

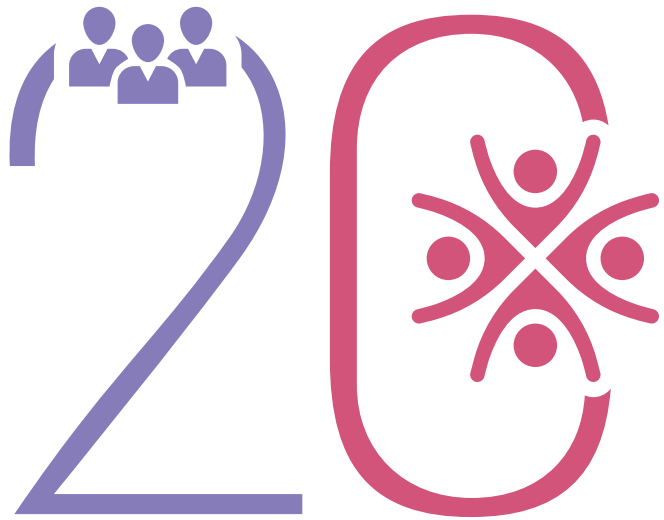


Employees

Accountable  
Conduct



Environment



# ESG report

Mizrahi-Tefahot Corporate Social Responsibility



MIZRAHI TEFAHOT







Customers



Community

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

### Dear readers,

We are pleased to present Mizrahi-Tefahot Group's Corporate Social Responsibility Report for 2020, which summarizes our social, environmental and economic activities during the year. This report presents an in-depth review of the Group's activities relating to corporate social responsibility, which are based on our view that, in addition to sustaining our business excellence and leadership, we are also obligated to take action to provide added value to the community in which we live.

2020 was the Covid-19 year 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 the Group.

Immediately upon the outbreak of the Covid-19 crisis, we took action to maintain business continuity while being diligent about safeguarding the health of our employees and customers. We operated our branches, reinforced our telephone service centers and improved our digital services throughout the entire period – all in order to provide professional and personal service to all of our customers during this complicated period. We took swift action to identify private and business customers who were adversely affected by the crisis and to create solutions to help them get through this complicated period – by deferring loan and mortgage payments and by actively participating in the State-guaranteed Covid-19 funds.

Another major event that took place this year was the merger of Bank Igud with 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. The plan is based on several key components, including: positioning the Bank as a key player in business banking; establishing Mizrahi-Tefahot's leadership among households in general and in relation to mortgages in particular; providing personal and compassionate banking services that are supported by advanced digital technologies; adapting the Bank's operating model to the challenges of the future; implementing additional improvements in operating efficiency; and leveraging the merger of Bank Igud in order to create operating and business synergies. This strategic plan will also help us advance social and environmental issues relating to the Bank's core 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.

The distinct service concept of Mizrahi-Tefahot Bank continues to bear fruit, as a key factor in the Bank's success among both existing and new clients. The customer satisfaction surveys that we conducted during 2020 found that both our private customers and our business customers are continuing to be highly satisfied with our bankers steadily over time.

It is obvious to us that client satisfaction is based on Group employees going beyond the call of duty, to provide optimal, professional and fair service to clients. The Group sees the great importance of empowering its human capital; therefore we take action designed to promote and develop the Group's employees, whom we regard as full-fledged partners in its operations.

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 that the Maala ESG Index in Israel has awarded us its highest rating – “platinum plus.” Furthermore, we shall continue to uphold the principles of the UN Global Impact initiative, including preserving human rights, employment standards, environmental protection and the fight against corruption, and we shall continue to promote achievement of UN Social Development Goals (SDG) across our operations.

This report serves as another channel of communications with our stakeholders, and its purpose is to induce open and transparent dialogue about all issues addressed in the 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<sup>1</sup>

Mizrahi-Tefahot Group is publishing, for the eighth year in a row, this corporate social responsibility report to the public and to stake holders, providing an overview of Group operations in Israel and world-wide in 2020, with emphasis placed on social and environmental issues. Corporate social responsibility topics and considerations are incorporated into the Group's activities on a daily basis, out of our understanding that their inclusion in our business activity generates value that is shared by the Group and its stakeholders, including, inter alia, its customers, employees, suppliers, the community, investors and regulatory authorities. During 2020, as part of our groundwork preparing this report, we maintained comprehensive dialogues with all of our stakeholders for the purpose of precisely defining the Group's material matters. This area is managed at the Group in an orderly fashion, integrating the work of multiple entities and requires significant coordination and preparation, in order to lead processes with long-term impact.

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. The Covid-19 pandemic was a catalyst that accelerated the development of digital services to enable customers to obtain a variety of services online. In this way, we were able to operate a hybrid model integrating digital innovation with personal and professional service both at our branches and via our websites. 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.

Throughout the Covid-19 crisis, we were diligent about maintaining business continuity, about safeguarding the health of our employees and customers and about complying with the social distancing restrictions. We adapted our work environment to safeguard the health of our employees and of customers visiting at our branches. Additionally, due to the Covid-19 restrictions, we shifted our training courses to online studies, so that our employees could continue to professionalize in their current jobs and in additional disciplines and could enrich their knowledge and capabilities.

This year too, the Bank continued to be involved and to contribute to the community. Upon the outbreak of the Covid-19 crisis, we decided to allocate an additional sum of money to help NPOs and populations who were adversely impacted by the crisis. We also made the necessary adjustments in order to ensure the continuity of all social projects and collaborative efforts. Thanks to the adjustments that we made, our employees were able to continue being active partners in the Bank's activities in the community and to personally contribute some of their time and capabilities to the community in which we live.

We continued advancing corporate social responsibility matters on all fronts even during the Covid-19 pandemic.

In relation to investments, the Bank took action to advance environmental and social objectives. In 2020, we added financial and pension advisory services adapted to customers' needs to advise

them about responsible investments. From time to time, our investment counseling department disseminates recommendations to branch investment counselors about ESG assets and instruments. 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.

Management of corporate social responsibility is continuing to be an integral part of our routine activities. We converse with analyst firms in Israel and abroad in order to achieve higher precision in our activities and to continue to improve social and environmental aspects. This report presents the Group's activities to advance corporate social responsibility and refers to the United Nation's sustainable development goals.

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 the future on our progress with regard to corporate social responsibility. A fair, transparent relationship with all stake holders, and in particular with clients who are the focal point of our business operations, is the basis for our earned trust and mutual success.

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

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

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

Sincerely yours,

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

For inquiries about this report – 03-7559675 // saffert@umtb.co.il // Mizrahi-Tefahot Bank, P.O. Box 3470, Ramat Gan

1. GRI: 102-40.



# 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

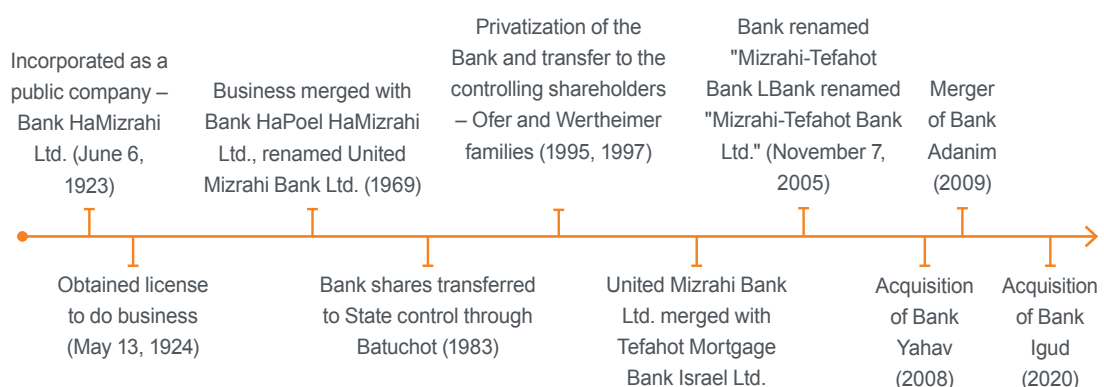
Adoption of Global Compact principles

Voluntary reporting of greenhouse gas emissions

# Mizrahi-Tefahot Group

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

The Bank maintains that its capacity to create social economic value for stake holders would ensure its success over time and would also contribute to creating economic value for shareholders. Thus, the Bank is acting to properly prepare for future challenges and for business continuity for critical services under various scenarios and in providing service to clients even in emergencies, in as much as possible. Bank operations with regard to business continuity aspects are incorporated in a specific policy.



Mizrahi-Tefahot Bank Ltd. was one of the first banks to be established in Israel. The Bank was incorporated as a public company in 1923, under the name Bank HaMizrahi Ltd., and started doing business in 1924. In 1969, upon the merger with Bank HaPoel HaMizrahi Ltd., the Bank was renamed United Mizrahi Bank Ltd. In 1983, as part of an arrangement between the Government of Israel and the banks, Bank shares were transferred to Government control. In 1995 and 1997, the Bank was privatized in two stages, and was transferred to control of the present controlling shareholders. Following the merger with Tefahot Mortgage Bank Israel Ltd., in November 2005 the merged entity was renamed Mizrahi-Tefahot Bank Ltd. – its current name. In 2009, Bank Adanim, which is a mortgage bank, was merged into Mizrahi-Tefahot Bank and, in 2017, Mizrahi-Tefahot Bank began a process of acquiring Bank Igud. This process was completed on September 30, 2020 through a transaction between the controlling shareholders of Bank Igud and Mizrahi-Tefahot Bank, during which we acquired the controlling shareholders' shares of Bank Igud in consideration of an issue of shares of Mizrahi-Tefahot Bank and we completed the acquisition of the rest of the shareholders' shares. As of that date, the Bank holds all of Bank Igud's share capital and therefore, holds the control over Bank Igud.

As of the end of 2020, the Group Board of Directors is headed by Mr. Moshe Vidman and the Bank President & CEO is Mr. Moshe Lary.



## Group and Bank operations

The Bank Group is one of the top five banking groups in Israel, doing business in Israel and overseas. The Bank Group is engaged in commercial banking (business and retail) as well as mortgage activities in Israel, through a nationwide network of 232<sup>1</sup> branches and business centers. Furthermore, business clients are supported by business centers and professional departments at Bank headquarters, which specialize by sector.

As of 2020, the Bank's overseas operations are conducted via three bank affiliates (two branches and a subsidiary)<sup>2</sup>.

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

Group share out of the Top five bank groups (as of December 31, 2020):

<b>Loans to the public</b>	21.9%
<b>Deposits from the public<sup>3</sup></b>	18.5%
<b>Total assets</b>	18.8%
<b>Shareholders' equity</b>	15.1%

1. This figure derives from the merger of Bank Igud; subsequent to the merger, some branches will be closed.  
 2. On January 11, 2021, Mizrahi-Tefahot Bank sold all of United Mizrahi Bank (Switzerland) Ltd.'s share capital.  
 3. The Group's proportionate share of the public's deposits, out of the five largest groups (excluding deposits by institutional entities), correct to December 31, 2020, is 18.2% (15.5% excluding Bank Igud), compared to 15.2% on December 31, 2019.

## Clients of various supervisory operating segments

The Group serves clients in different operating segments, in conformity with the definitions of the Supervisor of Banks. Attribution to operating segments is usually determined according to client turnover (annual sales or revenues).

Supervisory operating segments are as follows:

- |   |  |  |  |
|---|--|--|--|
| <ul style="list-style-type: none"> <li><b>Households –</b> individuals, other than private banking clients.</li> </ul>            | <ul style="list-style-type: none"> <li><b>Private banking –</b> individuals who manage a financial asset portfolio in excess of NIS 3 million at the Bank.</li> </ul>  | <ul style="list-style-type: none"> <li><b>Small and micro businesses –</b> businesses with turnover amounting up to NIS 50 million.</li> </ul>                           | <ul style="list-style-type: none"> <li><b>Medium businesses –</b> businesses with turnover higher than NIS 50 million and lower than NIS 250 million.</li> </ul>                 |
| <ul style="list-style-type: none"> <li><b>Large businesses –</b> businesses with turnover higher than NIS 250 million.</li> </ul> | <ul style="list-style-type: none"> <li><b>Institutional investors –</b> Provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members who manage client portfolios.</li> </ul> | <ul style="list-style-type: none"> <li><b>Financial management –</b> includes trading operations, asset and liability management and non-banking investments.</li> </ul> | <ul style="list-style-type: none"> <li><b>Overseas operations –</b> presented separately from operations in Israel, divided into individuals and business operations.</li> </ul> |

## Key products offered by the Bank's different operating segments<sup>1</sup>

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li><b>Banking and finance –</b> all of the banking services being offered to private and business customers and to corporations, including the management of current accounts and current loan accounts, the provision of credit and various types of guarantees, the receiving of deposits, foreign trade activity (import, export, documentary credit, etc.), factoring, activity with derivative financial instruments, including foreign-currency and interest-rate trading, and more.</li> </ul> | <ul style="list-style-type: none"> <li><b>Capital market –</b> security transactions for clients on stock exchanges in Israel and overseas, provident fund and mutual fund operating services and mutual fund operation and distribution and trust services for mutual funds and debentures, which are among investment tracks available to Bank clients.</li> </ul> | <ul style="list-style-type: none"> <li><b>Construction and real estate –</b> banking operations vis-à-vis companies in the real estate sector, as well as unique banking services for the real estate sector, including the financing of real estate products by the closed financing method.</li> </ul> |
|   | <ul style="list-style-type: none"> <li><b>Mortgages –</b> Housing loans secured by charges on a residence, out of the Bank's funds and within the framework of government aid programs.</li> </ul>   | <ul style="list-style-type: none"> <li><b>Credit cards –</b> All financial products and banking services provided in conjunction with credit cards issued to Bank clients by credit card companies in Israel.</li> </ul>   |

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

## Merger of Bank Igud

On September 30, 2020, a swap tender offer was consummated, during which the Bank acquired all shares of Bank Igud of Israel Ltd. (including Bank Igud's controlling shareholders' shares), in consideration of shares of Mizrahi-Tefahot Bank Ltd. As of that date, the Bank holds all of Bank Igud's share capital.



The acquisition of Israel's sixth largest bank enables the Mizrahi-Tefahot Bank Group to achieve a quantum leap in market shares in a variety of operating segments, while improving the resource-use mix, enhancing its competitive capacity and improving its operating efficiency. Bank Igud's credit activities in the various channels diversify Mizrahi-Tefahot Bank's credit mix, which coincides with the Bank's strategic goals, particularly relating to credit-provision to businesses. We intend to merge Bank Igud into and with Mizrahi-Tefahot Bank and, to this end, a merger agreement was signed between the banks, which was made contingent upon a few suspending conditions.

Since this share acquisition was completed – and even before the legal merger of the two banks is completed – the Bank is taking action to merge Bank Igud's various operations into the Bank.

The merger project is a material wide-scale project entailing considerable complexity and a wide variety of risks. This project is being managed by a steering committee headed by the Bank's CEO and by joint Mizrahi-Tefahot Bank and Bank Igud work teams and administrations, and is being supervised by an ad hoc board committee established to oversee the project's progress.

We are managing the merger project separately from our routine businesses in order to ensure the achievement of our work plans while making progress with the merger.

We are performing assessments and analyses of the various risks involved in the merger and its repercussions on the Bank on a current basis and as part of our annual Internal Capital Adequacy Assessment Process. Additionally, our Internal Audit Division performs real-time audits of the merger project.

The Bank deems it of utmost importance to perform the merger processes fairly, transparently, and while protecting all aspects of the human rights of Bank Igud's various stakeholders, including customers, employees and suppliers, and it performs necessary adjustments to its operations in the following ways:

- Vis-à-vis customers –** The Bank, in collaboration with Bank Igud, formulated a plan for transferring customers' accounts from Bank Igud to the Bank gradually and conveniently for customers. The process of transferring accounts and absorbing customers into Mizrahi-Tefahot Bank is constantly monitored in order to achieve a smooth customer transfer experience and improve it if necessary. We implemented a number of measures to contend with any information security risks deriving from the merger process: the process of transferring customers from Bank Igud to Mizrahi-Tefahot Bank is protected by second-line defense controls; we tightened all controls over information leaks and incoming traffic and we purchased tools to verify the updatedness of Mizrahi-Tefahot Bank's systems. During the processes of identifying and authenticating Bank Igud customers, we analyzed and defined suitable control thresholds in order to ensure that the existing information in Bank Igud is retained and we performed a swift process of familiarizing ourselves with the customers once operations in the bank began.

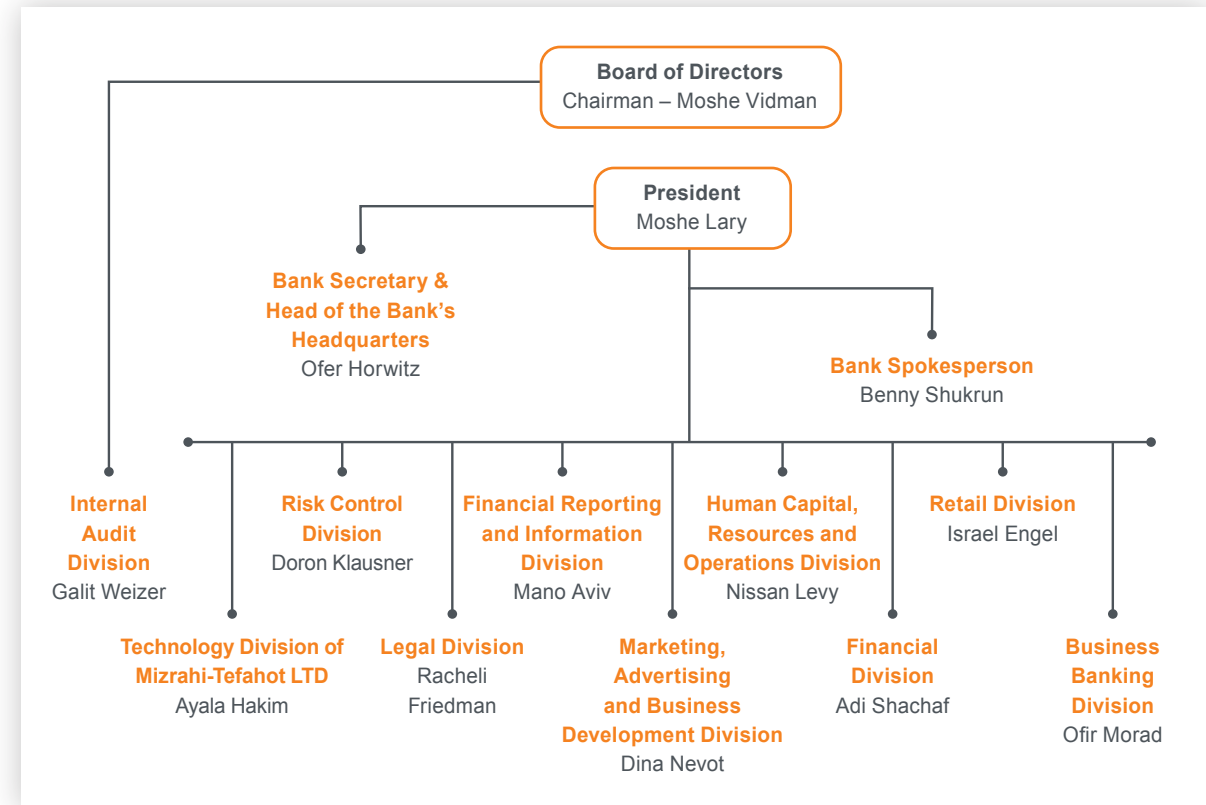


- **Vis-à-vis the employees** – A severance agreement was signed between Bank Igud's management and its employees' committee, which defined the severance package, including increased severance pay and various benefits that were granted to the exiting employees. Additionally, the Bank's management and the various employees committees are taking action to regulate the onboarding process for employees continuing to work at Mizrahi-Tefahot Bank, while preserving their terms of employment at Bank Igud.
- **Vis-à-vis the suppliers** – The Bank is studying Bank Igud's engagements with its various suppliers and is taking action as needed to terminate these engagements in a respectful manner and with mutual understanding.



