

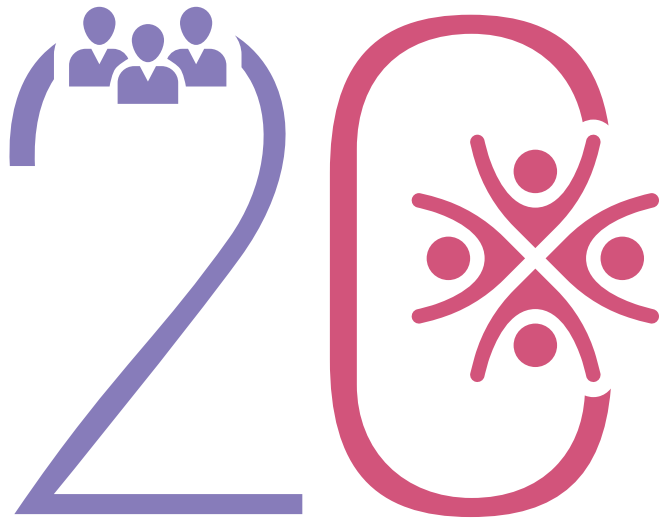


Employees

Accountable  
Conduct



Environment



# ESG report

Mizrahi-Tefahot Corporate Social Responsibility

Summary



MIZRAHI TEFAHOT



Customers



Community

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

### Dear readers,

We are pleased to present this summary of Mizrahi-Tefahot Group's corporate social responsibility report for the year 2020, which summarizes a year of social, environmental and economic activities. The report provides an in-depth review of the Group's work and activities relating to corporate social responsibility, which are based on our belief that, in addition to maintaining the Bank's business leadership and excellence, it is our duty to take action to generate added value for the community in which we operate.

2020 was the Covid-19 year, a year of upheaval that forced the world to contend with complex health, economic and social challenges. As a major leading bank, we contended with challenges on numerous fronts and sought to provide solutions for the needs of stakeholders both inside and outside of our organization.

Another significant event in 2020 that accompanied the Bank's routine activities was the merger of Bank Igud into Mizrahi-Tefahot Bank. The addition of Bank Igud to the Group is a significant component of the Bank's growth strategy.

The merger process will take place gradually in order to ensure that customers, business activities and human capital will be transferred from Bank Igud to Mizrahi-Tefahot Bank in an optimal manner. We are executing the merger while diligently maintaining human rights, fairness, transparency and responsible risk management, as is customary in all of our activities.

Further to the Bank's achievements in recent years, and against the backdrop of the changes in the banking sector and in the business environment, we launched a new strategic plan for 2021 – 2025 at the end of April 2021.

This strategic plan will also help us advance social and environmental issues relating to the Bank's core business activities, including expanding our financing of projects that advance environmental and renewable energy objectives and products and services for special populations. The strategic plan also extensively addresses the subjects of technologies and digital service channels in order to ensure that the Bank's services keep abreast with developments, while maintaining our high standards of service to

senior citizens and to disadvantaged populations through our hybrid model that combines service via personal bankers with service via several advanced digital channels.

This year, too, 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 clients and investors, Group employees, the community and the environment. We are proud of our top rating in the Maala Index of Corporate Social Responsibility in Israel – Platinum Plus.

This report serves as another channel of communications with our stakeholders, and its purpose is to generate open and transparent dialogue about all topics addressed in this report. We invite readers of this report to comment on it and to share with us, so that we may build upon our actions in these important matters.

We wish you a pleasant read,

**Moshe Vidman, Chairman**

**Moshe Lary, CEO**

## Words from the Corporate Social Responsibility Officer

This is an abstract of Mizrahi-Tefahot Group's ESG report. This is our eighth report to the public and to our stakeholders, which reviews the Group's activities in Israel and abroad during 2020, particularly in relation to social and environmental matters. During 2020, we maintained in-depth dialogues with all of our stakeholders in order to precisely define those matters that are material to the Group prior to the publication of this report.

The Bank contended with unique challenges that were caused by the Covid-19 pandemic that broke out at the beginning of 2020 and took swift action to ensure business continuity for the welfare of all stakeholders. These actions included the rapid development of products and services adapted for the period and for customers who encountered extraordinary hardship during this period.

Additionally, we helped customers and the community by providing financial training on subjects such as household finances, and financial management for small and medium-sized businesses.

We continued to be involved and to contribute to the community in 2020 too. Upon the outbreak of the Covid-19 crisis, we decided to provide an additional sum of money to NPOs and populations adversely affected mainly by the crisis, and we made the necessary adjustments to ensure the continuity of all of our projects and collaborative efforts in this regard.

Notwithstanding the Covid-19 pandemic, we continued to advance corporate social responsibility affairs in all areas.

In relation to investments, we took action to advance environmental and social objectives, and we added advanced financial and pension advisory services during 2020 to encourage responsible investments customized for the customers' needs. During 2020, the Bank promoted responsible investments through new products that it offered to its customers, including ETFs on green government bonds, and especially shares of companies with very high ESG ratings.

Additionally, due to the growing awareness of environmental risks and as part of the Bank's environmental risk management, we formed a team headed by the CRO to analyze these risks and the Bank's direct and indirect impacts on climate change and its repercussions.

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

The full report describing the Group's corporate social responsibility activities in 2020 is presented on the Bank's website.

Sincerely,

**Ms. Tamar Saffer, Corporate Social Responsibility Officer**

# The Bank's ESG performance in 2020

Data as of December 31, 2020

## E Environmental



Emissions saved due to environmental initiatives of the Bank (tonnes of CO<sub>2</sub>)

**948**

**7.95%**

Decrease in the intensity of the group's carbon footprint

Power savings due to initiatives to reduce power consumption (thousands of kWh)

**217**

Paper savings due to initiatives to reduce paper consumption (tonnes)

**17**

Fuel savings due to initiatives to reduce fuel consumption (thousands of liters)

**361**



Loans to households – housing loans (NIS millions)

**155,000**

## S Social

**94%** of the vacancies in management positions in 2020 were filled by internal promotions of Bank employees and managers.

Average training hours per employee

**36**

Number of branches for the Group

**232**

Credit to micro and small businesses (NIS millions)

**29,000**

Percentage of local procurement

**97%**

Total payments to suppliers (NIS millions)

**2,600**

Employee turnover (excluding call center employees)

**6.3%**

Investing in the community (NIS millions)

**16.4**

Investment in social-oriented debentures over the next five years (NIS millions)

**3.6**

Credit for social and environmental causes (NIS millions)

**5,300**

Number of Group employees

**7,585**

Percentage of employees subject to collective bargaining agreements

**93%**

Percentage of employees who received feedback

**100%**

Percentage of female senior executives

**36%**

Percentage of employees recruited from under-employed demographics

**5.5%**

Investment in training for employees (NIS millions)

**43.3**



Dividend distribution (NIS millions)

**176**

Pre-tax profit (NIS millions)

**2,604**

## G Governance

Retained economic value (NIS millions)

**2,575**

Approximately

**20,000** training hours on risk management

Provision for taxes (NIS millions)

**903**

Reporting pursuant to GRI standard

Maala's ESG index Platinum Plus rating

Adoption of Global Compact principles

Voluntary reporting of greenhouse gas emissions



## Partnership in corporate social responsibility initiatives and ratings

Mizrahi-Tefahot Bank adopts international and Israeli standards with regard to corporate social responsibility.



### Maala rating

This year too, Mizrahi-Tefahot Bank received Maala's highest rating – "Platinum Plus" – in the Maala Index for Corporate Social Responsibility. The Maala rating is a powerful tool for assessing and inculcating social responsibility in organizations that serves as a main index for assessing corporate social responsibility in Israel. More than 150 companies participate in the rating, which evaluates their performance in relation to such topics as: diverse work environment, involvement in and contribution to the community, environmental quality, ethics, corporate governance, and more



### Voluntary reporting

During 2020, Mizrahi-Tefahot Bank also began reporting its greenhouse gas emissions to the Ministry of Environmental Protection and to the Manufacturers' Association of Israel. The objective of this initiative is to design a policy for contending with climate change in Israel. The Bank issues an annual comprehensive report of its greenhouse gas emissions, including its examination and identification of potential energy savings and resource savings.



