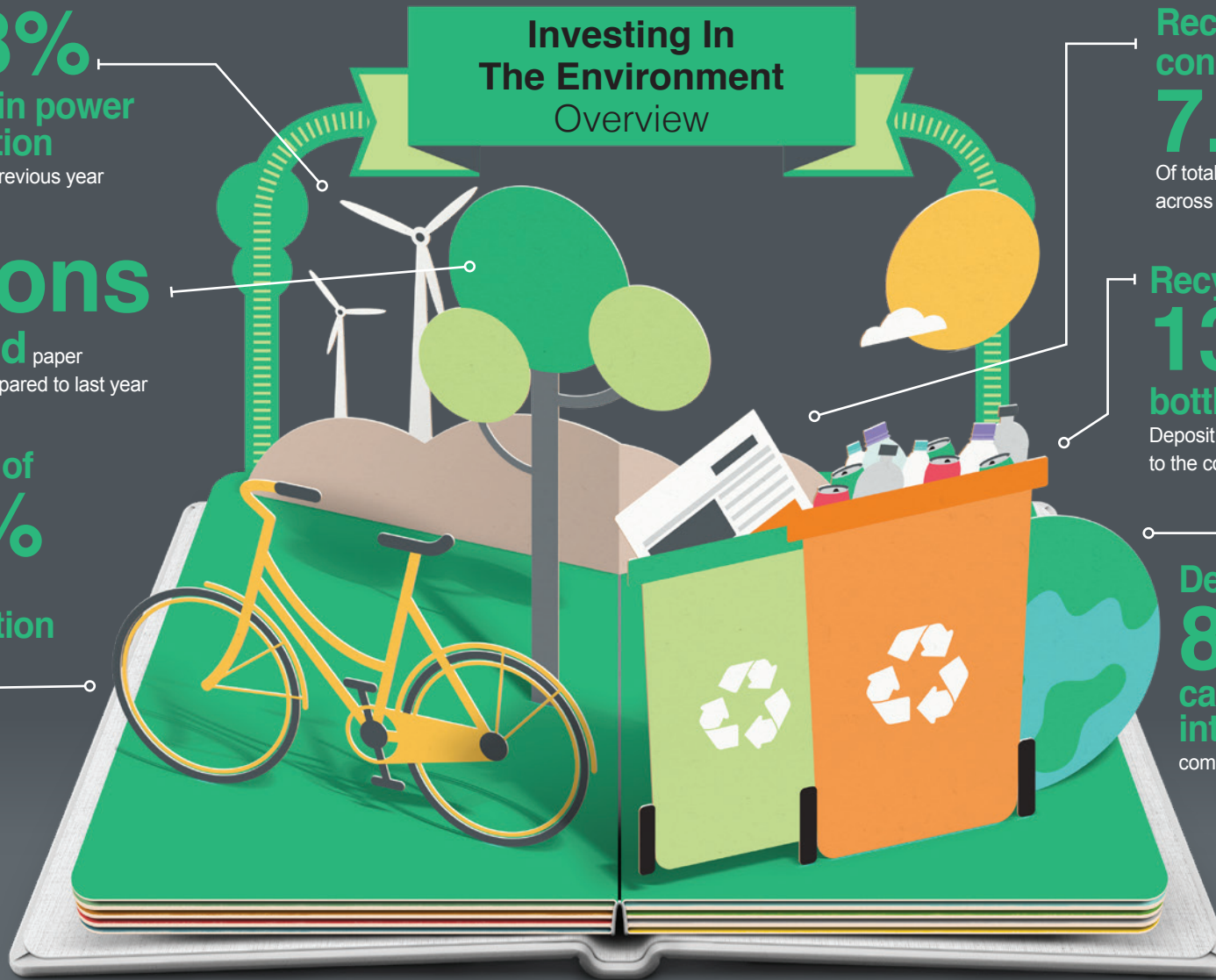
**12 tons**  
Reduced paper  
consumption Compared to last year