## Organizational structure

The Bank organizational structure is intended to support achievement of Bank objectives and realization of its business plan.



## Financial performance in 2020<sup>1</sup>

On September 30, 2020, the transaction between the controlling shareholders of Bank Igud of Israel Ltd. and Mizrahi-Tefahot Bank was consummated, during which the Bank acquired all shares of Bank Igud held by its controlling shareholders, in consideration of an issue of shares of Mizrahi-Tefahot Bank, and the acquisition of the rest of the shareholders' shares was completed. As of that date, the Bank holds all of Bank Igud's share capital and therefore, holds the control over Bank Igud. Accordingly, the Bank's consolidated statement of financial position includes Bank Igud's statement of financial position. The Bank's consolidated statement of financial position includes all of Bank Igud's assets and liabilities, including market-value adjustments according to a valuation performed as on September 30, 2020 to determine the purchase price allocation. The Bank's consolidated statement of profit and loss includes Bank Igud's statement of profit and loss for the fourth quarter of 2020, as of the date of the initial consolidation.

For more information, see Note 35 to the Bank's 2020 financial statements.

In 2020, Bank Group revenues amounted to NIS 7,933 million and operating expenses (including payroll) amounted to NIS 4,279 million. "Retained economic value"<sup>2</sup> in this year amounted to NIS 2,575 million.

The Group's net profit for 2020 totalled ILS 1,610 million. The Group's net profit for 2020, excluding the impact of Bank Igud, totalled ILS 1,543 million, compared to ILS 1,842 million for 2019 – a 16.2% decrease.

Multi-period profit data show:

- The average annual pace of revenue growth is 7.7%, notwithstanding the impacts of the lowering of the CPI and the low interest-rate environment.
- Strong revenue growth, compared to moderate increase in expenses (excluding extraordinary expenses in 2018<sup>3</sup>).



To view the Group's economic performance, see note 12 – Operating Segments, and the section analyzing the development of assets, liabilities, capital and capital adequacy in Mizrahi-Tefahot Bank's 2020 financial statements.

### Tax payments at overseas affiliates

Tax liabilities of Bank subsidiaries is determined based on applicable tax rates in those countries. For overseas branches, the Bank supplements the tax indebtedness based on the tax rate in Israel. (For more information about performance of overseas subsidiaries, see the Group's 2020 financial statements, p. 69-70).

1. This report is not a financial statement. The Bank reports its audited financial information in its annual financial statements, which are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in conformity with Public Reporting Directives of the Supervisor of Banks.  
 2. Post-tax profit, after neutralizing credit loss expenses and distributed dividends.  
 3. Operating and other expenses in 2018 included a provision amounting to NIS 546 million with respect to the investigation by the US DOJ. For details about the Bank's engagement in a DPA agreement with the U.S. Department of Justice to close the investigation about the Bank Group's businesses with American customers, see note 26 12.C to the 2019 financial statements.

## Government support

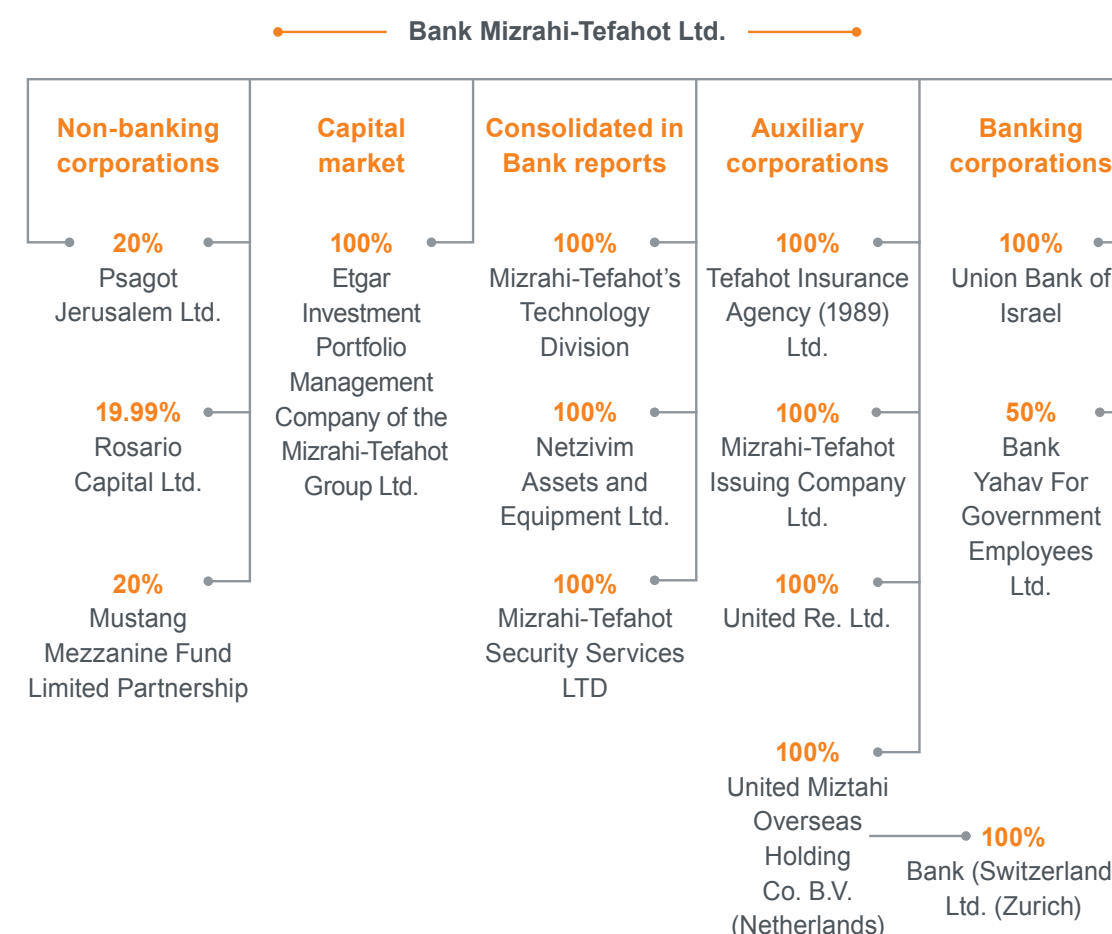
In 2020, the Group received no subsidies, tax relief, incentives or other economic benefits from the Government of Israel nor from governments of other countries in which the Group operates. Furthermore, the Bank received no economic aid from export credit agencies.

## Holding structure and control<sup>1</sup>

As of December 31, 2020, the controlling shareholders of the Bank are Wertheim Group, holding 20.56% of capital and voting rights, and Ofer Group, holding 21.36% of capital and voting rights.

Further information on the holding and control structure can be found in the Group's 2020 financial statements, pp. 321-322.

### Holding structure of key Group entities<sup>2</sup>



Further information about investees and investments therein can be found in Note 15 to the Group's 2020 financial statements (p. 176-177).

1. GRI:102-45.  
 2. The Bank has holdings in other companies which are not material for Bank business.



## Events and material changes at the Group in 2020

### Merger of Bank Igud

On September 30, 2020, a swap tender offer was consummated, during which the Bank acquired all shares of Bank Igud of Israel Ltd. (including Bank Igud's controlling shareholders' shares), in consideration of shares of Mizrahi-Tefahot Bank Ltd. As of that date, the Bank holds all of Bank Igud's share capital.

For additional details about the agreement with Bank Igud's shareholders and the addendum, see the section on significant developments during the management of business operations in the report of the Board of Directors and the Management for 2020.

**Agreement for the sale of the bank in Switzerland** – On January 11, 2021, United Mizrahi Overseas Holding Co. B.V. (Netherlands), a wholly owned subsidiary of the Bank (hereinafter: "Mizrahi International Holdings") engaged in an agreement with Hyposwiss Private Bank Genève SA (hereinafter: "the Buyer") for the sale of all of United Mizrahi Bank (Switzerland) Ltd.'s share capital (hereinafter: "the Bank in Switzerland"), which is owned by Mizrahi International Holdings. For 18 months after the agreement was finalized, Mizrahi International Holdings assumed liability for the current mode of management of the businesses of the Bank in Switzerland over the last four years, apart from in relation to particular representations, for which Mizrahi International Holdings will be liable for five years after the agreement was finalized and, in any case, liability will apply only if particular cumulative quantitative conditions defined in the agreement are fulfilled.

**Appointment of a CEO** – on September 16, 2020, Mr. Moshe Lari began holding office as the Bank's CEO after Mr. Eldad Fresher stepped down from office.

**Effects of the Covid-19 pandemic** – The Covid-19 crisis that is affecting the entire world, including Israel, has led to economic, real and financial repercussions, to a sharp drop in the volume of activity in the economy during particular periods, to a significant rise in the unemployment rate and to severe volatility in the financial markets. As a result of these events, the credit risk rose in the Israeli economy and throughout the world. The rise in the credit risk derived mainly from the business sector, particularly small and medium-sized businesses, as a result of the constriction of economic activities.

For additional details about the effects of the Covid-19 pandemic, see the section on material events in the Bank Group's businesses in the report of the Board of Directors and the Management for 2020.

### Adoption of the recommendations of the independent claims committee to examine the Bank Group's tax conduct towards its American customers

On March 27, 2019, the Bank's Board of Directors resolved to form an independent committee (hereinafter: "the Committee") to examine particular aspects of the DPA arrangement (hereinafter: "the Arrangement") that the Bank signed with the U.S. Department of Justice in relation to the Bank Group's businesses with its American customers between 2002 and 2012.

On March 31, 2020, the Bank's Board of Directors adopted the Committee's recommendations to not institute against officers and other parties in the Bank and to not draw personal conclusions about events that are the subject of the Arrangement, and to engage in a settlement agreement with the insurance companies that had issued a directors' and officers' insurance policy in the Bank for the payment of USD 23 million, subject to approval by the Tel-Aviv – Jaffa District Court. This sum was recognized as income during the first quarter of 2020.

For more information about material events and changes in Mizrahi-Tefahot Group, see the Group's 2020 financial statements.

## Membership of organizations

The Bank is a member of the Bank Association and is active on the Association's Executive Board and Legal Committee. The Bank is a member of the Public Company Association and conducts a dialogue with the government, the public and private environment on matters related to the banking system as a whole.



### Awards and recognition

In 2020, too, the Mizrahi-Tefahot brand was recognized for the seventh time in a row as an Israeli Superbrand by the international Superbrands organization, active in 70 countries around the world. The Superbrand title is the most coveted, prestigious international title in branding, awarded to brands and managers for outstanding marketing and managerial performance to an international standard. This prestigious title is evidence of the strength of ties between the brand and consumers in the country and of the fact that the brand provides consumers with more tangible and emotional benefits compared to other brands.

Additionally, the Bank's unique product "Pension Mortgage" won the Bravo Prize, which is awarded for consumer-recommended new products and services.



## Bank operations during the Covid-19 pandemic

The world contended with the Covid-19 pandemic during 2020. The pandemic, which spread rapidly throughout the world, required simultaneous contending with extremely severe health and economic repercussions.

Mizrahi-Tefahot Bank sought to maintain business continuity throughout the period of the crisis and operated all of its branches throughout the year (except during the first lockdown, when about 45 branches were open to the public by scheduled appointment), while making adjustments and dividing the branches into capsules in order to safeguard the health and safety of its customers and employees and to minimize incidents of infection.

Due to the spread of Covid-19, we raised the level of preparedness as of March, operated an expanded situation room and defined special work principles in order to maintain functional continuity and safeguard our employees' health. The Bank's Board of Directors, its board committees and the Bank's Management held discussions at higher frequency than normal in order to provide solutions for issues arising due to the crisis and to continuously monitor repercussions.

We contended with the challenges, which involved uncertainties on several axes, out of our determination to find solutions for needs arising among our various stakeholders:

- **Adapting products and services to the new situation** – We adapted our products and services to the situation by expanding the digital service channels, by splitting up the branches into capsules and by installing partitions at desks so that customers could obtain service in compliance with the Covid-19 regulations. We allowed customers to schedule meetings with bankers at branches and we expanded the variety of options for obtaining digital service in relation to many types of operations.  
The Bank was compassionate towards customers that ran into financial hardship as a result of the pandemic. We instituted a series of measures to provide support and assistance to all of our private and business customers. One of the most extensive courses of action we took in this regard was to provide a solution for customers who ran into difficulty making regular loan repayments, by initially fully freezing payments and, towards the end of the year, by allowing partial repayments according to customers' needs and capabilities. Additionally, the Bank took a significant active part in providing loans to businesses within the framework of the State-guaranteed Covid-19 funds. We analyzed the impact of the crisis both through customer surveys and through high-quality research studies in order to identify unresolved needs and gain a thorough understanding of our customers' current situations.
- **Employees** – Upon the outbreak of the pandemic and in order to comply with the directives of the Ministry of Health and the Supervisor of Banks, we split up critical headquarters units into small work groups dispersed among the various areas in the Bank and we installed partitions at branches to separate bankers and customers. We did all of this in order to safeguard our employees' health, to enable them to their routine work and to provide continuous service. We also installed many disinfection stations at various locations in our branches and headquarters and we distributed

personal disinfection kits to all of our employees. Concurrently, we monitored instances of morbidity or infection at branches and at headquarters units. We also adapted the daily work routine and shifted all meetings and training sessions to a variety of digital platforms. Our managers participated in training sessions and received support on the subject of contending with crises and uncertainties, so that they could help their employees emotionally and professionally during this trying period.

- **Community** – The Covid-19 crisis dealt the Israeli economy a severe blow that also affected social NPOs and organizations dedicated to supporting and advancing disadvantaged populations. In our Community Relations Unit, emphasis was placed on our social commitment during the Covid-19 crisis and on the provision of solutions for the community's evolving needs. We decided to allocate an additional large sum of money for providing assistance during the crisis. To this end, we increased our donations and financial support to entities that receive support from the Bank regularly and to NPOs dedicated to assisting disadvantaged populations whose hardship became even more dire due to the Covid-19 crisis.
- **Suppliers** – As part of our responsible management of the supply chain, and while understanding the restrictions and difficulties that typified the economy during this period, we paid suppliers immediately and without delay. The Bank has also increased the range of existing suppliers, in order to provide different Bank units with the required disinfection and protection equipment quickly and efficiently.

The Bank's activities during the Covid-19 pandemic are elaborated in each of the sections of this report.





# Corporate social responsibility management concept at Mizrahi-Tefahot Group

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

## Involvement of management and Board of Directors

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

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

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

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

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

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

## Implementation through cross-organizational cooperation

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

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

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

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

The Bank invests significant resources in deployment of the corporate social responsibility concept among employees. In 2020, 929 hours of training on corporate social responsibility were delivered to employees.

### In 2020, several activities took place:



#### We updated our community relations strategy

During 2020, we re-examined and adjusted our community relations strategy to keep abreast with the Bank's core business activities.



#### Employee training

The topic of corporate social responsibility is included in courses and workshops delivered at the Training Center. We disseminated memos and information sheets on the subject of corporate social responsibility, such as "diversity day," "planet day" and more.



#### Professional training

During the year, we provided focused training courses to employees who handle various aspects of corporate social responsibility, including such subjects as: climate change, environmental risks, responsible investments, diversity, inclusion, and more.



#### 2020 Corporate Social Responsibility Week

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

#### Lecture on corporate social responsibility

Within the framework of our "Tree of Life" lecture series, Ms. Adi Altschuler, a prominent leader of social initiatives, gave an inspiring lecture on how to take a dream and turn it into a reality.

#### Game show offering prizes

We invited our employees to play the game "Who Wants to Be a Millionaire," which asked questions about data appearing in our Corporate Social Responsibility Report, as a means to encourage all of our employees to become highly familiar with corporate social responsibility.

#### Digital NPO fair

We invited all of our customers and employees to participate in a unique digital fair – "the Fair of Light" and to purchase gifts from NPOs. This fair was held in conjunction with the social business "And Joy."

## Partnership in corporate social responsibility initiatives and ratings

Mizrahi-Tefahot Bank adopts internal and Israeli standard with regard to corporate social responsibility.



### Maala ESG index

As of July 2020, Mizrahi-Tefahot Bank joined Maala ESG index for the first time. The Bank received Maala's ESG index highest rating – "Platinum Plus." The Maala ESG Index 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 index, 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, etc.



### Voluntary reporting

Mizrahi-Tefahot Bank reports 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. The Group supports and promotes the Ten Principles of the Initiative.

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

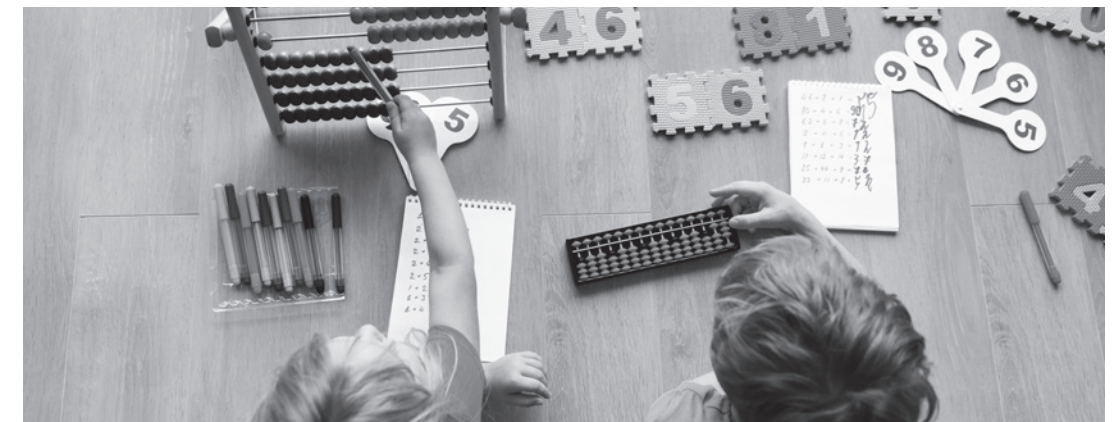


### UN Sustainable Development Goals (SDGs)

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

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

Mizrahi-Tefahot Group promotes these SDGs through its business and social activity. This is the fourth 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. As part of preparing for reporting of Group operations for achievement of these targets, and following internal deliberations, we set social and environmental targets, supporting the promotion of SDGs on which the Bank chose to focus.