### Global Compact

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



## UN Sustainable Development Goals (SDGs)

In September 2015, the State of Israel, along with 192 UN member states, adopted a resolution to participate in the effort to achieve the 17 Sustainable Development Goals (or SDGs) and the realization of 169 global secondary goals by 2030. Mizrahi-Tefahot Group promotes these SDGs through its business and social activity. This is the fifth year that the Group is reporting its commitment to advance the UN's SDGs in its Corporate Social Responsibility Report.

## Additional entities that review the Bank's activities relating to corporate social responsibility

The Bank is measured with regard to corporate social responsibility by business organizations that provide analyses in these fields. The Bank maintains constant dialogue with different analyst organizations and provides answers to questions posed by analysts in this field. This dialogue enables us to examine our activities against the financial sector's performance in Israel and abroad and to improve our performance in relation to ESG aspects. The Bank is reviewed and rated by analysts from Bloomberg, RobecoSAM, MSCI, Sustainalytics, FTSE, ISS ESG.

**Bloomberg**



## Key goals for 2021 promoting achievement of SDGs

The table below lists the Bank's goals for its various operating segments, linked to the relevant SDGs (these goals are part of the Bank's goals for 2021, listed at the end of each chapter in this report).



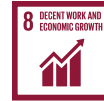
To expand the target audience for our "The Money Path" financial literacy training courses (updating of the kit for elementary schools and expanding it to be compatible for students, young people in national service, soldiers completing military service and more).



To help small and medium-sized businesses through our "Business Meetings" series of lectures on how to grow a business.



To enhance our interorganizational communications by offering 'TED'-style lectures on banking and organization-wide topics.



An officer was appointed and an internal procedure was published on the subject of preventing workplace bullying.



Inculcating a hybrid learning approach: studies at the employee's station; independent study; classroom instruction; converting classroom courses to online courses; and expanding employees' technological capabilities in online and remote learning.



Reduction of paper consumption by 3% through our "Paperless Branch" project.



Further impart the topic of environmental risk to other relevant departments and employees, through custom training.



To hold conferences and meetings with business customers in relation to various subjects, including foreign trade, according to the changes in global commerce.



To provide ESG training courses to our financial advisors.



Continue expansion of activity in the Arab and Jewish Orthodox sectors, by expanding existing services.



To expand our activities encouraging family volunteering.



Monitor changes in the threat space and adapt defensive systems at the Bank, in line with such changes, so as to ensure the level of defense for Bank systems and client information.

To heighten the assimilation of our training on the subject of privacy protection via courseware and memos to all employees.

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.





branches  
across Israel

# Investing in Customers

About  
**3,000**  
participants  
attending business  
conferences

Mizrahi-Tefahot Bank  
customers are  
**the most satisfied**  
with direct and digital services  
offered to them  
(according to survey conducted  
by the Bank of Israel)

The Bank encourages  
**entrepreneurships  
and innovation**  
in the Israeli economy by  
financing startup companies

Grade of **8.9**  
for Banking Fairness at  
Branches (according to  
MarkeTest's 2020 "Customer  
Experience in Israel Index")

Approximately  
**5.3** billion  
NIS in total lending  
for social and  
environmental  
causes

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





Mizrahi-Tefahot Group is committed to its customers and to their success and takes action to generate value for them over time. This commitment receives expression in fair conduct and in creating a variety of channels for customers to receive service and products customized for each customer's needs, while being attentive to our customers' needs, protecting their privacy and providing professional tools to contribute to their success.

## To advance while remaining human

At a time when the distance between customers and bankers is steadily widening, Mizrahi-Tefahot Bank designed its approach towards **“hybrid banking – combining the best of personal and digital banking.”**

This innovative and unique service approach exploits the developments in banking technology to create direct and immediate communications between customers and the bank. Hybrid banking enables customers to receive service through a variety of direct banking channels, enables them to perform independent activities and to maintain continuous personal contact with their personal bankers.

The Group operates on diverse operating plains and serves diverse populations while adhering to its core values: fairness and transparency towards all customers, meticulous privacy protection, ensuring that the Bank's services and facilities are accessible in all channels and maintaining customer satisfaction at the highest levels possible.

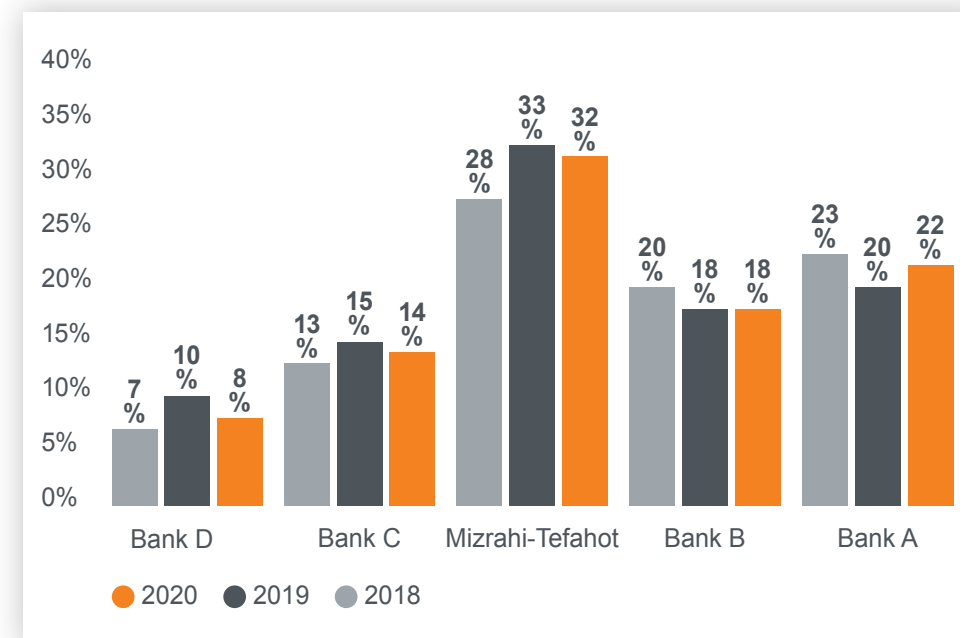
## Fairness and transparency

One of the fundamental principles of our Code of Ethics is maintaining fair relationships. It forms the foundation for mutual trust between our customers and us and for success and for creating shared values.

Our implementation of fairness and transparency receives expression in our marketing, responsible advertising and in the fairness of our products and services, and by our provision of all information needed about our financial products and services in a clear and accessible way, thereby enabling customers to make the best decisions for themselves.

A survey conducted in 2020 found that Mizrahi-Tefahot Bank is perceived as the fairest bank in the Israeli banking system.

Perception of bank fairness among the public at large



## Information security and privacy protection

In order to ensure our customers' success and satisfaction, the Group is committed to taking action to the best of its ability to protect their privacy. To this end, we defined an information security and cyber security policy enabling the Bank to manage personal information prudently and responsibly.

The Group works extensively to protect all money and personal and financial information entrusted to it in the following ways:

- By developing and employing advanced technological capabilities to contend with cyber threats.
- By implementing means to reinforce the level of defense for customers' activities in the various communications channels.
- By strengthening and improving our defense mechanisms in order to minimize any capability to perform unauthorized actions in customers' accounts.

## Making products and services accessible by all populations

Mizrahi-Tefahot Group strives to provide equal service to all of its customers, while customizing service and responding to the individual needs of each customer. To this end, we take action to make our services and products accessible by any person desiring to become a customer of the Bank.