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





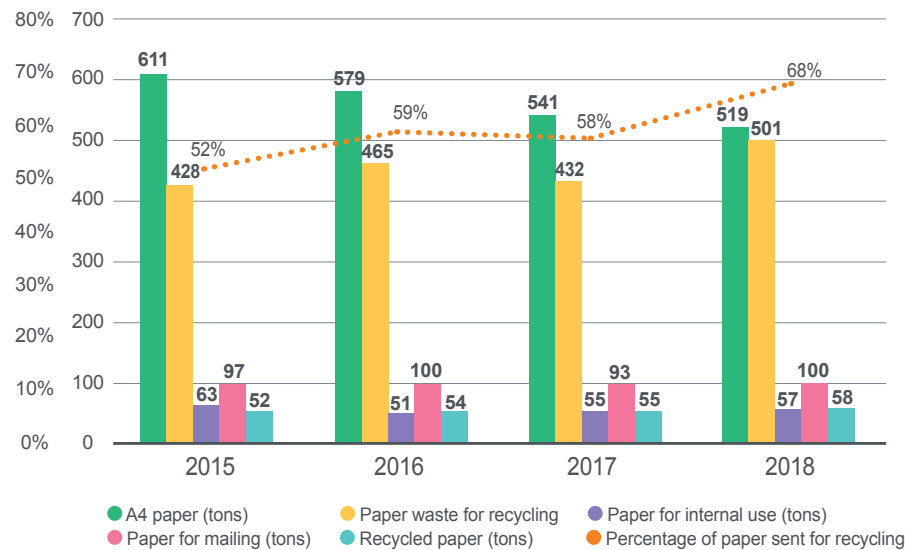
## Group Responsibility For The Environment



### Reducing Paper Consumption

The Group uses paper mainly for forms, letters to customers, report printing etc. Note that a considerable percentage of the printed material is produced according to Bank of Israel directives for clients, and is hand-delivered to them. **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. This reduction is primarily due to the “Paperless Branch” project, which we continued in 2018.

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



### Campaigns To Promote Recycling By Employees

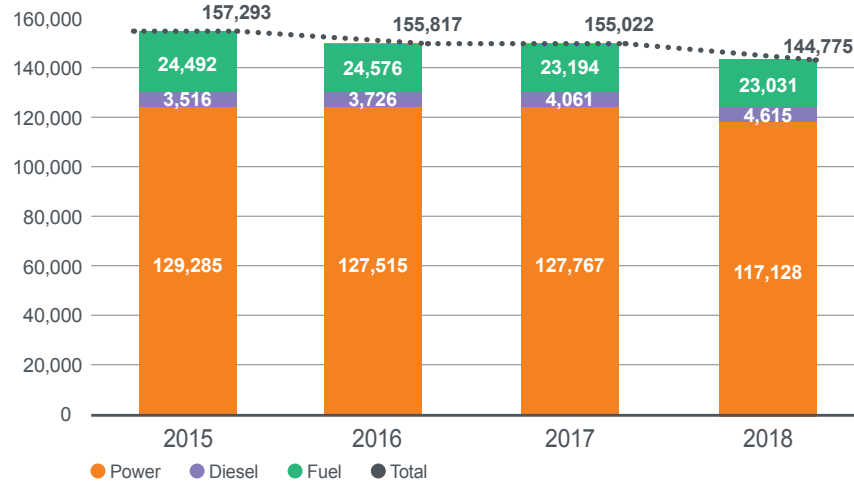
As part of diverse actions taken by the Bank to deploy the values of sustainability, the Bank promotes campaigns designed to promote recycling by employees. These campaigns focused in particular on recycling of bottles, batteries and electronic waste. In order to increase employee awareness of this matter, 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.

### Improved Energy Efficiency

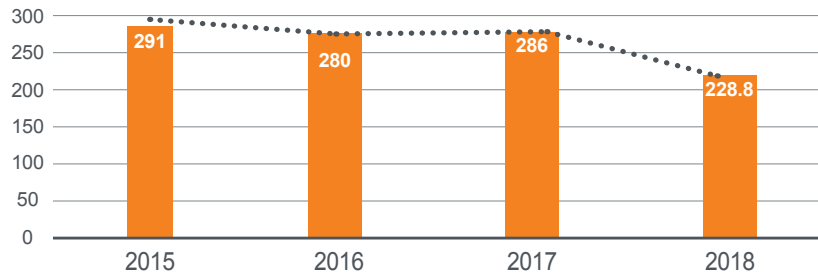
Due to activities in office buildings, energy consumption is one of the Group’s most significant environmental impacts. Therefore, the Group manages and measures this and takes steps to improve energy efficiency. This issue is managed by an Energy Efficiency Committee, consisting of professionals from the Logistics Division and permanent professional consultants.