### 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 analysis in this field. 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.





## 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).



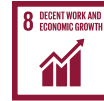
To help small and medium-sized businesses through our "Business Meetings" series of lectures on how to grow a business.



To 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.





## About the eighth<sup>1</sup> Corporate Social Responsibility Report

**This report reviews Group activities in Israel and overseas in areas of corporate social responsibility in 2020. The report was approved by Group management and by the Board of Directors plenum.**

This is the eighth Corporate Social Responsibility Report published by Mizrahi-Tefahot Group. The group publishes a corporate social responsibility report annually as an expression of its commitment to be active in areas relating to corporate social responsibility and to report its performance to its stakeholders. As it did in previous years, the Group is committed to continue reporting in future, in conformity with directives of the Supervisor of Banks and in conformity with generally accepted international standards in this area.

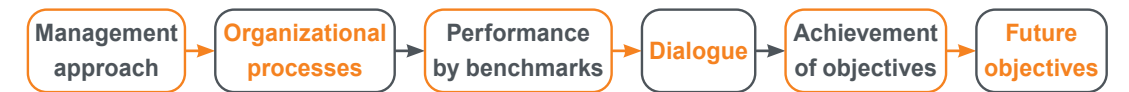
Mizrahi-Tefahot Group has been producing a corporate social responsibility report since 2012. Each report covers a year's worth of activities, as part of a comprehensive program in this area. Similar to previous reports issued by the Group, this report has been prepared in accordance with the GRI standards: Comprehensive option. Accordingly, the report includes all matters identified as material for Group operations: details of the management approach, work processes, performance against required benchmarks, a description of the dialogue with stake holders on the topic, as well as future performance goals. In some places, a change has been made to how data are measured and presented, therefore some data may not be comparable to previous years. This was stated explicitly in a comment.

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

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

1. GRI:102-45, GRI: 102-46, GRI: 102-48, GRI:102-49.

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



The management approach at the beginning of each topic also includes the relevant reference from the policy document for implementation of corporate social responsibility at Mizrahi-Tefahot Group. For more information about the Bank's corporate social responsibility policy, see the policy document published on the Bank's website. The process of compiling this report was assisted by advisors from the Corporate Social Responsibility and Sustainability Group of BDO Consulting. The report was externally audited for due diligence by an independent third party by the Corporate Social Responsibility Institute. This combination of professional assistance and independent external audit allows the Group to ensure that information presented in this report properly reflects Group operations. We are committed to make judicious use of response and feedback received from our stake holders, to learn from this feedback and to continue to review our performance in these areas.



## Identifying material issues related to corporate social responsibility<sup>1</sup>

**Mizrahi-Tefahot Group conducts in-depth materiality analysis once every two years, since it has found that in the financial sector, material issues remain consistent over time. Updating the material issues once every two years enables the Group to monitor trends in the selected topics, to intensify its activities relating to them and to present progress in its activities as is reflected in this report.**

The Group's material issues were updated during an in-depth process of holding dialogues with stakeholders prior to the publication of the corporate social responsibility report for 2020. Mizrahi-Tefahot considers validation of the issues as being exceedingly important this year, due to the Covid-19 pandemic that broke out in 2020, which affected the dialogue with the various

1. GRI: 102-42, GRI:102-44.

stakeholders. As part of the validation process, we examined the existing list of issues and revised it according to the outcomes of the dialogue with stakeholders, the outcomes of the study of the existing practices in the financial sector and the outcomes of the dialogue with the Bank's management.

#### We updated the material issues for 2020 in the following manner:

- **A study of practices in the financial sector** – In order to identify issues having a material impact on the Group, we conducted a study that examined the following reporting practices: analytical entities relevant to the bank (Bloomberg, RobecoSam, MSCI, Sustainalytics, FTSE and a Maala's ESG index questionnaire), reporting standards and internationally recognized initiatives (GRI, SASB, SDGs).
- **We identified potential issues** – During the in-depth study, which focused on new and emerging issues relating to ESG factors, we compiled a list of 18 potential material issues.
- **Dialogue with stakeholders** – We carried out two concurrent dialogue processes to examine the level of importance of the issues to the Bank and to its stakeholders. To obtain the stakeholders' perspective, we forwarded a survey to the Bank's principal categories of stakeholders – customers, employees, suppliers and the professional community. To obtain the Bank's perspective, we held meetings with the Bank's management and presented questionnaires and the stakeholders' positions.
- **We built a materiality matrix** – We analyzed the findings and built the Bank's updated materiality matrix, which highlights the relative importance of the material issues to the Bank and to its stakeholders.

#### Dialogue with stakeholders

In the process of identifying material issues for Mizrahi-Tefahot Group, we conducted a survey among major stakeholder groups – customers, employees, suppliers and members of the professional community, about corporate social responsibility. The survey contained various statements relating to identified important issues from the realm of corporate social responsibility, and the respondents were asked to rate each issue according to how important it is for the Bank to manage. Survey questions were rated on a scale from 1 to 4 (where 1 is the lowest and 4 is the highest).

In calculating the rating across all stakeholders, we assigned different weights to each of the stakeholder groups. The weight assigned to the ratings by each of the stakeholder groups was based on assessment of the strength of mutual influence between the stakeholders and the Bank. These are the weights assigned: Bank customers – 25%. Employees – 25%, analysts – 25%, suppliers - 10%, professional community – 10%, Reporting standard - 5%.

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

- **Opinion survey among the public using services from all banks, with regard to their conduct** – The survey was conducted among 506 men and women, customers of all banks, asking about their opinions with regard to bank activities in the corporate social responsibility domain. The survey showed that the public saw most of the areas of corporate social responsibility as highly important for reporting, with the highest importance attached to these topics:
  - Customer privacy - rated 3.85.
  - Customer service and client satisfaction – rated 3.77
  - Fairness and transparency - rated 3.69.

- **Survey of employee opinion about Bank conduct** – A survey similar to the customer survey was administered to 328 Bank employees in various roles and at various levels. The highest importance was attached to these topics:
  - Employment terms - rated 3.89.
  - Accountable conduct proper corporate governance - rated 3.85.
  - Human capital development - rated 3.84.
- **Survey of supplier opinions with regard to Bank conduct** – The Bank is in constant work relationships with suppliers, hence the importance of understanding their perception and expectations on matters which, in their opinion, the Bank should report from corporate social responsibility aspects. This survey, which was similar to the survey forwarded to customers and employees, was forwarded to 15 of the Bank's suppliers. The highest importance was attached to these topics:
  - Safeguarding human rights - rated 3.93.
  - Accountable conduct and proper corporate governance - rated 3.93.
  - Assistance to customers and accessibility of the Bank's services - rated 3.87.
- **We examined the professional community's position relative to the Bank's conduct** – The Bank conducted a survey among 8 representatives holding key roles in the field of corporate social responsibility. The highest importance was attached to these topics:
  - The Bank's preparations for the repercussions of the climate crisis and its environmental risk management - rated 4.
  - Risk management - rated 4.
  - Accountable conduct proper corporate governance - rated 4.

#### Key changes

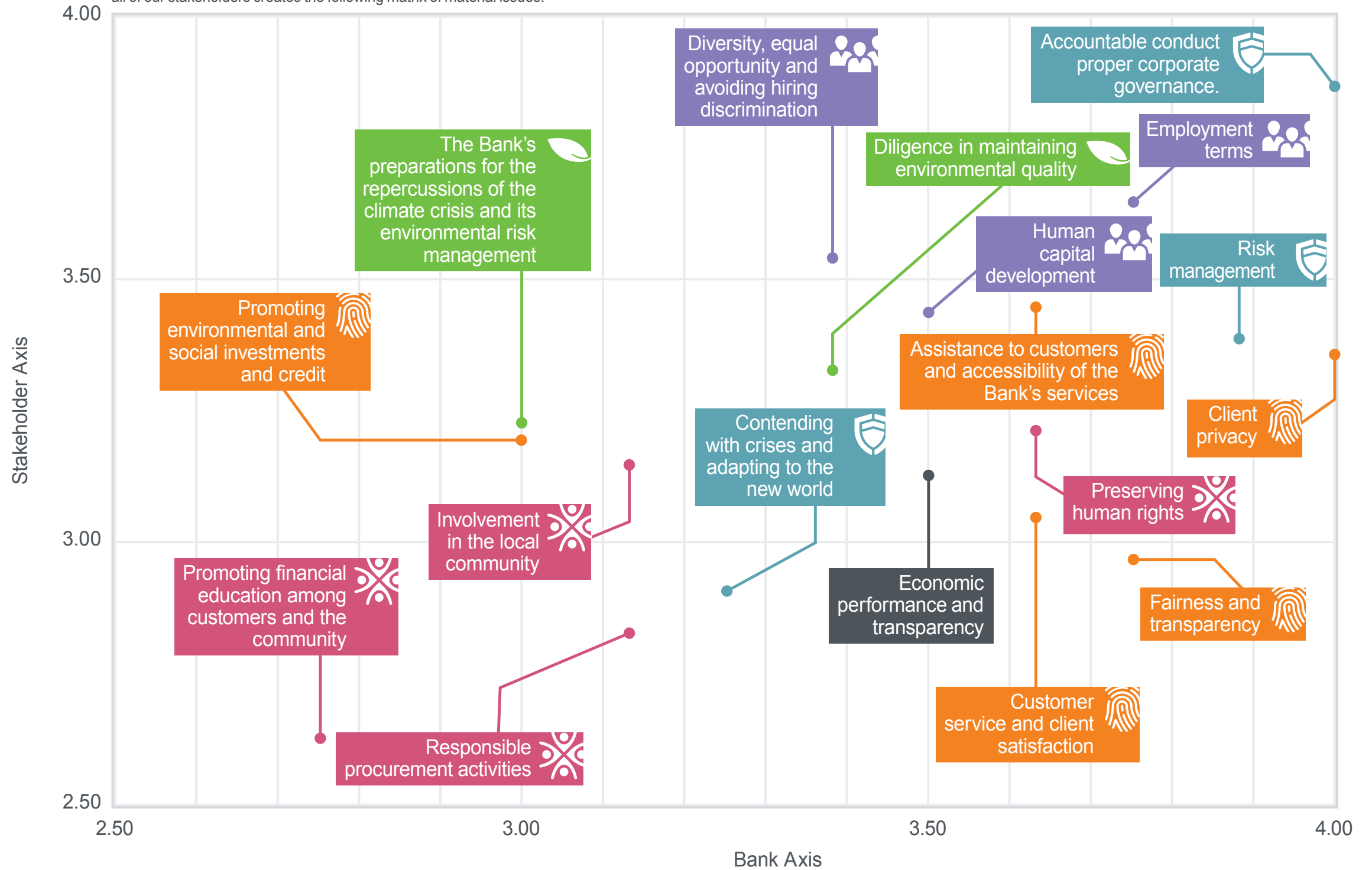
The rating process produced 18 material issues selected for reporting. As part of this process, two new issues were added and issues presented separately in the previous report were consolidated. The new issues are "risk management" and "contending with crises and adapting to the new world." The issues of "preventing corruption" and "commitment to responsible conduct" were consolidated under "responsible conduct and proper corporate governance." The issues of "customer and sectoral diversity" and "advancing weak populations" were consolidated under "assistance to customers and accessibility of the Bank's services."

We also found differences in the materiality rankings over time – some material issues were ranked higher this year than in previous years and vice versa. For example, the topic "protecting human rights," which had been ranked in 14th place, rose to 8th place, while "being diligent about environmental quality," which had been ranked in 16th place, rose to 10th place this year.



It is evident that different topics are rated differently by different stakeholder groups based on what matters most to each group, and over time, the areas of corporate social responsibility evolve and are rated differently by the public.

# Matrix of material issues


The weighting of all survey results according to the values assigned to all of our stakeholders creates the following matrix of material issues.



### Reporting limits for material issues<sup>1</sup>

Area	Material topic	Report chapter	GRI standard title	GRI standard number	Reporting limits	SDG goals
 <b>Environment</b>	Management of environmental and social risk	Commitment to accountable conduct	Sector Specific Aspect	FS6-8	Within the organization	9,13
	Environmental management	Investing in the environment	Materials Energy	301	Inside and outside the organization	13
			Emissions	302		
 <b>Social</b>	client service	Investing in clients	-	-	Inside and outside the organization	-
	Fairness	Investing in clients	Marketing and Labeling	417	Inside and outside the organization	-
	Development of social and/or environmental products and services	Investing in clients	Sector Specific Aspect	FS6-8	Inside and outside the organization	1,10
	Assistance to customers and accessibility of the Bank's services	Investing in customers	Sector Specific Aspect	FS13-14	Inside and outside the organization	10
	Employee training and development	Investing in employees	Training and Education	404	Within the organization	-
	Equal opportunity employment	Investing in employees	Diversity and Equal Opportunity	405	Within the organization	8,10
406						

1. GRI: 102-47

 <b>Social</b>	Employment terms	Investing in employees	Employment	401	Within the organization	8
			Labor – Management Relations	402		
			Occupational Health and Safety	403		
	Community relations	Investing in the community	Local Communities	413	Inside and outside the organization	1,4,10
	Supplier relations	Investing in the community	Procurement Practices	204	Outside the organization	8
Supplier Social Assessment			414			
Financial education	Investing in the community	Sector Specific Aspect	-	Inside and outside the organization	1,10	
Preserving human rights	Investing in the community	Human Rights Assessment	412	Inside and outside the organization	8	
 <b>Governance</b>	Accountable conduct proper corporate governance (including compliance and anti-corruption issues)	Commitment to accountable conduct	Anti-corruption	205	Within the organization	16
			Socioeconomic Compliance	419	Within the organization	16
	Client privacy	Investing in clients	Customer Privacy	418	Inside and outside the organization	-
	Financial performance	Introduction	Economic Performance	201	Inside and outside the organization	8,9,13
Indirect economic impacts			203			





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# Investing in Customers

branches across Israel

About

**3,000**  
participants

attending business conferences

Ranked **1st**  
in mortgages

according to  
Bank of Israel data

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)

Approximately

NIS **5.3** billion

in total lending

for social and  
environmental causes

Grade of **8.9**  
for Banking Fairness  
at Branches

(according to MarkeTest's 2020 "Customer Experience in Israel Index")

The Bank encourages

**entrepreneurships  
and innovation**

in the Israeli economy by financing startup companies



## Our customers

Mizrahi-Tefahot Group is committed to success of all its customers, acting to generate value for them over time in all of its operating segments. This commitment is reflected by fair conduct and by creating a range of channels for providing service and products customized to the needs of every customer.

It is also committed to listening to customer needs, to ensure their privacy and to providing professional tools for their success. This issue is handled by different divisions at the Bank, each in its own aspects, primarily by the Retail Division, the Business Banking Division and the Marketing, Advertising and Business Development Division.

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

- **Customer experience** – the Bank regards customer satisfaction as a benchmark for success, and therefore sees great importance in quality of service, striving to provide optimized, personal service to all customers. To this end, the Bank is committed to fair conduct vis-à-vis customers, to create a variety of channels for them for obtaining services, and to develop banking products suited to their needs, while ensuring customer privacy and attentiveness to customer needs.
- **Fairness and transparency vis-a-vis customers** – are fundamental values in the Bank's Code of Ethics and in the perception of its corporate responsibility. A fair relationship with all stake holders, and especially with customers who are at the center of business activity, is the basis for trust, success and creating shared value.
- **Ensuring customer privacy** – The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its customers. To this end, the Bank has specified its information security and cyber strategy and policy, which have been approved by Bank management and by the Board of Directors, in line with Bank of Israel requirements, allowing for careful and responsible management of customer personal information.
- **Promoting common value** – Mizrahi-Tefahot Bank strives to generate social and/or environmental value, as part of its business operations and together with the economic value generated, to promote common value for the Bank and for its customers.



## Investing in customers during the Covid-19 period

One of Mizrahi-Tefahot Bank's key objectives was to maintain the continuity of its business operations throughout the entire crisis. Therefore, we operated our branches all throughout the year (except during the first lockdown, when about 45 branches were open to serve customers after scheduling an appointment in advance), while making adjustments and dividing the branches into "capsules" to safeguard the health and safety of our customers and to minimize potential infection-spreading incidents.

Our concern for our customers during this period received expression in several ways:

**Leniency in the provision of loans and regarding payments** – We approved grace periods and freezes on payments, we postponed asset confiscations even though there was no legal obstacle to doing so and we devised creative solutions in order to help customers repay their debts to the Bank.

**Development of customized products and services** – As a result of the crisis and the public's growing concerns about its money, we launched five deposit campaigns that offered customers an investment channel customized for the period.

**Assistance to business customers** – Our business bankers stayed in touch with their customers to provide ongoing assistance and solutions to their changing needs considering the new reality. Immediately upon the outbreak of the crisis, the State established a fund under its guarantee to help businesses that were adversely affected by the crisis. Mizrahi-Tefahot Bank granted loans to its customers totalling ILS 4 billion out of this fund.

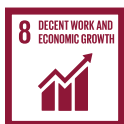
**Expansion of our digital services** – During the Covid-19 period, it became increasingly necessary for customers to perform extensive banking operations without going to branches. Consequently, we took action to enhance our digital arena by adding new services relating to investments, mortgages and routine services, thereby enabling private and business customers to perform operations remotely.

**Workshops teaching financial literacy and offering business advice** – As part of our support to business owners and private customers from the various sectors, we continued our workshops teaching financial literacy and offering business advice through digital channels too. The Bank developed a unique platform for digital workshops and used it to offer lectures to the general public on topics such as mortgages and finances, business advice and more.





## Customer experience



Mizrahi-Tefahot Bank places the customer at the center of its endeavors, listens to their needs and wants and improves their service experience with the Bank.



The Bank offers its customers a different kind of banking, regarding each customer as a unique individual, entitled to individual service and care customized for their needs and desires. This is along with fair conduct, providing efficient service, listening and understanding, initiative, transparency and mutual approach.

The Bank regards customer satisfaction as a benchmark for success, and therefore sees great importance in quality of service, striving to provide optimized, personal service to all customers. Therefore, the Bank is committed to fair conduct vis-à-vis customers, to create a variety of channels for them for obtaining services, and to develop banking products suited to their needs, while ensuring customer privacy and attentiveness to customer needs.