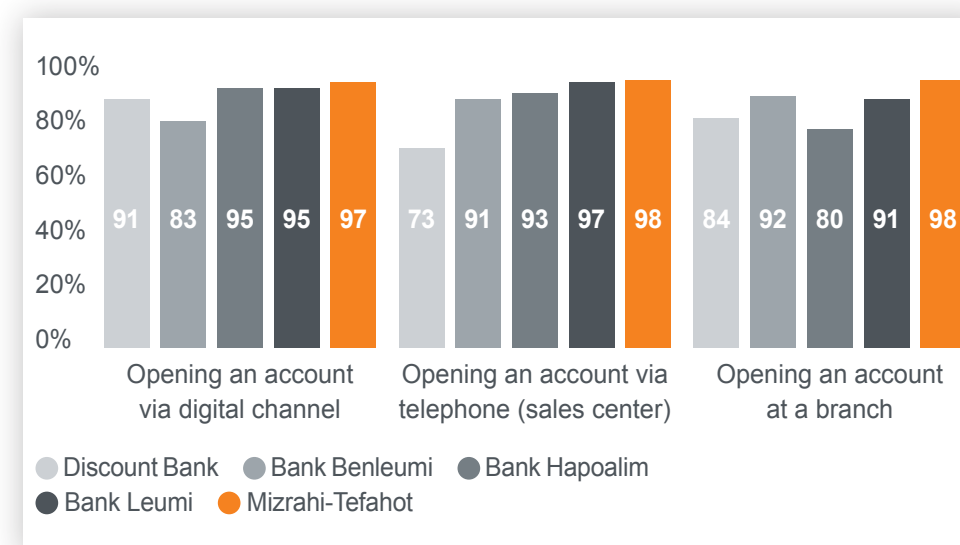
- **Physical accessibility of our facilities** – We take action to make our branches, ATMs, service counters, website and applications comfortably accessible by people with disabilities.
- **Adapting our telephone service** – We also adapted our telephone service for use by the hearing-impaired and installed accessibility software in our automatic service counters/ATMs.
- **Accessibility of our online services** – Out of our understanding that people with disabilities sometimes have a hard time using various online services, Mizrahi-Tefahot Group is also diligent about making online services accessible.

Since accessibility is a key value, we provide annual training courses on accessibility to our employees. In 2020, all of our employees completed courseware on the subject of providing accessible service.

## Customer satisfaction

Since customer satisfaction is a measure of success, we consider the provision of high-quality, personal and optimal service as being of ultimate importance. To this end, we operate in diverse service channels, we offer unique banking products and we are always attentive to our customers' needs.

Results of MarkeTest's  
"2020 Customer Experience Index"



In 2020, the Bank of Israel found that customers of Mizrahi-Tefahot Bank have the highest satisfaction from the direct and digital services offered to them.





## Our clients

Mizrahi-Tefahot Bank places its customers at the heart of its activities, listens to their needs and desires and ensures that they have an optimal, professional and compassionate service experience. The Bank offers its clients a different kind of banking, regarding each client as a unique individual, entitled to individual service and care customized for their needs and desires.



Last year, we launched five deposit campaigns offering customers a safe investment channel during a period that was less economically stable.



We advance financial literacy in relation to a variety of topics, such as mortgages, wise budget management, wise consumerism, and more.



We provide nationwide service: 232<sup>1</sup> Branches, 290 ATMs, 269 Self-service stations.



Our website is technologically, functionally and professionally advanced and offers means to communicate with a professional human personal banker.



Our business customers enjoy a wide spectrum of value added products and services to help their businesses succeed.



Our diligence in providing high-quality responses to our customers and high-quality handling of public inquiries also receives expression in the data published by the Bank of Israel, which has ranked Mizrahi-Tefahot Bank in 1st place for three consecutive years.



## A unique solution for diverse demographics

Mizrahi-Tefahot Group prioritizes customer experience when contacting customers from different communities and develops innovative solutions, products and services that are customized for the unique needs of each customer:

The Bank has defined the Arab society, the ultra-orthodox Jewish society and senior citizens as populations groups that it wants to focus on over time in order to deepen the relations with them. To this end, we take action to better understand the unique needs of these populations and design customized products and services for them.

- We increased the Arab society's access to deposits and widened its mortgage product market, while customizing them according to its unique needs.
- We expanded the services being provided in Arab communities. Correct to the end of 2020, we had eight branches in these communities.



1. This figure derives from the merger of Bank Igud; subsequent to the merger, some branches will be closed.



- We take action to customize the language and marketing messages to the needs and values of the ultra-orthodox Jewish society and of the Arab society and we communicate with them via designated media channels, such as via ultra-orthodox Jewish and Arab newspapers, radio, websites and mobile applications and via billboards in cities associated with these communities.
- During 2020, within the framework of our “Let’s Meet at Mizrahi-Tefahot” activities, we included special activities for the Arab society, for the ultra-orthodox Jewish society and for senior citizens, while customizing the content and lecturers to these unique populations.

### Unique mortgage products and services

As Israel’s largest and leading mortgage bank, which has provided more than one million mortgages over the years, we take action to sustain our positioning as the market leader and to customize financial solutions for our customers and for the public in Israel that will enable them to strike a balance between their needs and their financial capabilities in the short and long term.

Our mortgage bankers are professionals with years of experience. This enables us to provide optimal service to our customers and to accompany them throughout the process of obtaining a mortgage. Even after the loan is extended to clients, the Bank continues to assist them throughout the term of the mortgage by offering other products and services that may provide a solution for other needs they may have.



Our outstanding reputation was also evidenced during a survey conducted by Kantar Institute in 2020, which found that Mizrahi-Tefahot is ranked as the number one mortgage bank in Israel in terms of expertise.



We also offer supplementary mortgage products and services:

- **Digital mortgage** – we enable the public to submit simple and easy applications for approval in principle of a mortgage through our website and to receive a prompt response.
- **Tefahot credit card** – which provides a credit line of about ILS 150,000 to mortgage-holders at preferred interest rates under installment payments, together with their monthly mortgage payments, over many years.

### Advancement and innovation

The Bank acts to promote and adopt innovation in all its activities, with constant review of the pace of technology development and changes in consumer habits and preferences, in Israel and world-wide. To enhance the client service experience and to provide optimal, high-quality service, Mizrahi-Tefahot Bank develops products in response to various client needs and to the evolving reality. Our advancement of innovation is reflected in our customized products to private and business customers.

For example: in 2020, we developed digital tools for businesses, such as a payroll interface, the ability to produce various certificates and perform multiple fund transfers and a tool relating to foreign trade.



During 2020, we approved new credit at the volume of about USD 100 million to advance startup companies and develop the Israeli high-tech sector, out of which, USD 45 million to companies promoting social issues.

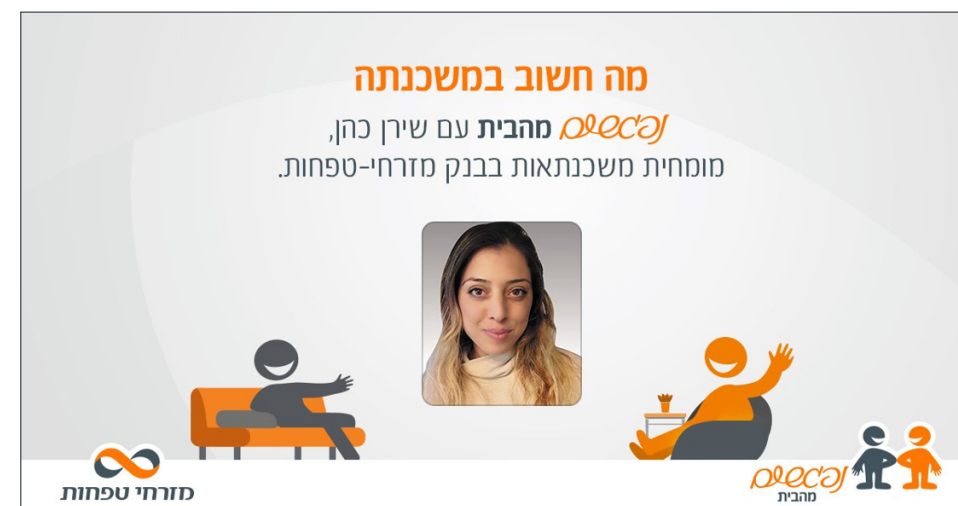




### Customized products for a wide variety of customers

Mizrahi-Tefahot Group strives to develop financial and credit solutions for a wide variety of populations, out of our understanding and deep familiarity with the unique economic challenges of each population group:

- **Mortgages customized for different communities** – As part of strengthening our relations with the Arab society and with the ultra-orthodox Jewish society, we customized and expanded our mortgage products for these communities.
- **Loans and grants to people entitled to Ministry of Construction and Housing assistance** – As the State's performance arm for the provision of services, we grant loans and special grants to people entitled to the assistance program of the Ministry of Construction and Housing, which are easily accessible to them through our nationwide network of branches.
- **Pension mortgage** – a unique product that resolves the financing needs of senior citizens above the age of 75 who are homeowners. The loan is provided with the apartment serving as collateral. The borrower can choose between receiving the loan sum as a flexible or fixed monthly pension over 15 years or as a lump sum.
- **Credit to business owners** – We provide loans to small and medium-sized business through State-guaranteed loan funds. These loans are used, inter alia, for business development, for promoting businesses in outlying areas in Israel and for promoting improved energy efficiency. This is an attractive credit offer, which allows businesses to evolve and progress.
- **Assistance for clients in crisis** – It is Bank policy to provide considerate service, understanding of the client's situation, especially in cases of financial hardship and in times of crisis. During 2020, Mizrahi-Tefahot Bank offered a series of assistance and support measures to its customers and continued to examine applications for assistance submitted by customers and by assistance organizations. Out of all cases of arrears in payments forwarded to our collections center in 2020, only about 2% were referred for legal handling.



### Financial education

Mizrahi-Tefahot Group believes that it has a duty to advance knowledge about financial matters and to help various populations in Israel acquire understanding of financial matters so that they can take personal responsibility for managing the financial aspects of their lives. To this end, we offer the following leisure-time activities:

- **Understanding mortgages** – lectures and workshops on mortgages at Bank branches and on the various digital channels that are open to the general public.
- **Special conferences** – We offer special conferences customized for various population groups and their unique needs in our various branches and spaces.
- **Sixties Get-togethers** – We offer a series of get-togethers and lectures for senior citizens with the goal of providing high-quality responses to this population. These get-togethers are offered at no cost and are open to the general public.
- **Business College** – The Bank offers its business clients custom training courses provided by the Business College, in co-operation with the Israeli Management Center ("MIL"), as published from time to time and in business meetings with clients.
- **Digital literacy** – Activity to empower and learn digital tools, designed for senior citizens.





## 2,202 Participants:

**500 people** participated in mortgage workshops customized for the ultra-orthodox Jewish society.

**580 business customers** participated in digital meetings on the subject of foreign trade.

**548 people** participated in our digital financial lectures.

**574 people** participated in our Business Meetings.

### Development of environmental and social products

The Bank recognizes the importance of identifying risk and opportunities facing the Bank and provides loans for development, construction or launching of products with a positive environmental and social impact.

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



During 2020, the Bank and its extensions provided a total of about

ILS **4.53** billion to advance social causes  
and a total of about ILS **775** million to advance  
environmental causes



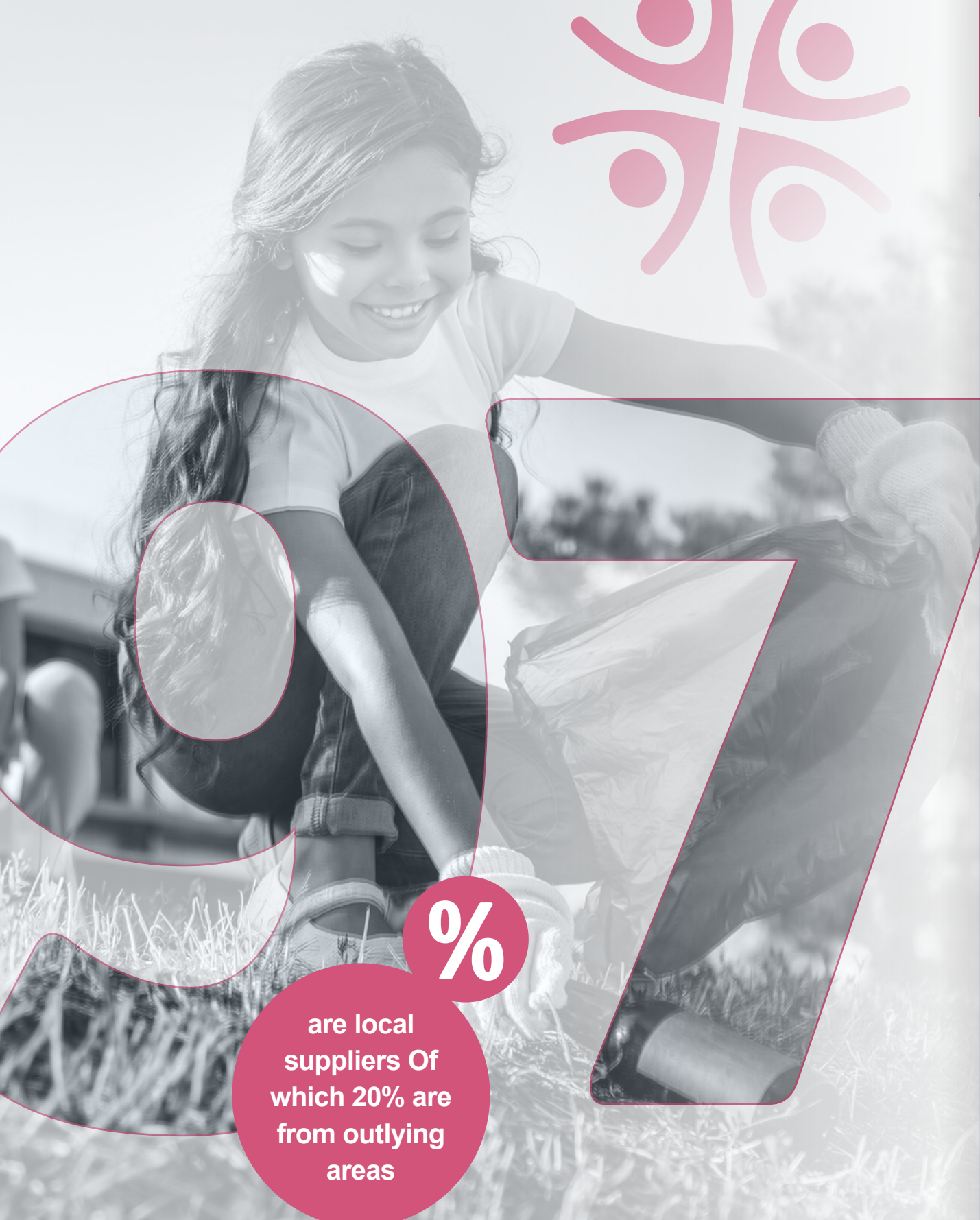
## הנהלת GENCELL ועובדיה, אנרגיות טובות מובילות להצלחות מעולות

ברכות לרגל ההנפקה בבורסת ת"א והגיוס המוצלח,  
גאים להיות שותפים לדרך.

אנו בטוחים שהטכנולוגיה החדשנית שפיתחתם  
תחולל שינוי עולמי בתחום פתרונות האנרגיה הירוקה.  
מזרחי טפחות ימשיך ללוות את ההייטק הישראלי להצלחות נוספות.