## Total energy consumption (GJ)



## Energy intensity (total KWh per m2)



## Improved Energy Efficiency Measures For Power Consumption

In 2018, several steps were taken to streamline energy consumption, the main ones being: Use of LED lighting, use of a command and control system at headquarters buildings, power savings at Bank headquarters in

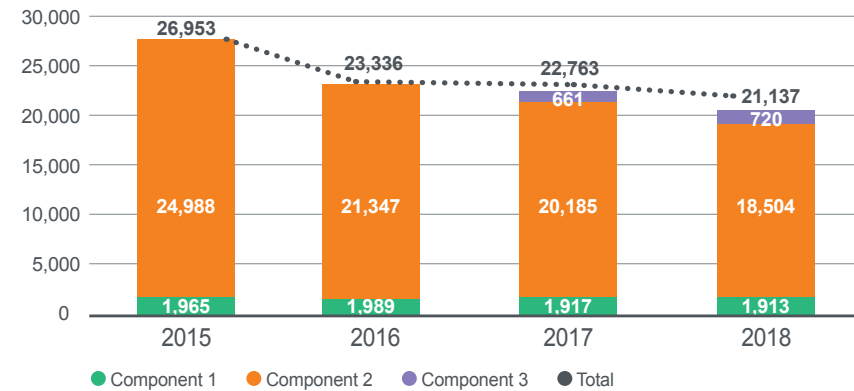
Lod, use of emergency generators during regular peak hours, installation of diesel circulation system in generators, AC system installation, replacement of older, inefficient AC systems at branches, efficient space utilization, installation of Optinergy system at the Technology-Logistics Center and review of alternative energy at the Technology-Logistics Center.

## 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).

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 (CO2e tons)



# 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.



## Group Commitment To Accountable Conduct

The Group 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.



## 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 maintain 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.



## Group Commitment To Accountable Conduct

The Group conducts several central processes to address this issue on two key levels:

- ▶ **Prevention and training** – including the following: Regular dissemination of operating procedures to employees, E-learning kits for employee training, advice and ongoing training, methodological event debriefing, deployment of the Code of Ethics and providing employees with ways to anonymously contact the Internal Audit Department.
- ▶ **Handling cases and learning lessons** – including the following: Operating three identification and control circles, operational Risk Portal at the Bank (“PSTL”), risk surveys for operational processes, reinforcing the reporting culture with regard to operating events, AML system, operational risk steering committee and another steering committee for cyber and information security risk, internal control forum and compliance forum.

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



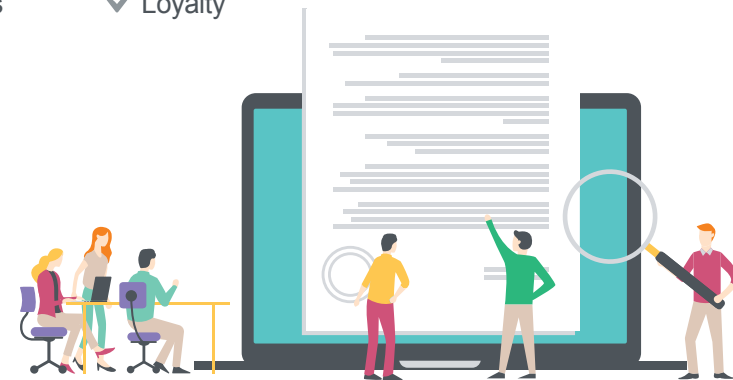
## Code Of Ethics

The Bank’s 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 which discusses ethical dilemmas that arise from the field, and to outlines policies and actions for deployment of values of 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
- ✓ Integrity
- ✓ Fairness
- ✓ Transparency
- ✓ Reliability
- ✓ Loyalty
- ✓ Preserving human rights
- ✓ Excellence



## Key Targets For 2019 Promoting Achievement Of Sdgs

Mizrahi-Tefahot Group promotes these SDGs through its business and social activity. The table below lists the Bank's goals for its various operating segments, linked to the relevant SDGs<sup>1</sup>



### ► Goals for 2019

	<ul style="list-style-type: none"> <li>• Co-operation with NGO Pa'amonim to enhance financial education</li> <li>• Develop a financial education training kit for fourth-sixth graders</li> </ul>
	<ul style="list-style-type: none"> <li>• Expand the "Leading Neighborhood" project in Jerusalem</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>• Continued expansion of the service: Open 3 new branches</li> <li>• Provide assistance to small businesses to promote improved energy efficiency, through the Improved Energy Efficiency Fund.</li> <li>• investment in social-oriented debentures</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>• Continue reducing paper consumption</li> <li>• Replacement of old chillers, with low energy efficiency, at 3 more branches</li> <li>• Training on environmental risk delivered to relevant employees at the Business Division.</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 and review the need to revise it.</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.