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

As part of the Bank's unique concept of hybrid banking in line with the "human banking vision", whereby good banking service is based on optimal integration of personal and digital banking, seeing the customer, understanding the customer and speaking to the customer in their own language. Optimal customer experience and service quality are achieved in various ways:

- **Products and services to promote the customer experience** – adapting products and services to the business environment and to customer needs and making them more accessible to customers and to the general public, with understanding of the unique attributes of customers in different segments of Israeli society.
- **Providing solutions for a wide range of customers** – The Bank sees the great importance of approaching diverse customers and segments in Israeli society and 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 the need to adapt for each customer the products and services most appropriate for them, in order to allow anyone who so wishes to become a Bank customer.
- **Dialogue and listening** – conducting a constant, on-going dialogue with customers is a key tool, at the heart of the concept, allowing for a successful implementation of the concept. The Bank conducts public opinion surveys, conducts focus groups, monitors the online discourse and operates a website and a Facebook page for gathering customer feedback.
- **Customer satisfaction** – The Bank monitors and controls customer satisfaction and response to inquiries and complaints, strictly addresses Customer complaints and contacts, reviews each case on its own merit, learns lessons and acts as needed. The Bank has an improved system designed to improve analysis and composition by topic, classification and customer contacts with the department.

## Products and services to promote the customer experience

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

The process of adapting a product to the needs of a particular customer segment is based on information received from bankers in the field, who conduct surveys in their communities to ascertain their customers' needs, and from studies and analyses performed by professionals in the Group and in the financial sector in Israel. In accordance with the Group's master policy, any new product development is also reviewed in light of the Code of Ethics. After studying the needs, the Group forms a product in response to the relevant segment's need. When developing products and services to enhance the customer experience, we focus on innovative aspects in order to provide a current optimal solution to customers and to enhance their experience.

### Innovation in Bank products and services

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

We encourage our employees to take part in advancing innovation, improving work processes and customer-service processes. The Bank operates a committee for "promoting initiatives for improvement, savings and streamlining", whose role it is to discuss employees' suggestions for improvement and streamlining of work processes. The committee convenes quarterly to discuss the suggestions submitted. The best suggestions are implemented by the Bank and awards are given to those who made these suggestions. These awards are presented at a grand ceremony, attended by the Bank President & CEO. This is a positive tradition very successfully deployed at the Bank, which is an important value in the Bank's organizational culture. In 2020, employees submitted some 1,471 improvement suggestions. Additionally, we also teach innovation in our employee and manager training programs.



In 2020 we delivered **6,314** hours of innovation-related training.



To enhance the customer service experience and to provide optimal, high-quality service, Mizrahi-Tefahot Bank develops products in response to various customer needs and to the evolving reality.

During 2020, we developed digital tools for business owners to facilitate business management:

- o **Payroll interface** – A quick and easy interface for transferring wages, including the uploading of files, viewing of payments and updating of the employee roster.
- o **Production of certificates** – Production of digitally-signed business management certificates.
- o **Transfers via an application** – Receipt of a one-time password for performing several transfers.
- o **Foreign trade** – Factoring customers can view data on the website and upload a file to apply for financing, which will be handled by a foreign-trade banker.
- **Deposits** – Due to the public's growing concern about its money this past year, the Bank launched five deposit campaigns offering customers a safe investment channel. The campaigns were publicized in mass media channels - television, radio and in the digital arena – and in the sectoral press to the national-religious Jewish community. Additionally, we added a new deposit in 2020 – “strawberry deposit” to our diverse “deposits basket,” which is customized to meet customers' various needs. This new type of deposit selects the most profitable of two tracks for the customer and offers predefined liquidity ranges.
- **Pension counselling** – The Bank offers objective pension counselling services at no charge, with the goal of improving customers' pension savings situation and to help them ensure their financial future after they retire. The Bank's website invites customers to examine their pension savings situation and the changes in their workplaces. The pension counselling services are offered to Bank customers who have not yet received pension counselling and to those who have received pension counselling in the past, but we suggest that they periodically examine their pension situation in order to ensure their financial future.
- **Collateral registration** – In 2020, we expanded the interface for the collateral registration authorities, including the Registrar of Liens and the Israel Land Authority, which enabled online registrations of collateral in favor of the Bank without having to go to a branch.

## Get Your Mortgage from the Experts at Tefahot

Being the top mortgage bank in Israel, with over one million mortgages originated over decades, the Bank strives to maintain its leadership position in this field and to customize financial solutions for its customers and for the Israeli public, so as to allow them to balance their needs and their financial capabilities over the short and long terms.

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

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

To maintain the Bank's branding as a leader in this field, surveys are regularly conducted among current and potential customers, in order to better understand the customer needs and to improve work procedures and the service provided. External surveys are also conducted in order to examine the quality of the customer experience in the mortgage segment, such as the MarkeTest Customer Experience Index focusing on mortgages. Mizrahi-Tefahot overtook competing banks in MarkeTest survey in 2020 in the following parameters: overall satisfaction, satisfaction with recommendations and service expectations. Customers' high satisfaction relating to mortgages also reflects the public's prevailing opinion – according to a survey conducted by the Kantar Institution in 2020, Mizrahi-Tefahot leads as the number one mortgage bank in Israel in terms of expertise.

The Bank's Mortgage Center (call center specialized in mortgages) is the largest in Israel. The center is staffed with professional mortgage experts who enable customers to receive approval in principle of a mortgage application within a few hours. Even after the mortgage has been extended, the Bank continues to be available and attentive. The Bank provides service to customers who wish to change the date of their monthly mortgage payment, replace a guarantor, make changes to their payment schedule due to financial difficulties, repay their mortgage ahead of time and so forth.

The Bank offers a diverse range of complementary products and services for mortgages, to offer to each customer the optimal product for them, wishing to enable more customers to obtain a mortgage, while enhancing and promoting the use of direct channels.

The Bank offers the following services, inter alia:

- **Digital mortgage** – Mizrahi-Tefahot Bank allows customers who are looking for a mortgage to apply for a general approval, simply and easily on the Bank website and to get their general approval within a short time (for more information see under "Innovation in Bank products and services" on page 41).
- **Mizrahi-Tefahot credit card** – We offer a special credit card to mortgage-holders. Holders of this credit card benefit from a large credit limit (NIS 150,000), at interest rates more attractive than market interest rates. This product has a significant advantage, in that the customer only pays interest for their actual utilization and not for the credit facility itself. Moreover, credit repayment is made over many years, together with the monthly mortgage payment. In 2020, the Bank took action to promote the Mizrahi-Tefahot credit card by adding high-value offers to customers.
- **Paying the mortgage file opening fee by installments** – In order to make it easier for customers to handle their expenses when taking out a mortgage, the Bank offers optional payment of the loan origination fee in installments payable together with the mortgage payments with no interest or linkage, rather than by a single payment. This option provides relief to customers who take out a mortgage.
- **"Mortgage on hold"** – This product allows the customer to occasionally put their mortgage payments on hold, in order to make life easier for them in periods when expenses are higher or income is lower. In this way, the Bank makes it easier for the customer, giving them control over managing the mortgage and adapting it to their changing needs.





- **Flexible mortgage payments** – This product enables customers to predefine different monthly mortgage payments during different periods until the mortgage is paid off. In this way, we are empathetic about temporary economic difficulties that customers may encounter and enable them to adjust their mortgage payments to their current and future capabilities.
- **Services for those eligible for Ministry of Construction and Housing Assistance Program** – The Bank acts as an extension of the State in servicing eligible Ministry of Construction and Housing recipients. These services include loans within the Ministry's assistance program, including location-based loans and contingent grants and loans for specific populations (such as: new immigrants, persons with limited mobility etc.) Note that Mizrahi-Tefahot Bank is a key player in eligibility loan origination, and the Bank's extensive branch network makes it accessible to those eligible for Ministry of Housing programs.
- **Promoting financial literacy with regard to mortgages** – Mizrahi-Tefahot Bank – the leading mortgage bank in Israel – believes that one of its responsibilities is to impart knowledge to help various population groups reach informed decisions about buying real estate based on knowledge and understanding. To this end, we offer a variety of activities to customers of all banks:
  - **"Let us meet for mortgages"** – These activities are open to the public and are aligned with specific audiences (such as for the Jewish Orthodox sector, with a large percentage of young customers who buy a home). In order to deliver this content, a dedicated team of bankers received training and branches were opened in order to provide a more accurate response to the population of mortgage seekers. In addition, working with a personal banker provides an address for customer inquiries at the Bank, on any matter. During 2020, we held seven mortgage lectures and workshops, some of which were tailored for senior citizens and for the ultra-orthodox Jewish community. All of these activities were held on digital channels and were open to the general public free of charge.
  - **Dedicated conferences** – The Bank holds conferences and promotes activities on social media for a range of investors, including for purchase groups, real estate players and foreign residents, providing to each of these audiences the information relevant for how they invest.
- **External mortgage counselors** – The mortgage counselling profession and the number of counselors have increased in recent years. Any customer who so wishes may ask to be represented by a mortgage advisor. The Bank has working relations with mortgage advisors, maintaining constant contact with them, including round table meetings with advisors, conferences and individual meetings, as part of the Bank's open door policy.
- **Meetings with contractors, construction companies and real estate brokers** – The Bank holds professional meetings designed for construction companies, real estate brokers and contractors, at which experts on behalf of the Bank present overviews and relevant information about the real estate market in general and about mortgages in particular.

During 2020, the Bank offered mortgage workshops designed especially for the ultra-orthodox Jewish society and activities designed especially for the Arab society and for senior citizens. All lectures were open to the public, free of charge.



## Wide banking deployment

The basis for making services accessible to the general public is through Group branches deployed nation-wide. Branches are primarily aimed at providing professional, high-quality service to customers of all banking segments, close to the location where the service is required (residence or place of business). The merger of United Mizrahi Bank and Bank Tefahot in early 2005, the merger with Bank Adanim in 2009 and the acquisition of Bank Yahav completed in 2008 – all created an extensive nationwide branch network. Moreover, the Bank's unique growth strategy is reflected in consistent growth in the number of branches providing solutions for diverse segments. Along with this extensive presence, the Bank provides services through other channels, in the form of Hybrid Banking services.

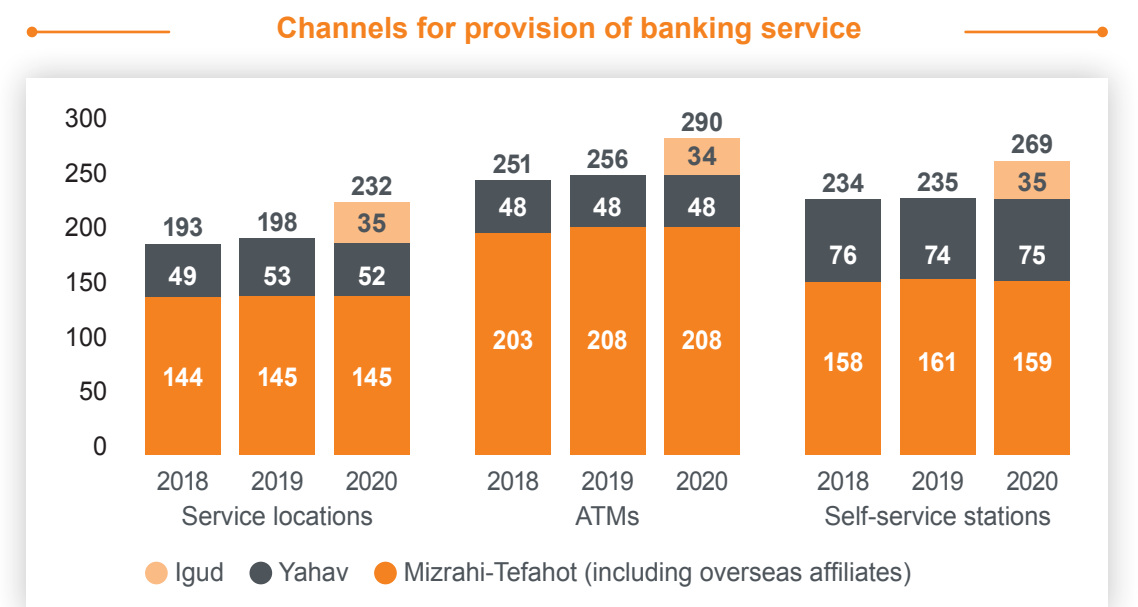
The Bank continues to expand its branch network in accordance with its strategic plan, with location selection based on considerations such as providing optimal service to customers, economic viability considerations etc. Along with this extensive presence, the Bank provides services through other channels, in the form of Hybrid Banking services. As of the end of 2020, the Group has 232<sup>1</sup> 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.

**269 Self-service stations** – As at the end of 2020, customers may use 269 self-service stations, of which 75 at Bank Yahav 86 and 35 at Bank Igud These stations allow for a range of transactions to be conducted and information to be obtained by self-service. Most of these stations are available 24 hours a day, even when the branch is closed.

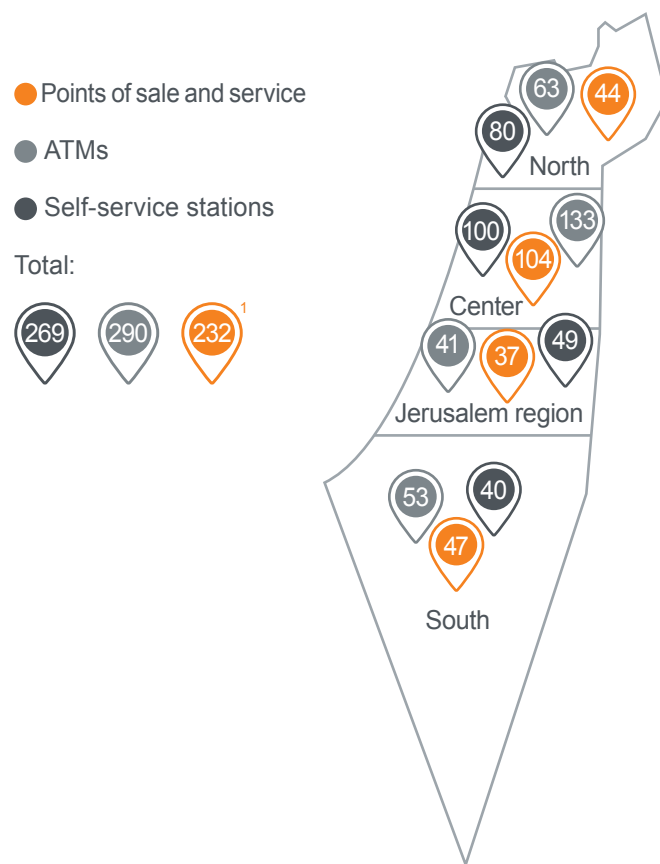
Checks may be deposited at the service stations at all Bank branches, and cash may be deposited at the service stations at 74 branches.

**290 ATMs** – At the end of 2020, the Group had 290 ATMs, including 48 at Bank Yahav and 34 at Bank Igud. Some ATMs are not adjacent to branches.



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





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

Each customer is assigned their own personal banker, who is constantly available through various channels:

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

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

## Diverse service channels

Bankers in the branches are the main communication channel with customers. There also other channels, such as banking call centers, email for inquiries, dedicated websites, apps, social media, conferences and workshops.

At the end of 2020, Bank customers receive banking services through diverse key channels, under the unique Hybrid Banking method – which optimally integrates personal and digital banking, offering customers direct access to their personal banker at the branch at the branch through various

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

online channels. This unique, innovative service concept puts to use technological advances in the banking world, to create an immediate, direct link between the customer and their personal banker at the branch and is also applied to mortgages.

## Use of advanced systems

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

## Online communication channels

- **Bank website** – Mizrahi-Tefahot Bank has a technologically advanced, functional and professional website that combines means to contact a personal, human and professional banker. This website is the Bank's display window for both Bank customers and those wishing to join the Bank. The website offers do-it-yourself information about all Bank products and services, allows you to contact a banker, advisor or the Investment Center, as needed, by various means – leaving your information, chat or by getting a phone call.

The Bank website provides an umbrella for secondary websites for specific areas or populations, such as: websites in other languages (English and Arabic), website for "Let us meet" activities and website for the "Card" club benefits.

- **The "card" club and the "business card" club** – Our club website for private and business customers, respectively, centralizes all information about club activities and offers club members quick and easy access to a variety of attractive benefits and offers.
- **"Get-togethers" on Mizrahi-Tefahot's website** – Our website presents the schedule of upcoming banking activities to be broadcast on the Bank's digital channels for the general public, including such topics as pension savings schemes, deposits and savings plans, mortgages and more, and enables the public to register for these activities.
- **Transactions website** – Mizrahi-Tefahot Bank has a technologically advanced, functional and professional website that combines means to contact a personal, human and professional banker. The website allows customers to obtain information and to conduct transactions in their accounts.
- **Mortgage section** – Our website offers diverse content and articles by the Bank's experts, who discuss various topics relating to housing and mortgages. Our website's mortgage section offers extensive information to the Bank's customers about their mortgages and considerable information about their properties, based on cooperation with the "Madlan" content website. Customers with a checking account and a mortgage at the Bank can view their entire finances on a single website.
- **Capital market** – Provides extensive, current information about financial assets. The website has been upgraded so as to allow customers to efficiently conduct transactions on their own – along with an option to contact a banker or advisor. The website is a unique, innovative venue, customized for needs of retail customers as





well as professional customers – who trade on the capital market, and also offers a range of innovative tools which support customer activity in the capital market.

- o **Business segment** – The Bank develops digital tools and content customized for the business segment, designed to provide a response to needs of business enterprises.

During 2020, we expanded the variety of tools on the transactions website according to our business customers' changing needs and the feedback we received from them in order to enhance the user experience:

- New payroll interface, with optional payment by file, prior transfers and beneficiary management, including payment by multiple signatories.
- Transferring foreign currency.
- Transferring large sums and managing beneficiaries.
- Viewing guarantees.
- Deposits to provident funds.
- Providing online permissions to administrative users for viewing information and launching transactions.
- Advanced search for transactions and expanded information presented.
- Production of digitally-signed confirmations.
- Change of user name to personal nickname.
- Improvements in the capital market section, for easy and convenient management of trading of Israeli and foreign securities.



Mizrahi-Tefahot Bank has developed a range of applications that enable its customers to gain quick and easy access to the financial products and services being offered to customers:

**Mizrahi-Tefahot app** – A new management app, which allows customers to manage their account using their cell phone, to obtain information and to conduct a range of transactions on their cell phone.

**Mizrahi-Tefahot app** – The most advanced mortgage app in Israel allows you to design a plan to finance the purchase of a property, providing practical tools and extensive information about the surroundings, in cooperation with the MADLAN website.

**Capital market app** – This app rounds up the trading experience and provides maximum convenience to our customers who are active in the capital market.



- **Apps** – Mizrahi-Tefahot Bank 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:

- o **Mizrahi-Tefahot app** – In 2019, the Bank launched a new management app, which allows customers to manage their account using their cell phone from anywhere, to obtain information and to conduct a range of transactions on their cell phone, with no need to visit the branch nor to use the PC. This app can be used to correspond with a banker or investment advisor. The new app sports a new, elegant interface and smart navigation menus which are personalized and offer customers a wide range of information and transactions involving credit cards, deposits, capital market and foreign currency. Users can be authenticated using their password, fingerprint or facial recognition.