**%**

are local suppliers Of which 20% are from outlying areas

# Investing in Community

**15,572**  
hours of volunteer work invested by Group employees as part of activity in the community

About **424** thousand visits to our "Let's Meet" website

NIS **600** thousand  
Total purchasing from social NGOs in 2020, by the Bank

Total investment in social community activities amounted to NIS **16.4** million In 2020

**72%**  
of suppliers are micro and small businesses

**42.5%**  
of our employees who volunteer, do so regularly

**22%**  
of the Bank's employee volunteered for various activities during 2020

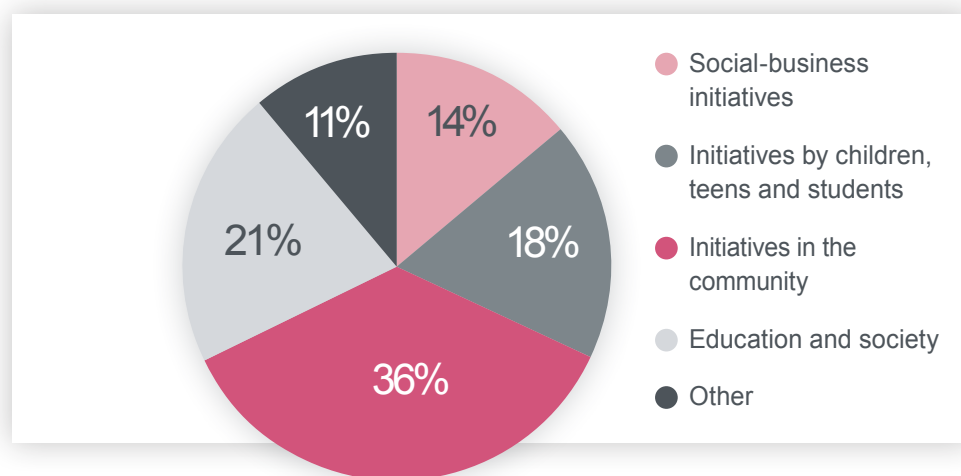
We distributed Hannukah gifts totalling ILS 120,000 to **2,400** children in boarding schools and in community welfare centers



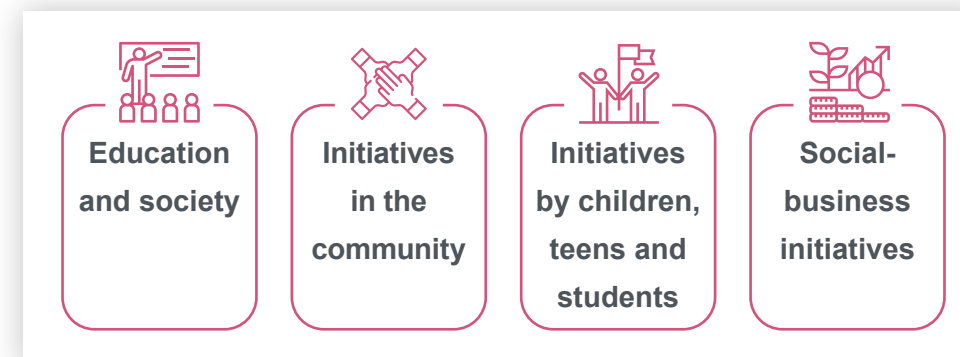
## Advancing innovation and initiatives for a more humane community

The central motif in Mizrahi-Tefahot's social strategy is innovative initiatives to promote a more compassionate society and it reflects the Bank's strategy that combines innovation and compassion.

Investment in the community by activity type for 2020



The Bank's social strategy is comprised of four key elements:



## Financial initiatives

As one of Israel's five largest banks, which influences the local economy and society, Mizrahi-Tefahot Bank attributes considerable importance to the promotion of financial initiatives among the Israeli public and encourages its managers and employees to share their professional expertise with the community. Two of the key topics that the Bank focuses on in relation to financial initiatives are social-business initiatives and initiatives promoting wise financial management.

Social- business initiatives – We support NPOs and social businesses that initiate and advance social innovation and help advance disadvantaged populations through various projects they launched during 2020, such as:

- **"Business with value"** – A venture that invites startup social businesses and NPOs to apply for financial grants from the Bank and for guidance from professional mentors.
- **"Amanina"** – We created cooperation with the "Amanina" NPO, which is dedicated to promoting and developing volunteering in the Arab society and we publicized an appeal to entrepreneurs in the Arab society to submit their candidacies for participation in the program.





- **“The Fair of Light”** – An online sales fair held before the Hannukah holiday on the website of the “And Joy Studio” (a social business that employs people with disabilities) in conjunction with additional NPOs. Millions of Israel’s citizens were exposed to the fair through the various communications and social media and actually purchased gifts totalling hundreds of thousands of shekels, which increased the NPOs’ revenues.



In 2020, we purchased gifts from **social businesses and NPOs for our employees and for their special occasions at the volume of ILS 600 thousand.**

Additionally, our employees purchased select gifts from **various social businesses and NPOs during holiday periods at the volume of about ILS 140 thousand.**



**Initiatives promoting wise financial management** – We believe that the advancement of communities in which we operate and our customers is affected by our positive social actions and our activities to provide tools for wise financial management. Providing tools for smart, responsible financial conduct helps reduce the cases of financial crisis and supports the financial robustness of Bank clients. Sharing the Bank’s knowledge and expertise in the financial world would allow clients, both individual and business, to develop and make progress – as well as the community around. Within this framework, we hold various activities, such as:

- **“The Money Road”** – A program teaching teenagers financial literacy through an updated kit offered on the Bank’s website, which is designed to help teachers and counsellors teach teens financial literacy using the kit’s contents. This kit is also translated into Arabic.



- **“Pa’amonim”** – We collaborate with Pa’amonim to provide economic recovery training and guidance programs to families. We support and assist families in the Bet Shemesh and Modi’in regions, and invite our employees to become volunteer counselors throughout Israel, while funding their training as our contribution to the NPO.
- **Financial training and instruction** to the general public on various topics through our “Let’s Meet at Mizrahi-Tefahot” initiative.



**Within this framework in 2020, we held:**

**A variety of workshops and activities for businesses via Zoom, which were attended by about 600 business customers**

13 digital meetings for businesses on the subject of foreign trade, which were attended by **about 580 customers.**

Five mortgage workshops customized for the ultra-orthodox Jewish society, which were attended by **about 500 people.**

Five special get-togethers for the general public, which were attended by **about 450 people.**



## Initiatives for a better future – for children, teens and students

As a leading bank in the Israeli market with an innovative, forward-looking approach, Mizrahi-Tefahot Bank focuses on investing in initiatives that will have a significant favorable impact on Israeli society and especially on the next generation – initiatives of children, teens and students. Select projects conducted in 2020:

- **"ZAZIM"** – youth movements for the community – The objective of this project, in conjunction with the Council of Youth Movements, is to encourage youth to become active volunteers for the benefit of society and the community.
- **"LATET Youth"** – A program, in conjunction with the "Latet" NPO, that helps youth initiate and operate social projects for the benefit of their communities, with the Bank's support. During 2020, 1,800 teens from various communities participated in activities in 44 communities throughout Israel.



## "Initiatives in the community" – employee involvement

The Bank encourages social involvement initiatives among our employees, their families and among the general public. We recognize the importance of volunteering as a tool for community involvement and therefore, we exert efforts to design cooperative efforts with social organizations we work with to cultivate long-term relationships. Moreover, the Bank acts to expand the range of volunteer activities, both in terms of the nature and scope of such activities, so as to allow each employee to find their place and to reinforce their involvement in and commitment to such activities. Our employees' volunteering activities focus on two main spheres:

- **Employee involvement in projects as part of our strategic plan:** financial training, mentoring for social businesses, purchases of NPOs' products, volunteering to advance social causes, etc.
- **Employee volunteering initiatives that reflect the Bank's core value of compassion** and constitute a motivational factor for employees to take part in the various volunteering tracks. More than 100 Bank branches and units regularly take action to help out disadvantaged populations. All of our employees participate in diverse volunteering projects every year.



## Volunteer employees

Employees of Mizrahi-Tefahot Bank completed a total of **15,572** hours of volunteering in the community

**22%** of our employees volunteered this year in various activities.

**42.5%** of our volunteering employees regularly volunteer.

In 2020, the average per employee was **3 hours of volunteering**

In 2020, **54% of total volunteer hours** were during business hours, for which the employees were paid their salary.

## Promoting education and society

As part of our community activities, it is important to us to promote education and social issues and strengthen our relations with local communities where we operate. We do this through diverse activities, including:

- **"Adopt a soldier"** – The bank has adopted an IDF unit and organizes various activities with it.
- **"Restoring the color to nature"** – The Bank has "adopted" the Zikim nature reserve and donated funding to rehabilitate the reserve, which suffered fire damages.
- **Scholarships for students** – In 2020, the Bank awarded 74 scholarships to outstanding students in different educational institutions.

### "Let's meet at Mizrahi-Tefahot" –

We offer a wide variety of meetings at our various branches, hosted by leading lecturers in their fields. These get-togethers offer lectures on topics of enrichment and enjoyment. These get-togethers are customized for the various target audiences, such as a series of get-togethers and lectures for senior citizens, get-togethers in the Arab society and in the ultra-orthodox Jewish society and special activities for business owners.



המומחים של טפחות מגיעים אליכם הביתה  
**כנס המשכנתאות ב-ZOOM**  
בואו ללמוד חינם על כל הכלים  
שיסייעו לכם להגיע לדירה משלכם  
יום שלישי | 17 | 18:00

[להרשמה <](#)



הפעילות מותנת בהשתתפות מראש | מס' הקויות סוגבל



### "Let's meet at Mizrahi-Tefahot"

During 2020, we held about 60 "Let's Meet" activities for the various audiences on a variety of topics and 20 customized get-togethers for various target audiences in the Arab society, the ultra-orthodox Jewish society and for senior citizens. About 6,000 people participated in these get-togethers.





## Responsible supply chain management

The Bank generates direct economic value to its stakeholders and indirect economic value to companies and suppliers in the Bank's indirect supply chain. We consider our suppliers as partners in promoting sustainability and responsible conduct and therefore, we take action to promote a responsible supply chain and to improve our suppliers' social and environmental performance, while taking into account diversification, responsible financing and developing suppliers' capabilities. The Bank is diligent about consuming products and services from suppliers who respect and maintain human rights and ethical conduct. Bank suppliers are also expected to act in the spirit of the Bank's values.



**97%** are local Israeli suppliers

**70%** of suppliers are small and micro businesses.

**41%** of our total purchasing are small and micro businesses.

**20%** of suppliers are from outlying regions

The Group's policy is to prefer local suppliers and it receives services from about 3,700 suppliers in the fields of construction and maintenance, property developers and management companies; equipment suppliers (such as office equipment, computer equipment, etc.); and service-providers (such as consultants, planners, inspectors, etc.).

The Bank's procurement policy stipulates a mandatory condition, whereby a business license and permits must be in place and appropriate employment conditions, including compliance with protective legislation, safeguarding employee health and safety, payment of minimum wage, prohibition of child labor, prohibition of discrimination and ensuring employee rights.





of the vacancies in management positions in 2020 were filled by internal promotions of Bank employees and managers.



# Investing in Employees

**7,585**  
were employed  
in the Group in 2020

Approximatley  
**256** thousand  
training hours  
Delivered to all  
Group employees in 2020

Average age  
**40.9**  
of Bank employees

**51%**  
female managers  
Of all Group managers

**36**  
hours of training  
average per employee  
in the Group

**77%**  
of Bank employees with a  
university degree  
(excluding the Technology  
Division)

**13** years  
Average seniority  
at the Bank

**36%**  
of the Group's  
senior managers are women

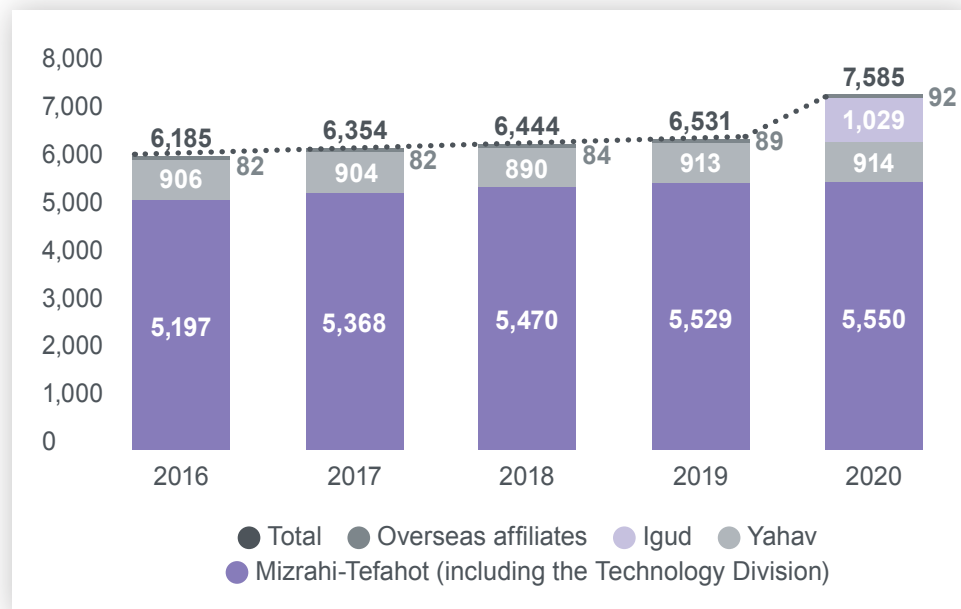


Mizrahi-Tefahot Group is committed to all of its employees and considers them essential for achieving its business strategy and objectives for growth in operations and profitability. The Group's capacity to listen to needs of its employees and consequently, to create a work place which provides a solution over time – turns the Group into a high-quality and sought after place of employment. This commitment is reflected by our development of a pleasant work environment with fair employment terms for all employees and focuses on a responsible work environment and on training and developing our employees.

## Mizrahi-Tefahot family

The Group is continuing to grow from year to year, and its number of employees is growing accordingly. Correct to year-end 2020, Mizrahi-Tefahot Group employed 7,585 employees and managers.

Group employees over the years



## Promoting fair work environment and employment terms



### Our employees:

**40.9**  
is the average  
age of our  
employees

**74%**  
are college  
graduates

**34%**  
are new  
employees  
(up to five years)

Average  
number of years  
at the Bank  
**22**

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

- **Promoting occupational security** – The Group takes action to promote its employees' occupational security. In order to safeguard these rights, every employee is defined as a rank-and-file employee of the Bank from day one and, after three years of employment, he/she receives tenure according to our procedures. As of the end of 2020, 71% of Group employees were tenured.
- **Fair employment terms** – We believe that each of our employees deserves to work under respectable terms. Thus, the Bank acts to ensure working conditions of employees in several ways.
  - **Diligence about wages and social benefits** – The Group complies with the statutory requirements relating to the payment of wages to employees, parental leaves, hours of work and rest, etc. We also provide increased social benefits, such as convalescence pay higher than required by law, a high quota of sick leave days and annual salary reviews for employees employed under the collective labor agreement.





- o **Organizational changes** – All organizational changes are made with professional guidance, and we are diligent about informing our employees in advance about every such change. Even in instances of dismissals, the advance notice period takes into consideration the employee's needs, provided that it is not less than that required by law.
- o **Remuneration and incentives to our employees** – We remunerate and provide positive incentives to our employees in several ways, such as promotions, pay raises, wage increase bonuses, ROE bonuses, personal annual bonuses, individual awards, etc.

## Diversity, equality and avoiding discrimination in employment

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

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



## Equal hiring

Mizrahi-Tefahot Bank proactively promotes initiatives to recruit employees from all population groups:

- **Recruiting employees from the ultra-orthodox Jewish society** – by collaborating with occupational guidance centers (“Bereshit,” “Hakivun,” Mafte’ach”) in ultra-orthodox Jewish cities, by participating in designated employment fairs, by using the “Glatt Jobs” website (a job search engine designed for the ultra-orthodox Jewish population).
- **Recruiting employees from the Arab society** – by collaborating with the NPOs “Kav Mashve” and “Alfanar,” which refer candidates from the Arab society to the Bank.
- **Inclusion of students** – A special four-year training program for computer science students to specialize in computer disciplines needed by the Bank, concurrent with their degree studies. Students who successfully graduate the program are hired to join the Technology Division’s permanent staff of employees.
- **Integration of employees with disabilities** – As part of our commitment to promoting equal opportunity employment, we appointed an officer to be responsible for hiring people with disabilities and we work with the Economic Center’s support center and with various NPOs specializing in placements of people with disabilities.