- o **"Tefahot to Home" app** – The most advanced mortgage app in Israel allows you to design a plan to finance the purchase of a property, providing practical tools and extensive information about the surroundings, in cooperation with the MADLAN website. Users may use the app to correspond with a personal banker, a mortgage specialist available to answer any question and to resolve any doubt with regard to the mortgage process.

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

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

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



## Providing solutions for a wide range of customers

Mizrahi-Tefahot Bank strives to promote a diverse range of customers of different demographics, providing a customized solution for the needs of each one, acting for the success of all Bank customers and generating value for them at all levels of Bank activity. 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.

### Speaking your language

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

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

### Business sector and high-tech industries

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.

The hybrid banking system at the Bank uses all digital channels, in order to allow customers to have direct and available contact with their personal banker, who knows the business and its owner and provides an important professional anchor for them. Business bankers are available to customers through all communication channels, managed under the unique Hybrid Banking umbrella. Additionally, upon the outbreak of the Covid-19 pandemic, our business bankers stayed in touch with their customers to provide ongoing assistance and solutions to their changing needs considering the new reality.

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:

- **Loans to small and medium businesses** – The Bank provides loans to small and medium businesses as part of State-guaranteed funds. These loans are used, inter alia, 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. At the Bank, the business is also assisted by professional bankers all the way to the actual loan origination. In 2020, due to the Covid-19 crisis, the Bank granted business loans totalling ILS 4 billion, within the framework of the "Covid-19 Fund," a fund guaranteed by the State that was established in order to help businesses cope with their cash flow difficulties.

- **"Mortgage for businesses"** – An innovative product offered by the Bank, which helps the business owner in acquiring a property for their current operations, in lieu of leasing. The loan is repaid over many years.
- **On call foreign currency loan** – An unlinked, short-term foreign-currency loan (for up to seven days) at fixed interest, which is readily available in a fast track in order to bridge specific cash flow gaps. This loan is intended for financially robust corporations operating with foreign currency, which occasionally need a large sum of short-term credit and are capable of immediately repaying the loan.
- **Foreign trade** – The Bank is expanding its foreign trade operations and offers advanced solutions for business customers. Due to customer needs, that have been growing in recent years, and the wish to answer these, the Bank has significantly increased co-operation and business relationships with dozens of international banks and insurers, so as to allow Bank customers to conduct import / export business in many countries world-wide, including in emerging markets. Customers, including retail businesses (SME), medium businesses (MM) and corporates receive all the foreign trade services they require under one roof, including assistance and advice, from negotiations through closing of the transaction. We encourage customers to connect to the import payment service using the EDI (Electronic Data Interchange) system, which enables them to execute money transfers to suppliers and banks abroad simply, quickly and efficiently. During 2020, the Bank offered virtual conferences to publicize its activities to its customers.
- **Business College** – The Bank offers its business customers 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 customers. In 2020, the Bank delivered a series of business courses on digital marketing and finance. In 2020, approximately 210 managers and owners of business companies participated in these courses.
- **Credit to small businesses for real estate** – Out of our desire to provide rapid professional responses to credit applications from small businesses, small purchasing groups and small real estate development projects (such as urban renewal), we operate two specialized business units in the Bank: the small business mortgage department and the real estate development department in the business division, which provides credit to small real estate development projects.
- **Business Club** – This club is for Bank customers who manage a business account and have a bank credit card. The club allows members to enjoy the Card club benefits for individuals, as well as value propositions customized for the business world, in order to help business owners in everyday life. A custom website for businesses was also created, listing the range of benefits and promotions offered to such customers. During 2020, the club launched several campaigns designed to help businesses survive the Covid-19 year, such as through "IsraCard for Businesses," which offered them tools and support for online sales of products and services.
- **Strengthening business customers** – As part of Mizrahi-Tefahot's support of business owners generally and especially upon the outbreak of the crisis, we designed special "business get-togethers" with leading business people. In August, in conjunction with HAMIL, the Israeli Management Center, we offered two lectures about exiting the crisis and growth engines and, in September and October, in conjunction with professional business coach, Nir Duvdevani, we offered a three-session workshop engaging in various aspects of business management (managing marketing and sales and empowering sales teams). All of the "business get-togethers" were held via Zoom and 574 customers participated in them. Participation was open to the general public at no charge.



- **Conferences and meetings** – In addition to on-going contact with customers, the different regions and branches conduct meetings and conferences for business customers, to enrich the relevant content domains, along with exposure of customized bank products for this sector and promoting networking between attendees. During 2020, we held local meetings and conferences on the subject of State-guaranteed loans, and we held a conference in the Bank's trading room for customers of the business banking division and of the financial division. The Bank also offered virtual conferences for business customers in the fields of real estate, high-tech and foreign trade, such as: our real estate sector manager participated in a Globes conference, a BDO conference and in "real estate week"; a virtual CFO forum for some 60 CFOs from high-tech companies; and, in collaboration with PwC, we led a virtual high-tech conference for about 100 participants and created "business communities" in the field to strengthen companies' awareness and access to means of financing that the bank provides; due to the social distancing restrictions, four virtual customer conferences were held in the Dan, central, Tel-Aviv and Sharon regions. These conferences focused on the topic of international trade, particularly during the Covid-19 period. During 2020, approximately 3,000 customers participated in the Bank's various conferences.

### Advancing innovation and high-tech industries

Israel's high-tech industry is growing at a rapid pace. This sector has significant potential for banking activity in diverse areas, both for business customers and for individual customers employed in this sector. As part of its core strategic plan, the Bank expands its activity among business customers in the high-tech sector (including start-up companies), through the High-Tech Department in the Corporate Sector of the Business Banking Division, as well as through 13 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 finances startup companies during their growth stages via a variety of financing models. We encourage entrepreneurship and innovation in the Israeli economy and intend to help these



Mizrahi-Tefahot Bank was the first in the Israeli banking system to finance medical cannabis companies. This is part of our overall strategy of expanding the Bank's activities to support technologies that help improve the quality of life of people suffering from debilitating diseases.



young companies succeed. The Bank's high-tech department, which was established back in 2000, has amassed expertise over the years in financing startup companies via a venture lending model, under which the Bank provides credit for several years and, inter alia, sometimes receives options in this companies. The Bank is active and provides financing to start-ups in various segments, including: FoodTech, communications, software, medical equipment, AdTech, automotive, cyber, SportTech, FinTech and others.

Furthermore, within the framework of the Israeli government's national economic program for contending with the economic crisis that emerged and for promoting growth, the Bank won a tender for benefit track no. 43, under

which the Innovation Authority will provide protection for Israeli institutional investors' investments in Israeli high-tech companies. Winning this tender enables us to invest in more companies at various degrees of risk.

During 2020, new credit was approved for the advancement of Israeli startup companies and the development of the Israeli high-tech sector, at the volume of approximately USD 100 million, USD 45 million of which were earmarked for companies dedicated to the advancement of social issues.

### A unique solution for diverse demographics

The Bank defined Arab sector, the Jewish Orthodox sector and Senior citizens as demographics on which the Bank wishes to focus 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 society

To better understand the needs of customers and to bolster the connection with them, Mizrahi-Tefahot Bank conducts meetings throughout the year with customers from the Arab sector. As a result of issues raised at these meetings, the Bank has acted to make deposits more accessible and has promoted specific communications on this topic. Furthermore, in 2020 the Bank incorporated special activities designated for Arab sector as part of the "Let us meet at Mizrahi-Tefahot" program. Due to the Covid-19 situation, the activities were broadcast via digital platforms tailored for the Arab society and containing customized content. Within the framework of these activities, nine special "meetings from home" were broadcast online and one activity was held at the branch in Shfar'Am. A panel was also held, attended by the Manager, Corporate Sector of the Business Banking Division, at a conference held for businesses in the Arab sector.

Additionally, the Bank is expanding its mortgage product market in the Arab society, while adapting the products to their unique needs.

As of the end of 2020, the Bank had branches in these Arab towns: Kfar Yassif, Nazareth, Shefaram, Sachnin, Baqa Al Gharbiya, Um El Fahem, Kfar Kassem and Tayibeh. In 2019, the Bank installed a first remote ATM in Ar'ara.

#### Ultra-orthodox Jewish society

The Bank intensifies its ties with the Ultra Orthodox community by expanding activity in the existing ones. The Bank specifically addresses the Orthodox Ultra society through specific media, by adapting the language of the marketing messages. Thus, the marketing language is adapted for the needs and values of this society. This segment has been addressed through a range of channels. such as Orthodox press, radio, online and mobile websites, billboards and posters in cities identified with this society.

The Bank also continued to include activities focused on the Ultra Orthodox sector in its "Let us meet at Mizrahi-Tefahot" program, with content and speakers customized for the needs of this population. During 2020, one activity was held in the Geula branch in Jerusalem. Additionally, we offered mortgage workshops via Zoom, which were tailored for the ultra-orthodox Jewish society, and we sponsored a spot on Radio Kol Chai (a radio station for religious Jews) to publicize Mizrahi-Tefahot Bank among this society.





## Senior citizens

As part of the plan to expand activity among senior citizens, the Bank used multiple channels in order to expand its unique offering of products and services for this audience:

- **Pension advisory service** – The Bank offers a pension advisory service, provided by licensed pension advisors, which is customized for needs of senior citizens, at no additional cost (For more details, see under "Innovation in Bank products and services" on page 41).
- **"Let us meet – Sixties" activity** – A series of meetings and lectures designed for retirees. The "Let us meet – Sixties" activity was put in place as part of the Bank's strategy focusing on personal, human contact, in order to provide a high-quality solution to free time available to this demographics. During 2020, we refreshed some of our content targeting senior citizens, including special lectures in conjunction with the Adler Institute. During 2020, we offered seven special activities to senior citizens, including three lectures in conjunction with the Adler Institute. All lectures were open to the public, free of charge.
- **"Digital banking empowerment for senior citizens"** - The Bank produced 3 training brochures on "The easy way to digital banking":
  - User guide for Mizrahi-Tefahot website
  - User guide for Mizrahi-Tefahot app
  - Service stations at Bank branches

These brochures are aids for senior citizens on using digital channels offered by the Bank. Customers may also visit any Bank branch for personal training in our digital activities.

- **Retirement mortgage** – A unique product in the banking system, developed by Mizrahi-Tefahot Bank, allowing borrowers aged 75 and over who own a residential property to get a mortgage. The mortgage is given for a term of up to 15 years (with optional extension), secured by the apartment. The borrower can choose to receive the loan amount as a monthly pension over 15 years, or as a lump sum. Upon maturity, the borrower can choose to repay the loan by a single installment, to repay it over an extended period or to delay repayment for some duration. This unique solution allows retirees to use their property to improve their quality of life and to address the cost of living – without selling their house.
- **Voluntary treaty** – In December 2020, due to the Covid-19 crisis and its repercussions, Mizrahi-Tefahot Bank joined a voluntary treaty promoting reciprocal guarantees sponsored by the Ministry of Social Equality, the Supervisor of Banks, the Association of Banks in Israel and the banking system. The purpose of the treaty is to help senior citizens gain access to banking services.



In December 2020, due to the Covid-19 crisis and its repercussions, Mizrahi-Tefahot Bank joined the voluntary treaty involving reciprocal guarantees among the Ministry of Social Equality, the Bank Supervision Department, the Association of Banks in Israel and the Israeli banking system. The objective of the treaty is to help senior citizens gain access to banking services.



## Promoting disadvantaged populations and help customers in crisis

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

In this context, the Bank strives to help through several major channels:

- **Promoting disadvantaged populations** – The Bank provides support for disadvantaged populations in Israeli society, including debtors, women staying in shelters for abused women and population in need, both directly and through organizations that work with these populations.
- **Customers in crisis** – Providing focused, individualized support designed to help customers overcome financial adversity, while maintaining respectful and patient service.

### Promoting under-privileged populations

- **Assistance for abused women** – The Bank has joined an inter-bank covenant launched by the Banking Association in co-operation with the Bank of Israel, to facilitate dealing with financial issues for abused women staying in shelters and in temporary housing. The purpose of this covenant is to assist women who reside in shelters for abused women, both through a special contact person who is available to help these women and through agreement in principle, subject to certain conditions, to delay legal proceedings against these women. In 2020, Mizrahi-Tefahot Bank received 11 applications from women staying in such shelters – and these applications were handled by the special contact person. In that year, Bank Yahav received 25 applications: 19 from help centers and 6 from shelters for women.
- **Retaining interest for Holocaust survivors who receive reparations** – A plan for retaining a uniform, attractive interest rate for customers (Holocaust survivors who receive reparations) and allowing such deposits to be renewed indefinitely, as opposed to other products where renewal is limited.
- **Deposits for foreign workers and asylum seekers** – The Bank has been awarded a tender by the Israeli Government to provide deposit services for migrant foreign workers and asylum seekers. As part of the service, the Bank collects the employer's deposits for a foreign worker until the completion of the worker's employment. When the foreign worker concludes his/her employment in Israel, they get the deposit balance as requested by them (in cash or by wire transfer to their account overseas).
- **Delivering debit cards to customers' homes** – With the aim of helping pension recipients by eliminating the need for them to leave the house and jeopardize their health, the Bank sent debit cards to customers' homes through a delivery service.

### Assistance for customers in crisis

It is Bank policy to provide considerate service, understanding of the customer's situation, especially in cases of financial hardship and in times of crisis. The Special customers Sector of the Business Banking 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.

In order to promote agreements with debtors, representatives of the Special customer Sector and attorneys representing the Bank meet with customers, conduct joint campaigns with the Enforcement and Collection Authority and review applications for agreements from both customers and relief organizations. This was in addition to the Bank's constant contact with organizations providing assistance, including Pa'amonim and Yadid, who assist customers in debt.

During 2020, Mizrahi-Tefahot Bank implemented a series of initiatives to support and assist its customers who encountered difficulties in the various population groups. One of our most extensive initiatives was to provide solutions for business owners, households and mortgage-holders who encountered difficulties making their regular payments on outstanding loans. During 2020, the Bank of Israel launched a number of tracks for deferments of housing loan repayments, initially, allowing a full freeze on payments and, towards the end of the year, allowing partial repayments, according to customers' needs and their financial situation. The Bank of Israel also launched tracks allowing deferments of business credit repayments and of household consumer credit repayments.

Throughout the entire period, the Bank and its subsidiaries acted with even more empathy and compassion than during routine times. Companies in the Group complied with the directives and instructions issued by the Israeli government and the Bank of Israel and inter alia, refrained from referring to the courts or to the execution office and did not institute any enforcement proceedings. Furthermore, the Bank instructed its employees and attorneys handling collections of problematic debts on behalf of the Bank to act with the necessary sensitivity considering the crisis and to involve the Bank before making any major decisions.

### National Collection Center

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

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

Thus, as for mortgages, out of all cases of payments in arrears sent to the Collection Center in

2020 (some 19,900 new cases of arrears) only 2% were referred to legal proceedings. The Bank refrained from contacting customers who were already in arrears prior to the outbreak of Covid-19 and had not made arrangements to pay their debts even though they were given a considerable number of payment options. All of the other cases handled by the Collection Center resolved their debt and resumed their payments in good standing or continue to be handled by the Collection Center, most of them with active arrangements in place and a high level of compliance with such arrangements.

### Promoting accessibility for persons with disabilities

Mizrahi-Tefahot Bank believes in providing equal service to all customers, while adapting these for individual needs of each and every customer, including for persons with disabilities. To this end, the Bank acts to make its services accessible, so as to allow for easy, convenient access to Bank products and services and to allow anyone who so wishes to become a Bank customer.

Recognizing the importance of this issue, the Group emphasizes making services accessible for all its customers. Mizrahi-Tefahot Bank and Bank Yahav implement the Equal Rights for Persons with Disabilities Act, ensuring that buildings, infrastructure and environment are made accessible, and that the service provided to the public is made accessible, so as to allow persons with disabilities to conveniently use such service. The subject of accessibility is managed at the Bank by an Accessibility Coordinator, who was duly certified.

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

- **Making facilities physically accessible** – In this regard, the Bank acts to make branches, ATMs, service stations and its website and app accessible for customers, so as to allow persons with disabilities to also conveniently use these. Correct to year-end 2020, about 99% of the branches of Mizrahi-Tefahot Bank and Bank Igud and 100% of Bank Yahav's branches are accessible by people with disability, both physically and in terms of devices. Branches yet to be made accessible have been approved by the Equal Opportunity Commission and are in the process of being made accessible with the relevant authority.
- **Making banking services accessible** – The Bank acts to make banking services accessible, in conformity with the Equal Rights to Disabled Persons Act. Correct to year-end 2020, all of the ATMs of Mizrahi-Tefahot Bank, Bank Igud and Bank Yahav are accessible by people with disabilities. Bank Igud also offers the services of a sign-language translator during meetings with a banker, according to the customer's request and needs.
- **Accessibility by phone** – The Bank offers accessible service to customers who find it hard to obtain service by phone, such as customers with hearing disabilities. To this end, the phone service was adapted – the call routing information was recorded at a slower pace, in clear speech with no background music.



**99%** of Mizrahi-Tefahot Bank's branches are accessible, both physically and in terms of the necessary related devices, by people with disabilities.



- **Accessible service stations** – Bankers' service stations and the ATMs across the Group are physically and technologically accessible by people with disabilities, in compliance with the statutory requirements. Accessibility software has been installed in the automatic service stations and audio-frequency induction loops, microphones and support trays have been installed at bankers' accessible service stations.
- **Online services are also accessible** – Mizrahi-Tefahot Bank, Bank Yahav and Bank Igud are diligent about ensuring that their online services are accessible according to the statutory requirements. This is based on the understanding that these channels make it easier for persons with disabilities to use various services, without having to go to the branch. Correct to year-end 2020, the banks' accessible websites include the transactions website, digital forms and documents, the marketing websites, the customer club website, the website for capital market trading and applications for banking and capital market trading. All accessibility arrangements at the Group – physical, service and online – are listed on the Bank website.
- **Promoting accessible service** – The Bank delivers annually training for employees with regard to accessibility, to highlight the Bank's accessible services and provision of proper service to all customers, including customers with disabilities. In 2020, all Bank employees completed E-learning on providing accessible service, and new hires received training as part of their induction course. All employees of Bank Yahav receive annual courseware on accessible service. Branch accessibility officers also undergo specific training on the subject. At Bank Igud, an accessibility consultant provided training to the bank's accessibility officers who in turn, taught the content at the bank's branches and headquarters buildings.

In 2019, the Bank conducted a branch visibility survey at all Bank branches, which emphasized accessibility and compliance with directives in this regard. According to the survey results, this area saw improvement compared to 2017, when the survey was last conducted. The Bank is acting to improve deficiencies found at branches, such as accessibility signage, in accordance with the survey results.

During 2020, another visibility survey was not conducted, due to the Covid-19 crisis. The Bank handles every instance of a problem through its logistics department, which operates a branch maintenance center. The center's representatives inspect branches regularly and provide solutions to logistics problems.

This is also the case in the Group's subsidiaries. Bank Yahav also conducted an accessibility survey in all of its buildings and formulated a work plan accordingly to resolve the deficiencies found and built employee training sessions. Bank Igud consistently performs audits and inspections of accessibility in its various branches. No significant deficiencies were found.

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

## Promoting dialogue and listening – our way of understanding the needs of our customers<sup>1</sup>

**According to the Bank, personal, human banking means, first and foremost, seeing the customer and understanding their needs well. We diversified the platforms we use for ongoing communications with customers, such as meetings, focus groups, conferences, cellular feedback and various surveys – which enables us to succeed in being constantly current and relevant for our customers.**

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

Bank initiatives to promote dialogue in 2020:

**Customer satisfaction surveys** – We also maintain constant dialogue with our customers through surveys relating to products, services, image and perceptions, customer satisfaction and customer experience surveys. Any dissatisfied customer is contacted by a bank professional, such as the branch manager, banking category manager, the customer retention team or by the management team of the surveyed telephone service center. In 2020, approximately 30,000 customers and potential customers took part in customer surveys. Among the surveys we conducted in 2020 upon the outbreak of the crisis, the Bank conducted a survey to examine the changes occurring among customers as a result of the crisis, in order to gain an understanding of their prevailing mood and to identify any unsatisfied needs.

**Orienting ourselves to the online customer** – In recent years, use of the Internet, social networks and blogs as a means of communication between customers and service providers has increased. Accordingly, Mizrahi-Tefahot Bank, Bank Yahav and Bank Igud have websites and Facebook pages that the public may use to ask questions on various topics. Our banks invest considerable efforts to monitor and respond to the discourse online about our services, to learn from customers' responses and to improve:

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

1. GRI: 102-43.



## Enhancing customer satisfaction

In order to assess customer satisfaction and to maintain high customer satisfaction, the Bank uses focus groups and conducts regular surveys, including satisfaction surveys, image surveys, interest surveys, customer experience surveys with regard to the contract process and so forth. Based on findings from these surveys and focus groups, the Bank adapts its conduct vis-a-vis customers.

### Satisfaction surveys

Brandman Instituted conducted a customer satisfaction survey for 2020 and found that both private and business customers' satisfaction with our banks (with no difference in ratings between the groups) is continuing to be very high and stable over time:

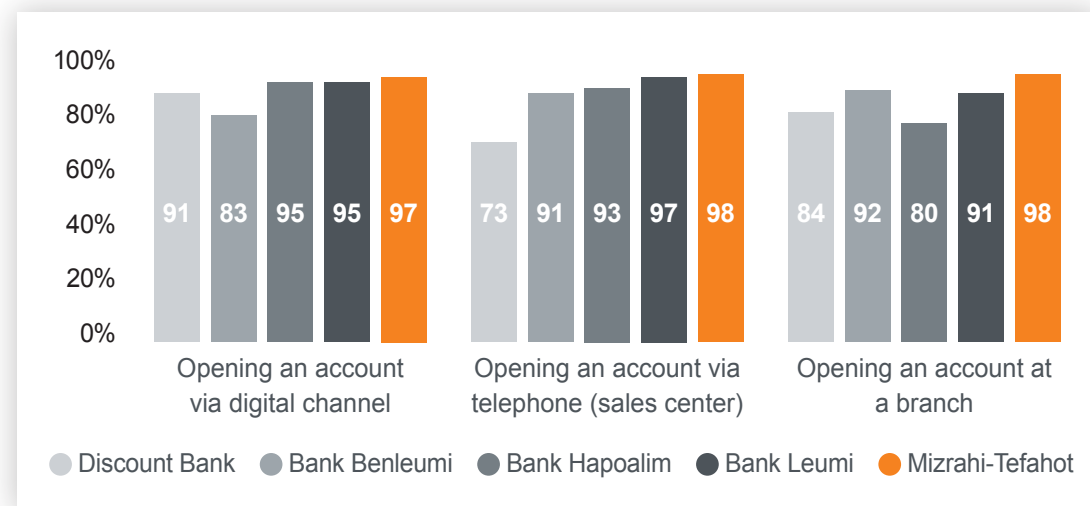


In 2020, "satisfaction with banker" was rated **8.8** (out of 10) for the fifth year in a row.

"Banker fairness to customers at branch" was rated **8.9**. | "Positive atmosphere at branches" was rated **8.6**.

Furthermore, Mizrahi-Tefahot Bank focuses not only on the satisfaction of its existing customers, but also of its new customers, and also exerts efforts to create an optimal experience when customers open bank accounts. This is also evidenced by an external survey conducted by the research institute MarkeTest, which evaluated the satisfaction of new customers at all of the banks. MarkeTest's "2020 Customer Experience Index" found that Mizrahi-Tefahot Bank is the leader in new customer experience in all channels (branch, telephone and digital).

### Results of MarkeTest's "2020 Customer Experience Index"



### Satisfaction with Mizrahi-Tefahot's loyalty club – the "Card" club

One way for the Bank to benefit its customers is through membership in the "Card" club. This club offers its members banking and consumer benefits, allowing them to save tens and hundreds of shekels in current household expenses. Throughout the year, the club offers regular discounts along with periodic attractive promotions in a wide range of store chains and businesses in different sectors. In 2020, hundreds of thousands of transactions were conducted by club members in businesses operating in co-operation with the club, and over 120 thousand bonus coupons were downloaded by club members for various promotions throughout the year. The club's campaigns were adapted this year to the needs of the customers and to the restrictions imposed in the economy.

### Measurement and handling of customer inquiries

customer inquiries are an opportunity to reinforce and improve the relationship between the customer and the Bank, while increasing trust and satisfaction. The Bank views customer inquiries as a very important source for identifying cases in which a professional, high-quality solution was provided and as an opportunity to empower proper conduct. However, the information in these inquiries is of great importance and impact for improving service, correcting faults and improving banking processes. Based on this viewpoint, the Bank has set itself the goal of optimally handling public inquiries. 2020 was characterized by a multitude of special requests due to customers' financial distress resulting from the Covid-19 crisis. During our customers' online activities via direct banking, situations arose whereby solutions for customers' personal needs could not be provided via digital means only. During this period, we provided personalized solutions to our customers, which helped them get through the crisis period, and we strictly maintained our organizational culture of fairness, which enhances customers' confidence in the Bank.

We responded to appeals while considering each customer's financial situation prior to and during the Covid-19 period with maximum sensitivity, particularly the needs and requests of customers that arose as a result of the crisis.

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

As part of the bank's process of drawing conclusions, it follows up on deficiencies that are found until a solution is found, informs its employees about sensitive issues and trains its employees on the subject of fair treatment of customers.



In 2020, we delivered **14,051** training hours on fairness with customers.





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

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

Appeals received and handled by the public appeals unit relate to all appeals received at Mizrahi-Tefahot Bank, at Bank Yahav and at Bank Igud in 2020:

- 64% of the inquiries received were complaints and the remaining 36% were requests.
- In 2020, we addressed 4,098 complaints.

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

Subject	Mizrahi-Tefahot		Bank Yahav		Bank Igud	
	Percentage of complaints in 2020	Percentage of justified complaints in 2020	Percentage of complaints in 2020	Percentage of justified complaints in 2020	Percentage of complaints in 2020	Percentage of justified complaints in 2020
Methods of Payment	16.7%	17%	26.1%	11.2%	23.8%	29.3%
Housing loans	23.6%	12%	-	-	10.7%	8.2%
Quality of service	13.3%	7%	24.5%	9.6%	10.9%	9%
Current accounts (including overdraft accounts)	14.5%	14%	8.8%	11.7%	16.9%	23.8%
Loans (non-housing)	15.5%	8%	18.5%	3.8%	17.6%	10%
Other activity of the corporation	8.2%	11%	6.6%	7.8%	5.7%	3.6%
Deposits and savings	2%	12%	3%	2.5%	1%	0.9%
Foreign currency	2.2%	12%	2.7%	8.1%	3%	1.8%
Securities information	2.2%	13%	2.3%	9.4%	5.1%	3.6%
Other	0.9%	15%	1.7%	21.7%	4.8%	9.1%
Dormant account	0.7%	13%	4.9%	14.9%	0.5%	0%
	0.1%	50%	1%	15.4%	0%	0%

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

### Findings with regard to complaints in 2020

- Total complaints found to be justified** – During 2020, the ratio of justified complaints was around 12% in Mizrahi-Tefahot Bank, about 9% in Bank Yahav and approximately 18% in Bank Igud (all other complaints were found to be either unjustified, or the handling was completed without taking a position<sup>1</sup> or the subject of the complaint was not under the unit's authority<sup>2</sup>). In general, all justified complaints and deficiencies found are monitored through resolution. In order to learn lessons, brochures are sent to employees, listing examples of cases and common mistakes, to aid learning, improvement and reduction of justified complaints.
- customer complaints about accessibility** – In 2020, the Group received 8 complaints about accessibility (4 at Mizrahi-Tefahot Bank and 4 at Bank Yahav). Of these, no complaint was found to be justified.
- Complaints about breach of customer privacy** – In 2020, the Group received 18 complaints about breach of privacy (12 at Mizrahi-Tefahot Bank, 7 at Bank Yahav and 1 at Bank Igud). Of these, 5 complaints were found to be justified (2 at Mizrahi-Tefahot Bank, 2 at Bank Yahav and 1 at Bank Igud), which were addressed as needed in conformity with Group procedures.
- customer complaints regarding discrimination in service provision** – In 2020, the Group received 14 complaints concerning discrimination (6 at Mizrahi-Tefahot Bank and 8 at Bank Yahav). out of which, one complaint was found to be justified. All of the complaints were submitted by customers of the Group.

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

Our diligence about providing high-quality responses to our customers, and the quality of our handling of public appeals are also reflected in data published by the Bank of Israel. In October 2020, the Bank of Israel published its 2019 report, which presents three indicators for the quality of handling of public appeals by the five largest banks, as follows:

- The ratio between each bank's share of complaints and inquiries that were handled by the Banking Supervision Department and its share of the banking system** – Mizrahi-Tefahot Bank was ranked in 1st place for this indicator for the third consecutive year; its share of complaints and inquiries handled by the public appeals unit in the Banking Supervision Department was smaller than its share of the banking system.
- The ratio of instances when the bank took action in the customer's favor even though the complaint was found to be unjustified** – Mizrahi-Tefahot Bank ranked in 2nd place for this indicator.
- Response time to public complaints** – Mizrahi-Tefahot Bank was ranked as the best in this indicator, as in 2018.

1. Cases of "he said, she said", without established evidence, or cases in which there is no significance to determining a position, in order to provide customer relief and resolve the issue.  
2. Complaints relating to the branch failing to approve credit, benefits in commissions or debt settlement.







## Fairness and transparency towards customers

The Bank deals fairly with all stake holders, including Bank customers. The value of fairness is enterprise-wide and is based on application of basic values: integrity, fairness and transparency.

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

Thus, the Bank commits to maintain a fair relationship with customers, ensuring full transparency with regard to information which the Bank is required to provide to customers with regard to its products and services. The Bank commits to act with integrity, to be faithful to the personal and professional interest of its customers, and not to take any action that is not in line with values in the Bank's Code of Ethics.

Fairness and transparency towards Bank customers are implemented as reflected in responsible marketing and advertising and in fairness in the Bank's products and services.

In this regard, the Compliance Officer, who is responsible for helping Bank management in effective management of risk facing the Bank, constantly works with the Chairman, Ethics Committee, to discuss implementation of the policy and of values in the Code of Ethics. The goal of these regular sessions is to contribute to internalization of correct operating principles and to bolster implementation of the Code of Ethics by all Bank employees, along with action that is in conformity with basic guidelines for fairness risk management.

## Responsible marketing and advertising

**The Bank acts to provide transparency and clarity in its products and services, so as to help customers make informed decisions.**

**In order to promote fairness and transparency at Mizrahi-Tefahot Bank, 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. The Bank adheres to clear standards with regard to marketing communications, advertising, sales promotion and sponsorship. These standards form part of marketing procedures and are reviewed in each campaign and on regular basis, annually or more often as required.**

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

- **Avoiding contentious issues in Israeli society.**
- **Respectful, non-abusive advertising** – The Bank adapts its messages for various segments of the population, so as to align with their norms and cultural values. These messages reflect the Bank's guiding principles for its current operations: reliability, loyalty, maintaining human dignity, professional integrity and commitment to the customer.

- **Clear language** – Use of clear and understandable language is a mandatory foundation for providing high-quality service to customers. Mizrahi-Tefahot Bank strives to have customers properly understand their financial rights, obligations and how products and services work, so as to enable them to make informed financial decisions.

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

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

## Fairness in product and services

Bank products and services are designed to answer customer needs. To this end, all customer-facing employees receive training about products offered by the Bank, becoming familiar with customer attributes and standards for service and sales. Employees are provided with tools that would allow them to discuss with customers their financial needs, to ask the right questions and to propose appropriate solutions.

The Bank also maintains extensive control over its lines of business and acts to maintain effective enforcement programs adapted for the Bank and its unique circumstances, as part of overall risk management at the Bank, including fairness risk.

Mizrahi-Tefahot Bank operates multiple decision-support tools to assist in optimal matching of customer risk level and repayment capacity with their needs and the products in which they are interested.

## Due disclosure

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

The Bank makes sure that agreements with customers comply with legal requirements and with directives of the Supervisor of Banks regarding proper disclosure. As part of the Internal Audit Division's work plan, audits are also conducted of information with regard to various products and services offered to customers. These audits include sampling of customer agreements. In case of any agreements that should be revised, including with regard to full disclosure and fees, this issue is reflected in the Audit Report.

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



## Making the Bank ID accessible

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

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



## Managing the fairness risk

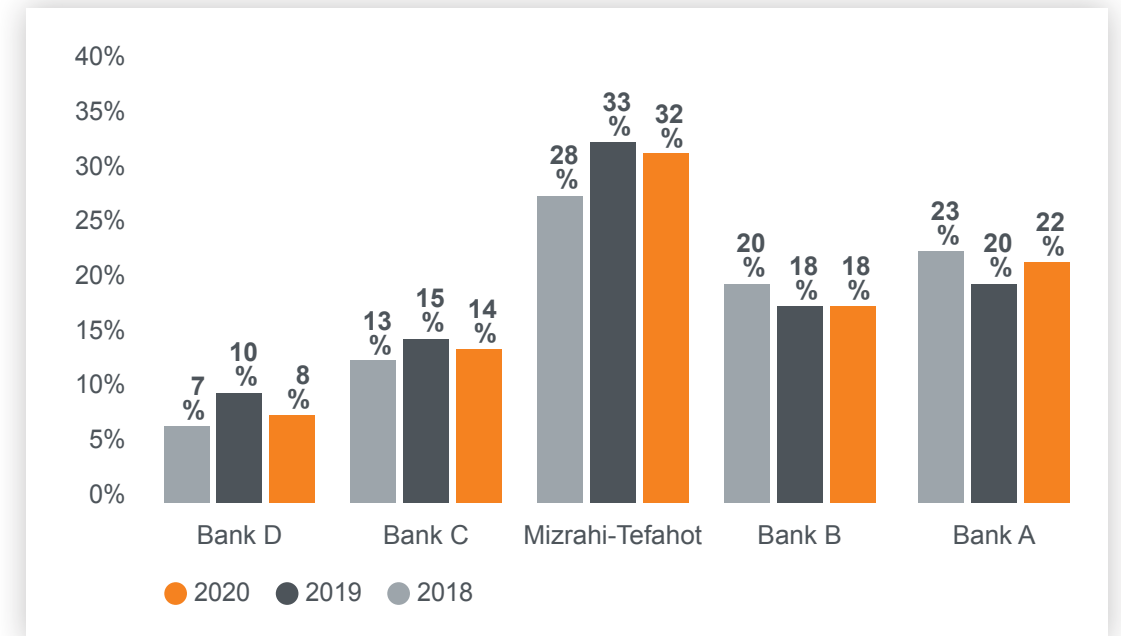
Mizrahi-Tefahot Bank conducts itself with fairness towards all stakeholders and is diligent about managing fairness risk as an integral part of its overall risk management. Fairness risk is a component of compliance risk, which is managed by the manager of the Risk Control Division. This manager is tasked with helping the Bank's management effectively manage the compliance risks that the Bank faces, including fairness risk. The Bank's risk appetite pertaining to fairness risk is negligible.

## Perception of Bank fairness among customers

Like in previous years, the Bank is continuing to monitor its customers' perception and sense of fairness in order to analyze the Bank's position and image as a fair bank compared to other banks<sup>1</sup>. The survey conducted in 2020 also found that Mizrahi-Tefahot Bank is perceived as the fairest bank in the banking system.

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

## Perception of bank fairness among the public at large



In 2020, the Bank received no fines nor warnings concerning non-compliance with voluntary regulations and codes with regard to providing information about services and product marking, nor concerning marketing communications.





## Information security and keeping information confidential

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

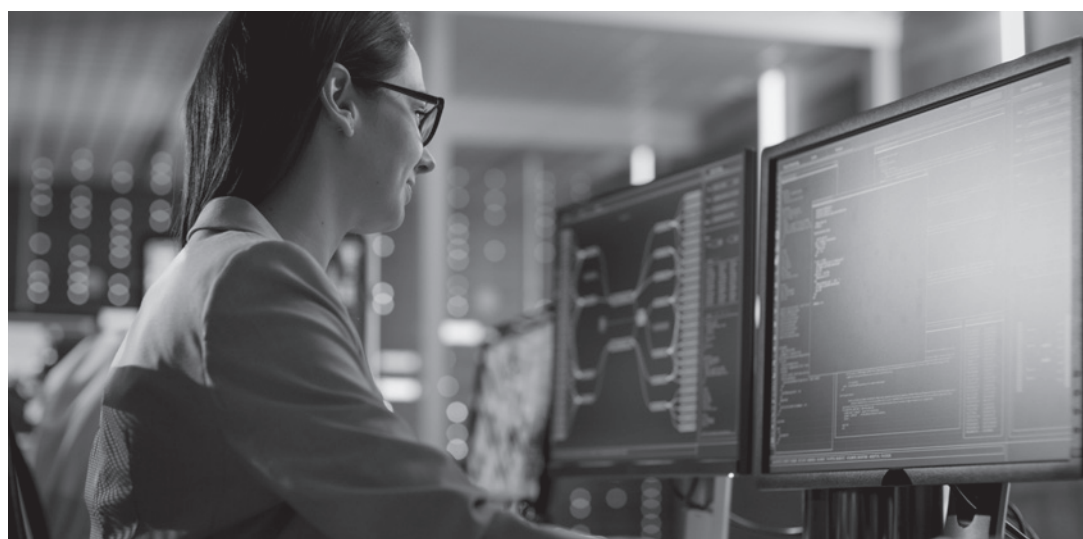
The Bank's privacy policy anchors the Bank management's commitment to ensure the availability, confidentiality, completeness and reliability of its information systems and of the information assets of the Bank and its customers, particularly with regard to protecting the privacy of customers' information and banking confidentiality using an advanced and extensive IT security system. In cases where the Bank has chosen to conduct activity with customers through a third party (outsourcing), the Bank's outsourcing policy ensures that the supplier maintains conditions to secure the privacy of customer information.