#### Employee diversification in 2020:

**5.5%** of all employees hired by the Bank are from underemployed populations, including employees from the Arab society, employees of Ethiopian descent and people with disabilities.

**7.4%** of all branch managers at the Bank are from the Arab sector.



During 2020, we formed a special team of ultra-orthodox Jewish women in our mortgage center and we made adjustments to enable them to integrate in the work environment and to work in customized shifts.

In recent years, we have been operating a forum for managers who supervise employees with disabilities, in order to provide managers with tools to contend with the unique managerial challenges.

#### Equal employment – promoting gender equality

We attribute considerable importance to promoting gender equality in our work environment and we implement a policy of equal opportunity employment. Our employees are hired and promoted solely based on their qualifications and the Bank's needs.



Correct to 2020 – **64%** of all employees in the Group are women.

About **51%** of all managers in the Group are women.

**36%** of the Group's senior managers are women.



#### Caring for employee well-being

We prioritize our employees throughout their years of employment with us, including their professional development, their personal happy occasions and, if needed, during their moments of crisis and distress. All Bank employees are entitled to benefits, without distinguishing between regular and provisional employees.

#### Employees' benefits

The Group's employees enjoy a variety of benefits during the years of their employment.



- A benefit at every milestone, such as onboarding, tenure, promotions, seniority and retirement.
- Benefits and gifts for the holidays and for various events.
- Benefits for personal special occasions, such as birthdays, family occasions and to commemorate special milestones, such as the start of elementary school and induction into the IDF.
- Banking benefits – credit lines and loans under preferred terms.
- Benefits for families – participating in the funding of day-care and pre-school and reimbursements for college tuition.



## Balancing career and family – and integrating professional advancement and personal development

Our initiatives to help our employees strike that balance:



- 39-hour work week instead of the 42 hours defined by law.
- Support and flexibility during crisis situations and when caring for a family member who is ill.
- Vouchers for booking a vacation in Israel or abroad to every employee once a year.
- A higher quota of vacation days than that prescribed by law, and allowing for special leave days for weddings, births, family occasions, completion of a master's degree and more.



## Staff training and development

Mizrahi-Tefahot Group attends to the training and instruction of its employees and managers and to the expansion of their knowledge. Our Training Center is a strategic partner in fundamental bank-wide courses of action relating to change management, assimilation and training, and it offers a variety of courses, training and enrichment programs that are customized for the activities tracks of every employee and for every role.



During 2020, we devoted **32,042** days of instruction in professional, banking and management content and in enhancing various personal capabilities, at a total cost of about **ILS 43.3 million**.

## We maintain dialogues with our employees to deepen intraorganizational communications

The Bank attributes considerable importance to maintaining continuous communications with its employees and managers as part of its policy of maintaining a responsible employment environment. In order to foster an organizational culture of open discourse, the Group acts in diverse ways, as follows: tours of units and branches and direct meetings with senior and executive management.







thousand call minutes via digital platforms

# Investing in the Environment

Recycled paper makes up **9.3%** of paper consumption. 9.4% growth compared to 2019

Reeducation of energy consumption by **12%** compared to 2019

**7.95** Decrease in the intensity of the Group's carbon footprint

Savings of **948** tons of CO<sub>2</sub> Due to initiatives to reduce energy consumption at the Bank

**8.3%** Decrease in indirect emissions as a result of reductions in flights, paper consumption and electronic waste





## Group responsibility for the environment

Mizrahi-Tefahot Bank recognizes the impact of its operations on the environment and on the Earth's climate and strives to minimize its negative impact, and to protect and improve the environment in which it operates.

To this end, our environmental activity strategy focuses on three key components:

- Responsible resource consumption
- Management and reduction of carbon footprint
- Increased awareness of environmental issues

### Responsible resource consumption – improved energy efficiency

Mizrahi-Tefahot Group manages and measures its resource consumption and takes measures to streamline energy consumption, including through the use of energy-efficient systems. The Group formed an Energy Efficiency Committee and tasked it with analyzing every idea and possible way to increase our energy efficiency and with decision-making in this regard.

Some of the Group's measures to increase energy efficiency relating to electricity consumption:

- **Use of LED lighting** – We installed energy-efficient lighting in every new or renovated building and gradually replaced the lighting in our existing branches and headquarters. During 2020, we replaced the lighting in 22 branches.

- **Operating of a lighting command and control system in headquarters buildings** – We installed a system that automatically turn off the lights in a vacated room and the lights in each building according to a pre-defined schedule.
- **Efficient utilization of spaces** – We reorganized the Bank's work areas after analyzing possibilities of adding work stations in existing spaces and we regularly review the prudence of selling or returning unneeded spaces.
- **Promoting green construction** – The Mizrahi-Tefahot Lod Building 1, which is owned by the Bank, was built according to an Outstanding Green Construction Standard. The Mizrahi-Tefahot Lod Building 5 is being planned with the assistance of an expert consultant specializing in green construction.

### Improved energy efficiency measures for fuel consumption

In order to reduce fuel consumption by our organizational fleet of vehicles, we are taking several complementary courses of action to save time and cut costs.

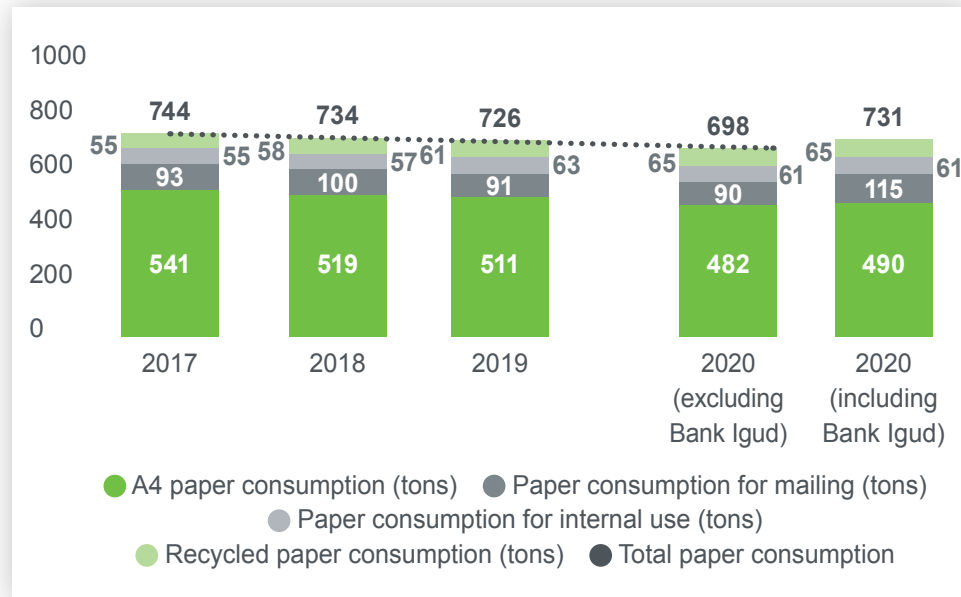
- **Switching to hybrid vehicles** – We have adopted a policy of preferring highly energy-efficient vehicles and encouraging the use of hybrid and electric vehicles. These courses of action should result in a reduction of our gasoline consumption by about 10%-15% within the coming years.
- **We're becoming more digital** – During 2020, we expanded our existing digital platforms to accommodate remote meetings, thereby enabling our employees and managers to hold online discussions, training sessions and meetings and to simultaneously reduce the volume of employee travel.
- **We initiated a shuttle service** – We operate a shuttle service for employees of the Mizrahi-Tefahot Lod headquarters who are arriving from different locations around Israel. We also encourage employees to use public transportation in general and trains in particular, by offering a shuttle service from the train station to the Mizrahi-Tefahot Lod building.

All of Mizrahi-Tefahot Bank's initiatives for reducing its energy consumption enabled savings of **948** tons of CO<sub>2</sub>

## Reducing paper consumption

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

### Paper consumption by the Group, 2017–2020



During 2020, the Group reduced the volume of its paper use by 28 tons – a reduction of about 3.8% compared to 2019. Paper-reduction initiatives:

- **“Paperless Branch” project** – We introduced the use of tablets for obtaining customers’ digital signatures in branches.
- **Mail via email** – We initiated a campaign appealing to our customers and raised the ratio of customers receiving mail via email to 45%.

The outcome: **We save 3.5 million sheets of paper**, which is equivalent to about **17** tons<sup>1</sup> of CO<sub>2</sub>

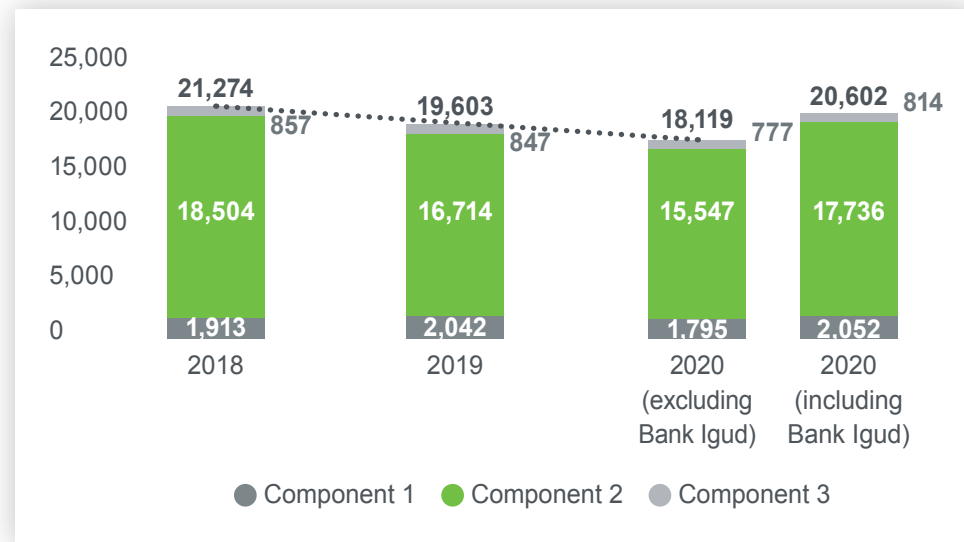
1. This data was calculated based on a pack containing 500 A4 pages weighing 2.5 kg.



## Management and reduction of carbon footprint

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

Group carbon footprint over the years  
(CO<sub>2</sub> eq tons)



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

The Bank promotes understanding of the importance of this issue, environmental protection and creating environmental awareness among employees. To this end, we provide annual training on ESG issues and promote initiatives among employees and their families to recycle and reduce waste, such as by recycling bottles, batteries and electronic waste.





# Commitment to Accountable Conduct

In 2020, we delivered

**22,347**

training hours  
on the Code of  
Ethics and on ethical issues

In 2020, we delivered

**33,617**

training hours  
to Bank employees on  
preventing corruption

In 2020, we delivered

**19,805**

training hours  
on risk management







## Accountable conduct

As a leading financial institution in Israel, Mizrahi-Tefahot Group is diligent about responsible conduct, abiding by the law, the ethical conduct of its employees and about managing the various risks while fulfilling its obligations to its customers.

## Corporate governance

Our Code of Ethics consists of fundamental values that guide the Bank's activities:

### Bank values which guide its operations:

- |  |   |
|--|---|
|  Reliability  |  Commitment to the Bank              |
|  Client loyalty   |  Fairness                            |
|  Human dignity  |  Transparency                        |
|  Excellence, professional and service-oriented approach |  Social and community responsibility |



During 2020, we provided **22,347** hours of instruction on ethics-related topics.

## Commitment to regulatory compliance

We are diligent about implementing the statutory provisions and the rules of corporate governance. The Bank's compliance policy is approved by the Board of Directors and addresses: compliance, anti-money laundering and financing of terror, cross-border risks, fairness, privacy protection, and internal enforcement.

For the purpose of implementing and assimilating compliance aspects in the Bank, we assimilate procedures in an orderly manner, handle anomalous events, identify and map compliance risks and provide training to all of our employees on the subjects of compliance, anti-money laundering and financing of terror, bribery and corruption risks, and more. Mizrahi-Tefahot takes action to assimilate aspects of compliance in several ways:

- **By assimilating procedures** – through a set of SOPs and orderly work processes that are regularly updated and disseminated to relevant employees, who are required to sign them.
- **Control over statutory compliance** – We implement controls to monitor compliance with various statutory provisions. Double controls are performed over every operation, in conformity with the principles of corporate governance.
- **Identifying and mapping compliance risks** – wherever higher risks are involved, in order to focus our efforts to mitigate these risks and avoid violations.



## Commitment to preventing corruption

The Bank constantly strives to prevent occurrence of corruption events – by employees, clients and third parties. Corruption cases include, inter alia, offering bribes, money laundering, forgery of accounts and documents, fraud and embezzlement, use of insider information, breach of sanctions or terror financing. The Bank constantly monitors activity at all branches to identify risks of corruption and to prevent any incidents, such as bribery, embezzlement or fraud, and implements a methodology for learning lessons and taking requisite actions to prevent the recurrence of such incidents in Israel or abroad. For the purpose of implementing and assimilating anti-corruption actions, we disseminate courseware on a variety of related topics to our employees.



During 2020, we provided **33,617** hours of instruction on anti-corruption topics to our employees.

## Risk management at Mizrahi-Tefahot

We formulate our risk management activities in conformity with Proper Conduct of Banking Business Directive 310, which prescribes that the senior management is responsible for routine risk management and that it must establish a risk-management function headed by the Bank's risk management officer. Our risk management policy documents are approved at least annually by the Bank's management, by the Risk Management Committee and by the plenum of the Board of Directors. These policy documents regulate how the Bank handles risks defined as material to the Bank's operations, in various areas.

Our Risk Control Division regularly performs review processes and reinforces the risk management and control culture at the Bank. These processes include a comprehensive annual mapping of our lines of defense, holding conferences in this regard, involvement in all projects in the Bank, examining new products and processes, investigating in-house and external incidents, and more.

## Managing environmental risks

Mizrahi-Tefahot Bank regards environmental issues as an integral value that is part of its corporate responsibility. The Bank also recognizes that environmental issues may impact its financial success, unless such risk is properly managed. Therefore, the objective of the environmental risk management framework is to identify, measure, assess and manage environmental risk in conjunction with lending and to supervise and report such risk. Additionally, the Bank's new strategic plan also addresses the Bank's current environmental responsibility. We constantly strive to minimize negative impacts of our operations and to protect and improve the environment in which we operate.

Considering the growing awareness of environmental risks and considering the letter from the Supervisor of Banks, and as part of our management of environmental risks (particularly climate risks) and our examination of various materials, we formed a special team in December 2020 to analyze environmental risks, headed by the CRO and comprised of representatives of relevant divisions and external consultants.

We examine the implications of environmental risks as an integral part of our credit risks (in relation to financial, legal and insurance aspects). Accordingly, we formulated an environmental risk management policy for the provision of credit, which is the most relevant and significant risk posed by borrowers that could potentially cause pollution and environmental hazards. This policy, as part of the Bank's risk management and control process, accounts for considerations based on client quality, repayment capacity, financial robustness, liquidity, reliability, seniority with the Bank, account management and collateral quality – as well as environmental considerations. This is based on the understanding that client operations may have environmental impact. Based on this concept, the Bank strives to find a balance between the various considerations, including environmental considerations, when providing products and services to its clients.