### Information security

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

Privacy protection is managed by the risk control department. We appointed a privacy protection officer to be responsible for this field, who is subordinate to the Bank's chief compliance officer.

The Bank's Board of Directors also receives updates several times a year about the information security and cyber security activities.



## Protection circles for safeguarding information

Our customers entrust to not only their money, but also significant financial and personal information. In today's technological reality, given threats such as digital fraud and cyber crime, the Group extensively acts to safeguard information.

Among the steps that can be disclosed, we apply the following:

- **Risk management** – We conduct periodic risk assessments and risk surveys for systems and processes and we monitor sensitive operations, analyze and process information, and identify, respond and control anomalies .
- **Contending with cyber threats** – We develop and use advanced technological capabilities to contend with cyber threats, including cybercrime, and we implement a multilayer cyber defense doctrine. The Bank, inter alia, monitors customer activity in the various channels, in order to identify and prevent un-authorized use of customer accounts, informing the customer if any such use has been identified. The Bank is assisted by external parties in locating information assets related to the Bank in cyber space.
- **Cybersecurity awareness and training** – We operate a program to increase employees' awareness of cyber risks and instruct them that all employees and managers are personally responsible for safeguarding customers' information and the Bank's information assets. The training program includes activities to familiarize employees with the risks on the internet and on social networks and to teach them ways to contend with these risks. The program also includes training for new employees and refresher classes for existing employees using courseware, news flashes on information security and cybersecurity and exercises in detecting phishing risks.



In 2020, we delivered **7,876** training hours on information security, to all Bank employees.

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

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





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

- **Promoting online safety** – In order to promote awareness and to expand customer knowledge on safely using the Internet and safeguarding their information, the Bank website provides information and tools on this subject. This page provides information about the following: Rules for safe web browsing and how to verify the true identity of the Bank website, means to protect the customer's PC, correct use of passwords, online fraud, information about implementing information security at the Bank and how to report suspected fraud.
- **We also inspect our suppliers** – The Bank's various information security and cybersecurity procedures also address the subject of engagements with suppliers. Suppliers of the Bank that are exposed to insider information – particularly suppliers that are exposed to information about customers – are obligated to comply with the information security requirements designed to provide a good level of information security. As part of the risk management and control processes relating to suppliers, and in compliance with Proper Conduct of Banking Business Directive 363, the Bank conducts meticulous inspections and information security reviews on the premises of material suppliers in order to verify that they are maintaining the required level of security.

## Protecting our customers' privacy

**The Bank operates in compliance with the rules of its customer privacy protection policy and is diligent about protecting the privacy of customers' information in compliance with the regulatory provisions and the conditions defined in the aforesaid policy. The Bank is continuing to strengthen and improve the security mechanisms in the Bank's systems in order to continue minimizing the ability to perform unauthorized operations in customers' accounts. These actions were taken as part of debriefing processes and lessons learned by the Bank with regard to this emerging threat.**

Our privacy protection policy is forwarded to all customers of the Bank at the time of the engagement with them, which specifies the information that the Bank collects when customers use its services and about how it uses this information. This information is retained by the Bank if it believes it to be vital to retain.

Pursuant to the Privacy Protection Law, every customer is entitled to view his/her personal information that is retained in the Bank's computerized databases. If a customer finds that the information is incorrect, incomplete, unclear or outdated, the customer may ask the Bank to correct or delete it.

### Protection circles for safeguarding customer privacy

This is managed by the Bank as follows:

- **Risk mapping** – The Bank regularly conducts mapping, analysis, management and assessment of all risk factors facing the Bank.
- **Risks management and mitigation** – In conformity with the current risk mapping, the Bank implements processes and technology to hedge and mitigate risk.



- **Control** – The Bank applies control processes in order to identify any gaps in implementation of the tools and processes specified.
- **Confidentiality and privacy** – Access to customer information is controlled and allowed based on policies specified for this matter. There is also strict adherence to procedures regarding safeguarding the privacy of customer information and banking confidentiality, with regular control and enforcement.
- **Privacy protection awareness and training** – We operate a training program on the subject of privacy protection. As part of the program, the compliance department provides privacy protection training to all employees of the Bank. Training sessions are held, and courseware and information sheets are disseminated to all employees.
- **Direct communications between the public and our privacy protection officer** – The Bank set up an email account and a fax line for public appeals with regard to privacy protection, with the aim of providing swift and efficient responses to privacy protection issues raised by customers.
- **Protecting our employees' privacy** – We also take action to prevent any infringement on our employees' privacy according to a formal Bank procedure.



## Information security and privacy protection in our subsidiaries in Israel

Bank Yahav and Bank Igud have privacy protection policies and procedures to handle violations of the information security procedures for safeguarding customer information. These banks take action to protect their customers' privacy according to the Group's policy in this regard: Actions in this regard:

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

## Complaints with regard to customer privacy

During 2020, a total of 18 complaints were received on the subject of infringement of customer privacy (12 at Mizrahi-Tefahot Bank, 5 at Bank Yahav and 1 at Bank Igud.) Of these, 5 complaints were found to be justified (2 at Mizrahi-Tefahot Bank, 2 at Bank Yahav and 1 at Bank Igud), which were addressed as needed in conformity with Group procedures.



## Promoting common value

Mizrahi-Tefahot Bank strives to generate social and/or environmental value, as part of its business operations and together with the economic value generated, to promote common value for the Bank and for its customers. In order to implement this principle, the Bank offers products with environmental and social value and offers financial meetings for customers and for the public at large.



## Development of environmental and social products

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

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

## Environmental lending

The Bank has an environmental risk management policy in place, as part of the approval of credit policy documents. The Bank's policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk<sup>1</sup>.

As part of our management of environmental risks when providing credit, we mapped sectors with significant potential for creating environmental risks. Companies with a significant volume of operations and significant potential for creating environmental risks are required to address this risk in their credit applications.

**Credit for the development of green energy sources and cogeneration –** During 2020, we approved credit for the green energy sector – solar renewable energy. Use of such energy reduces environmental pollution. During 2020, the Bank approved credit at the volume of approximately ILS 775 million.

1. For more information see chapter "Corporate Governance" later in this report and the corporate social responsibility policy on incorporating environmental and social considerations, available on the Bank website.



Environmental issues are also part of operations of the Bank's overseas branches. Consequently, the Bank branch in Los Angeles, which is subject to local regulation, has formulated policy and procedures on environmental issues. Furthermore, the Bank branch in London uses principles published by the Prudential Regulation Authority (PRA) as guidelines for formulating policy on managing the risk of climate change.

## Social lending<sup>1</sup>



During 2020, the Bank and its branches donated NIS **4.53** billion to advance social causes and NIS **775** million to advance environmental causes.

The Bank and its extensions are taking action in several plains to promote social products to their customers. In 2020, the Bank provided NIS 4.53 billion to promote social causes, as follows:

- **Credit for small businesses – "The Northern-Southern Fund"** – The Bank promotes small and medium businesses in the Northern and Southern regions, by turning these regions into attraction hubs, by creating employment, increasing revenues and improving quality of life. To this end, the Bank allocated through 2020 loans amounting to NIS 849 million, of which NIS 110.7 million in 2020 alone.
- **Credit to high-tech companies that are promoting social issues** As part of its core strategic plan, the Bank expands its activity among business customers in the high-tech sector (including start-up companies), through the High-tech Department in the Corporate Sector of the Business Banking Division, as well as through 13 branches nationwide specialized in serving high-tech customers. The Bank is active and provides financing to start-ups in various segments, including: FoodTech, medical equipment, AdTech, FinTech and others. We are also the first bank in the Israeli banking system to provide financing to medical cannabis companies. During 2020, the Bank allocated loans totalling ILS 149 million to companies that are promoting social issues.
- **Financing of social-oriented debentures** – In 2019, the Bank became an anchor investor in social-oriented debentures issued to finance the "Math in Rahat" project. Social-oriented debentures offer financial investment in a project to benefit the public, in order to provide a solution to social issues in the fields of education, welfare, employment and so forth. Such investment is made by purchasing debentures from a company incorporated to this end by an entrepreneur who typically contracts with a public entity that is interested in achievement of the social project outcome.

1. GRI: 102-48.

The debentures purchased by the Bank are used to invest in a project to enhance high-school math studies at high level (4 and 5 units) and to enhance Hebrew language studies at 7 high schools in Rahat (a total of around 1,200 students). The project duration is six years in three classes, with each class provided with three years of active intervention.

The debentures were issued by a special-purpose company, Social Financial Financing Israel Ltd. (Public benefit company).

In 2020, approximately ILS 581 thousand were purchased out of the inclusive total of ILS 3.6 million, which will be transferred in installments to the issuer until 01.01.2025.

- **Government-backed fund for small and medium businesses** – Since 2012, the Bank has been active in the Government-backed fund for small and medium businesses. In 2016, the Bank was awarded the new tender conducted by the Government and started providing such loans as from May 2016. The Bank's share of credit provided is 60% of the financial partnership with institutional investors which provides the loans. To this end, the Bank provided loans amounting to NIS 4,683 billion through end of 2020, of which NIS 252.9 million in 2020.



**Covid-19 Fund** – In 2020, a fund guaranteed by the State was established to help businesses that were encountering cash flow difficulties as a result of the Covid-19 crisis. During 2020, the Bank granted loans totaling about NIS 4 billion.



- **Loans in cooperation with IVN Yozma Fund** – The Bank provides loans in jointly with the Fund, which focuses on the development, investment and support for social businesses that focus on vocational training and employment for youth and youngsters at risk, people with special needs, paroled prisoners, the elderly and single-parent families. As part of this partnership, the Bank resolved to lend NIS 1 million over 10 years, starting in 2017. In 2020, the Bank provided NIS 320 thousand to the fund.
- **Social investments by US affiliate** – In 2020, the Los Angeles branch invested USD 5 million, as required by the Community Reinvestment Act (CRA), in dedicated funds which provide mortgages to the disadvantaged and loans to small businesses in the USA. This is the same amount as invested in 2019. Due to the expectation that the branch will expand its operations in 2021, the investment is expected to be increased by USD 2 million to a total of USD 7 million.





## ESG investments

During 2020, Mizrahi-Tefahot Bank promoted social-environmental investments conforming to good governance principles through new products that it offered to its customers, including related ETFs – green government bonds – particularly for shares ranked high on the ESG rankings. Coupled with:

- **Training sessions** – The investment counseling department periodically holds designated seminar days to provide tools to the Bank's counselors in the content worlds of responsible investments and ESG investments.
- **Maala rating** – Added to the review of such companies was their rating in the Maala Index, an index analyzing the degree of commitment to and social-environment impact of companies and organizations in Israel.
- **Offering purchase recommendations also based on ESG aspects** –
  - **Climate change** – Recommendations about shares with good environmental performance (such as companies that: use alternative energy or that generate less pollution; manufacture products from environmentally-friendly materials; launch climate initiatives; use technologies that are beneficial to the environment, etc.).
  - **Gender equality** – Recommendations about shares of companies which hire women for roles in the Company's management and/or for other key roles and/or are members of the board of directors.



Mizrahi-Tefahot Bank, through licensed counselors, provides financial and pension counseling services to its customers that are customized to their needs. The Bank's Investment Counselling Department, which is responsible for disseminating recommendations to the branch investment counsellors, disseminates recommendations from time to time regarding ESG assets and instruments.



## 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, tools for economic empowerment and proper budget management.**

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

As part of Bank activity in this area, the Bank offers:








- **Support and economic advice to businesses** – Assistance and advice for businesses large and small, for correct financial conduct of the business, both for businesses just starting out and for well-established ones as well.
- **Financial workshops and training for the public at large** – Providing basic concepts in the financial world for diverse demographics to improve their economic well-being.
- **Digital literacy** – Activity to empower and learn digital tools, designed for senior citizens.



During 2020, we offered five lectures on financial topics that were broadcast on digital channels (advice on pensions, mortgages, savings and on budget management), which drew 548 attendees. (both Bank customers and from the public) (for more information about financial sessions, see this chapter under "Customer experience" and chapter "Community" on page 90).



Achievement of 2020 goals

Goals for 2021

Specified goal	Response to SDGs	Status
Continued "Let us meet at Mizrahi-Tefahot" activity" in the financial domain, focused on the Arab sector, Jewish Orthodox sector and retirees ("Let us meet – Sixties").	  	Done
Continue expansion of the service by adding new service locations and offering diverse services to customers at central locations.		Done
Continue expansion of activity in the Arab and Jewish Orthodox sectors, by expanding existing services.		Was not achieved due to the Covid-19 crisis and the social distancing regulations
Training on environmental risk delivered to relevant employees at the Business Division.		The training was not held in 2020 due to the social distancing restrictions, so it was rescheduled for 2021.
Monitor changes in the threat space and adapt defensive systems at the Bank, in line with such changes, so as to ensure the level of defense for Bank systems and customer information.		Done
Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection.		Done
Maintain high level of satisfaction among Group customers and continue to provide optimal service handling customer complaints, with fair treatment of customers by the Bank.		Done

Specified goal	Response to SDGs
Be supportive of small and medium-sized businesses within the framework of our "business meeting" initiative – a series of lectures about growing a business, focusing on topics such as marketing, branding, building a business plan and a business vision, management effectiveness and more. The series of lectures will be given by expert consultants in these fields.	
Continued "Let us meet at Mizrahi-Tefahot" activity" in the financial domain, focused on the Arab sector, Jewish Orthodox sector and retirees ("Let us meet – Sixties").	
Continue expansion of the service by adding new service locations and offering diverse services to customers at central locations.	
Hold conferences and meetings with business customers from various sectors, including on subjects relating to foreign trade, according to the changes in global trade.	
Train the Bank's financial counselors on the subject of ESG.	 
Training on environmental risk delivered to relevant employees at the Business Division.	
Monitor changes in the threat space and adapt defensive systems at the Bank, in line with such changes, so as to ensure the level of defense for Bank systems and customer information.	
Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection.	
Expand the activities targeting households in the Arab society by opening mortgage units at branches in the Arab society.	
Continue to sustain the high satisfaction among the Group's customers and continue to provide optimal service when handling customer complaints, while maintaining the Bank's fairness towards its customers.	





**97%**

are local suppliers Of which 20%  
are from outlying areas

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

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

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

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

# Investing in the Community

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

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

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

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

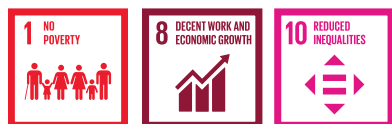


# Impact on Israeli society through involvement and volunteer work<sup>1</sup>

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 Capital, Resources and Operations 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 nation-wide presence, through partnerships and with internal and external communication of the Bank's community involvement.

The Bank's community engagement is carried out accompanied by a constant dialogue and realization of broad initiatives with community partners throughout Israel, engagement of employees and managers, geographic and other diversification of activities utilizing the Bank's nation-wide presence, through partnerships and with internal and external communication of the Bank's community involvement. Employees are involved and play an active role in volunteer activities, which they regard as a key value, investing their time and skills. The value of giving and connecting with the community have become part of the DNA of each branch and unit of Mizrahi-Tefahot Bank.



As an innovative bank exerting unique humanitarian efforts, Mizrahi-Tefahot Bank's strategy for social involvement in the community is reflected in its vision statement: "to advance while remaining human." The central motif in our social strategy is innovative initiatives to promote a more compassionate society that encompass several core topics:

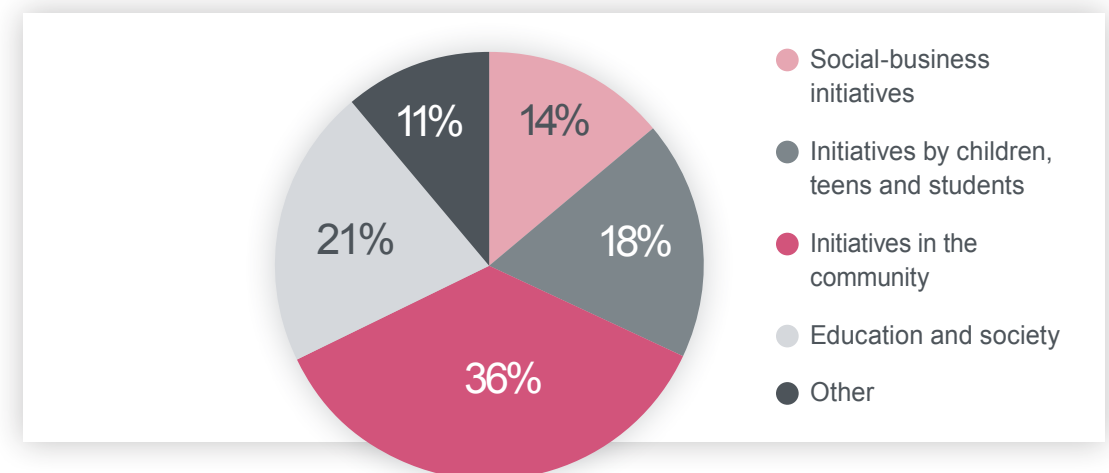


1. GRI: 102-43.

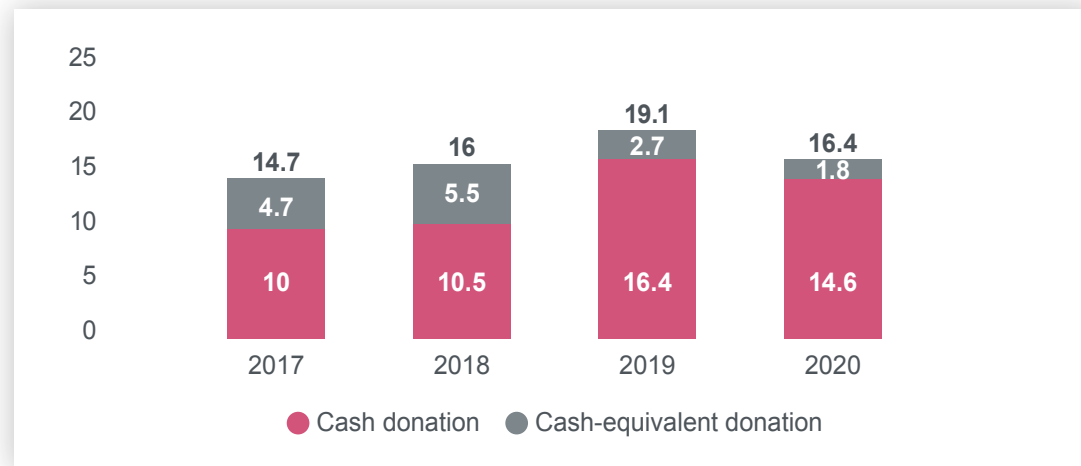
- **Social-business initiatives** – Considering our financial expertise and profound knowledge of the business world, we harnessed the knowledge and experience of our managers and employees to strengthen the capabilities in the social sector and we invested in supporting social-business ventures and initiatives promoting wise financial management.
- **Initiatives by children, teens and students** – As a leading bank in the Israeli market with an innovative, forward-looking approach, we want to focus on investing in initiatives that will have a significant favorable impact on Israeli society. Therefore, we invest in social and geographic initiatives helping children, teens and students.
- **Initiatives in the community** – Since the Bank's core value is that of compassion, we take action to inculcate values of mutual assistance and volunteering in Israeli society in general and by our employees and their families in particular.
- **Education and society** – Mizrahi-Tefahot Bank regards its branches as a place for building a supportive, stable community and not merely as a financial center; therefore, the Bank emphasizes promoting education and society and reinforcing its relationships with local communities in which the Bank operates. The Bank has created a social project designed to empower, enrich and bring residents in the vicinity of Bank branches to meet Bank employees. The Bank is also involved in funding and social activity, as part of their involvement in neighboring communities around Bank branches.

The Group's social investments during 2020 totalled ILS 16.4 million, compared to ILS 19.1 million in 2019. This investment consists of total cash donations of NIS 14.6 million and cash equivalent donations of NIS 1.8 million. Due to the Covid-19 crisis, the Bank adjusted its modes of activity with the community. As part of these adjustments, our "Let's Meet" activities were shifted to digital channels and our enrichment activities were broadcast on the Bank's Facebook page. Additionally, employee volunteering shifted to personal, per-family and virtual formats and were at more limited volumes than in the past. These adjusted resulted in a decrease in the volume of social investments.

## Investment in the community by activity type for 2020



### Social investment by the Group over the years (NIS in millions)



### Investing in the community during the Covid-19 crisis

The Covid-19 pandemic's severe adverse impact on the Israeli economy also took its toll on social NPOs and organizations dedicated to supporting and advancing disadvantaged populations. These social NPOs and organizations received a deluge of appeals from the public during the Covid-19 crisis in 2020 – while the resources allocated to them were severely cut and their activities were severely constrained due to the imposition of lockdowns and quarantine.

We redoubled our social commitment during the Covid-19 crisis, and our community relations unit exerted considerable efforts to provide solutions for the community's changing needs. To this end, we took action in two key channels:

The first – we responded to appeals for assistance by populations hit particularly hard by the crisis, such as assistance in purchasing and distributing food baskets and computers and assistance to the elderly, to the disabled, to people confined to their homes, and more.

The second – we re-examined all existing projects and collaborative efforts and made the necessary adjustments to ensure continuity of service during the Covid-19 crisis.

In response to the appeals for assistance, we decide to allocate an additional large sum of money to help out during the crisis. To this end, we expanded our donations and financial support to those entities that the Bank regularly supports and to new NPOs formed to assist disadvantaged populations who sank into deeper hardship during the Covid-19 crisis.

- **Personal protective equipment** – The Bank donated considerable funds for purchases of personal protective gear for medical teams operating in the field and for the various national emergency medical and rescue organizations, such as: Magen David Adom, Yad Sarah, United Hatzalah, ZAKA and more.

- **Food baskets for the needy** – The Bank also donated food baskets to the needy and to people confined to their homes, focusing especially on the elderly and on Holocaust survivors. For example, as part of the Bank's support of the "Latet" NPO, whose members took part in the emergency food distributions during the Covid-19 crisis, we donated an extra sum, in addition to the Bank's regular financial support to this NPO.
- **Support to youth movements** – Additional examples of special projects that we sponsored during the Covid-19 period with the aim of responding to the arising needs are: "Krembos" – as part of the ongoing cooperation between the Bank and the Krembos' Wings" youth movement, the Bank funded tours led by mentors of the movement for children with special needs in the cities of Lod and Ramat Gan, where the Bank has headquarters.
- **Support of the "meal for two" project** – The Bank supported the "meal for two" project in conjunction with the "Latet" organization, which purchased cooked meals from small Israeli businesses and distributed them to the needy. This project actually provided dual support – to the needy recipients of the meals and to the small businesses from which the meals were purchased.

In the second channel, the Bank's community activities focused on finding creative solutions for the unique needs of entities that we cooperate with throughout the year, such as: reorganizing projects to operate online instead of face to face; finding alternatives to multiparticipant projects that could not proceed in their usual format due to the Covid-19 restrictions, and more.

During the Covid-19 crisis, we prioritized our cooperation with "Friends for Health" – an NPO dedicated to collecting unused medicines and redistributing them to needy patients. The Bank refreshed all of the medicine collection receptacles in all of our branches and headquarters buildings in order to encourage employees and customers to donate medicines and respond to the growing need.

The various youth movements also suffered from the impacts of the Covid-19 pandemic, in that nearly all of their activities were cancelled. The Bank has been cooperating for many years with the Council of Youth Movements in a venture called "Zazim" and supports social-educational community initiatives led by members of the various movements. The Bank and the Council of Youth Movements jointly analyzed the adjustments needed so that "Zazim" could continue operating despite the Covid-19 restrictions. The Bank and the Council shifted their joint meetings to Zoom, re-examined projects in light of the constraints and designed new modes of action.

Due to the Covid-19 crisis, which did not allow the "Creating from the Heart" fair to be held as in previous years, the decision was reached to hold an alternative online event called "the Fair of Light," which was held virtually for the first time before the Hannukah holiday (which is also called the "Festival of Lights") on the website of the "And Joy Studio" (a social business selling gifts that employs people with disabilities to compile, pack and prepare gifts for delivery). During this fair, eight NPOs and social businesses, in addition to And Joy, sold gifts to the general public. The objective of this fair is to help support social NGOs and organizations to increase their sales and to increase public awareness of their social activity. All of the sales revenues from the fair are reinvested in the NPOs and social businesses.

The Covid-19 crisis made us rethink how we can continue to offer our "Let's Meet" workshops to the general public. The outcome was that we established a special digital platform to broadcast these workshops.



Another way that the Bank supported and helped NPOs and social organizations during the Covid-19 crisis was by encouraging its managers, employees and their families to volunteer for various causes:

- Employees were offered volunteering opportunities that they could perform from their homes or outside in conjunction with the “Ruach Tova” volunteering NPO.
- We cooperate with the “Rebook” initiative, a social business dedicated to helping people with mental disorders gain occupational skills, and our employees borrow books from the Bank’s libraries.
- Our managers and employees responded to the invitation to volunteer as mentors for social businesses and NPOs that suffered as a result of the Covid-19 pandemic, through entities that support these organizations. The Bank formed a team of mentors from among its employees to help social ventures that fell into hardship, by providing professional advice. Bank managers who volunteered to serve as mentors offered practical economic and business advice online to each of the ventures, which enabled them to push ahead, equipped with new and creative strategic directions.
- During the summer, our employees and their families volunteered for community activities, with an emphasis on needs that arose due to the Covid-19 crisis.
- Our employees purchased gifts created by social NPOs and businesses that employ people with disabilities. The Bank launched virtual crafts fairs before the Passover and Rosh Hashanah holidays to promote purchases of gifts having added social value, which reached tens of thousands of shekels.

The Bank participated in “Computerizing,” a national project led by the President of Israel, Mr. Reuven Rivlin, by donating funding for purchases of computers for children and teens who have no technological equipment in their homes enabling remote studies.

## Social-business

As one of Israel’s five largest banks, 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 this area are social-business initiatives and initiatives promoting wise financial management.

- **Social-business initiatives** – We support initiatives that employ or help disadvantaged populations, such as people with disabilities, the Arab society, the ultra-orthodox Jewish society, etc.
- **Initiatives promoting wise financial management** – We support initiatives encouraging wise financial management among these populations: children and teens, nascent social organizations and disadvantaged populations, such as the Arab society, the elderly, etc.

## Social-business initiatives

As part of our community activities, Mizrahi-Tefahot Bank supports social NPOs and businesses that launch and promote social innovation with the goal of expanding their influence for the advancement of the community:

- **“Business with value” project** – the Bank’s social venture program, in cooperation with the IVN Foundation supporting social businesses and NGOs that aid under-privileged populations in an innovative, ground-breaking way. As part of this venture, start-up social businesses or NGOs are invited to apply to take part and to benefit from a financial grant from the Bank and from professional assistance by professional mentors. In 2020, some 100 businesses and NGOs applied, of which 4 NGOs were selected to receive professional assistance from Bank employees and business consultants in different areas, such as creating a business plan, organizational development, marketing, managing human resources and others. These NGOs also received a financial award, for expanding their business, in conformity with the business plan. Below are the 4 selected projects:
  - **A tale of ...** – An NPO for social, educational and culinary events, which is operated by a team including graduates of “the House on Wheels” (youth with physical disabilities). During the Covid-19 crisis, this venture delivered prepared meals and held an open-air market for product sales on Fridays for the entire Jerusalem region with great success.
  - **A second from home** – A social business for the sale of surplus and second-hand clothes, fashion accessories and games that employs people with disabilities in the Neveh Yaakov neighborhood of Jerusalem.
  - **The yard** – An educational and rehabilitative community garden that employs people with mental disorders in the cultivation of seedlings and the preparation of potted plants for sale to private and business customers.
  - **Siraj** – A software house developing high-tech solutions and providing internet services, which employs people from the Bedouin society in southern Israel.

A team of the Bank’s experts acted as mentors and provided legal and marketing lectures to ventures selected in 2020 and in previous years to help them operate wisely.

- **“Amanina”** – We created cooperation with the “Amanina” NPO, which is dedicated to promoting and developing volunteering in the Arab society and to operating diverse nationwide volunteering programs. The Bank is a partner in the establishment of an incubator to encourage volunteering in the Arab society in Israel. As part of our joint efforts, we publicized an appeal to entrepreneurs in the Arab society to submit their candidacies for participation in the program. Ten ventures were selected and the Bank awarded them financial grants and provided them with mentors to offer guidance and professional training.
- **“The Fair of Light”** – Due to the fact that was not possible to hold the craft sale as in previous years, the decision was reached to hold an alternative online event called “the Fair of Light,” which was held virtually for the first time before the Hannukah holiday on the website of the “And Joy Studio” (a social business selling gifts that employs people with disabilities to compile, pack and prepare gifts for delivery). All of the sales revenues from the fair are reinvested in the NPOs and social businesses. 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, the Bank purchased **gifts for employees and goodies for events from non-profits and social businesses at the scope of 600 K NIS.**

Additionally, during the holidays, Bank employees purchased **gifts and select goodies from various non-profits and social businesses totaling 140 K NIS.**

- **Purchasing of gifts from NPOs –** The Bank customarily purchases holiday and special-occasion gifts for its employees from social businesses and NPOs. In 2020, we purchased gifts totalling ILS 600 thousand from social businesses and NPOs. Our employees also purchase gifts from various social businesses and NPOs for the various holidays. In 2020, our employees' purchases from social businesses and NPOs totalled about ILS 140 thousand.



Our managers and employees volunteered to be mentors to social businesses and NPOs that ran into hardship as a result of the Covid-19 crisis, within the framework of cooperative efforts with professional and social entities in the economy.



## Initiatives promoting wise financial management

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

Other activities in this framework include:

- **"Money Road" training kit –** A program which provides youth with training on financial issues. An updated kit is offered on the Bank's website, which is designed to help teachers,

instructors and counsellors teach teens financial literacy using the kit's contents. This kit is also translated into Arabic and is also offered on our website. In 2020, "Money Road" kit training was delivered by Bank employees and students who received tuition scholarships from the Bank, in exchange for training groups of youths at high schools.

During 2020, financial training for at-risk youth was provided at the our branch in Lod. When the Covid-19 crisis broke out, we continued offering financial training via Zoom. We also offer the "Value of Money for elementary schools" kit, adapted for activities in elementary school classes (3rd to 6th grades). We designed this kit for our employees who want to offer financial literacy activities at their children's schools.

- **Pa'amonim –** The Bank has been co-operating with Pa'amonim to provide training on economic recovery for families, helping them succeed and achieve financial robustness. The Bank supports and assists a group of families in the Bet Shemesh and Modi'in regions, holding multiple meetings assisted by branch manager in the region. Bank employees are also invited to volunteer as advisors nation-wide, with their training being financed by the Bank, as a donation to this NGO. We granted a donation to Pa'amonim in 2020, within the framework of the "Partners by Choice" project, to sponsor their online workshops for families on the subject of financial crisis exit strategies.
- **Reinforce financial education for students and relations with institutions of higher education –** The Bank intensified links with institutions of higher education, by co-operating with colleges and universities, delivering lectures to students by volunteer employees and managers and by providing scholarships for students at several universities and colleges in financial fields of study. In 2015, the Bank sponsored the "Breathe easy at Tel Hai College", a center for providing financial advice to students at Tel Hai College. The center offers workshops on proper economic conduct for students, as well as personal workshops and meetings to increase awareness of this topic. This center also employs students who have received a tuition scholarship and financial training from Bank employees. In 2020, 50 students attended workshops on proper economic conduct offered by the center.



- **Teaching financial literacy to the general public** – The Bank provides training and instruction on financial topics to its customers and to the general public within the following frameworks:
  - **Financial seminars** – Within the framework of the “Let’s meet at Mizrahi-Tefahot” – we held five free financial seminars during 2020, which were attended by about 458 people.
  - **Mortgage workshops for Jewish Orthodox sector** – As the leading mortgage bank in Israel, we attach great importance to holding training sessions and workshops on this topic. In 2020, we offered 5 mortgage workshops designed for the Jewish Orthodox sector, attended by some 500 participants.
  - **Business conferences on the subject of foreign trade** – We held a series of conferences on the subject of foreign trade at the Bank’s business centers (Haifa, Netanya, Petach-Tikva and Be’er Sheva). During 2020, we held 13 digital foreign-trade conferences for businesses, which were attended by about 580 customers.
  - **Business meetings** – As part of Mizrahi-Tefahot’s support of businesses in general and particularly after the outbreak of the Covid-19 crisis, we held free workshops for business owners and special activities for businesses with leading entities. All of our activities in support of businesses were held via Zoom, which were attended by 574 of our business account-holders.
  - **Mizrahi-Tefahot’s college for small businesses, in conjunction with the Israeli Management Center** – This is the fifth year that the Bank has been operating the business college for the Bank’s existing customers, in conjunction with the Israeli Management Center. Our customers can take part in marketing and financing courses at the college at no charge. All courses constitute part of our business customers club (“the business card”).



## Financial education

**458** people attended lectures on financial topics that we offered.

**500** people attended mortgage workshops that we tailored for the ultra-orthodox Jewish society.

**580** business customers attended our digital lectures providing advice and tips on foreign trade.

**574** people participated in our “business meeting” initiative.



## Initiatives by 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.

Below are select projects conducted in 2020:

- **“ZAZIM” – youth movements for the community** – The objective of this project, in co-operation with the Youth Movement Council, is to encourage youth movement participants to volunteer for society and their community. In this project, which was started in 2012, youngsters submit proposals for involvement projects in community work, which would be supported by the Bank. Out of 220 proposals submitted in 2020, the Bank selected 70 projects to support. In an important strategic course of action, whose goal is to give youth organizations more visibility and a chance for inclusion and contribution, the Council of Youth Movements added six youth organizations to the council. Three organizations submitted initiatives and applications to join the “ZAZIM” project. Upon the outbreak of the Covid-19 crisis, the Bank and the Council worked together to adjust the activities to comply with the Ministry of Health’s social distancing and other directives. For example: in 2020, more than 200 young volunteers from the General Federation of Working and Studying Youth succeeded in helping dozens of farmers throughout Israel, and the National Youth Beitar Movement took part in the national efforts to explain the importance of wearing masks in public places and operated DIY mask preparation counters for children and youth. Furthermore, as part of community involvement at the Bank and to encourage family members of Bank employees to take part in community involvement, the Bank personally invited children of employees to take part in the “ZAZIM” project.
- **“LATET Youth”** – Since 2012, the Bank has partnered in an educational program for social entrepreneurship, volunteer work and empowerment of youth, in co-operation with the NGO named “LATET”. As part of the program, youth initiate and operate social projects for the benefit of the communities in which they live, with assistance from the Bank. In 2020, this activity took place at 44 towns nationwide, with 1,800 participants from various parts of Israeli society, including youth at risk, youth with disabilities, Druze, Muslim and youth from underprivileged towns.



## “Initiatives in the community” – employee involvement

The Bank encourages social involvement initiatives among our employees and among the general public.

The Bank recognizes the importance of volunteering, as a tool for community involvement, and therefore fosters co-operation with social organizations and institutions with which the Bank co-operates, to reinforce a long-term relationship. Moreover, the Bank acts to expand the range of volunteer activities, both in terms of the nature and scope of such activities, so as to allow each employee to find their place and to reinforce their involvement in and commitment to such activities.

Our employees' volunteering activities focus on two main spheres:

1. 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.
2. 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.

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

Due to the social distancing restrictions, no physical meetings could be held during most of 2020, which caused a decrease in the volume of hours of volunteering. The activities were shifted to personal, by-family and virtual formats at more limited volumes than in the past. These activities were resumed during Q2 2021.

### Management of volunteer work

Volunteer work at the Bank is managed by the "Mizrahi-Tefahot in the Community" unit of the Organizational Development and Training Department.

The unit is responsible for: identifying needs for volunteering; contacting social partners; initiating projects; integrating activities; supporting the volunteers: and for managing the volunteering budget and the donations. Every unit/branch that “adopts” a social organization appoints a community relations representative. These unit representatives are in charge of keeping in contact with the adopted organization and execution of the activity program, which mostly takes place during business hours.

Once every two years, the Bank holds a special event to show its appreciation to its volunteering employees for their considerable efforts to spread light, compassion and happiness in the community, in line with the Bank's values.

### Types of volunteer work

- **“Adoptive units”** – Long-term volunteer activity, where Bank units and branches adopt social organizations and various institutions in their cities, acting to benefit under-privileged populations. This includes regular activities to provide assistance and mentoring by volunteer employees, holding social events, unique activities in advance of holidays, using creative craft kits and centralized activities for under-privileged populations in various regions in Israel. Currently there are over 100 adoptive units and branches at the Bank.
- **Employee involvement in community relations projects** – As part of Group policy to empower the values of volunteering and giving to the community and educating the young generation on these values, the Bank also encourages ad-hoc activities for employees. The

Bank continued to invest, throughout the year, in diverse projects, initiated by the Bank or by the actual units. In 2020, due to the constraints on holding multiparticipant activities, we focused on activities that could be held remotely or in small capsules. Thousands of our employees and their families participate in such activities as:

- **Sending Hanukah gifts to needy children** – About 2,400 children in boarding schools and welfare centers receive Hanukah gifts purchased by the Bank's management and employees totalling about ILS 120,000.
- **“Friends for Health”** – Special receptacles for employees and customers to donate unused medicines are located in all of our branches.
- **Financial training** – Employees of the Bank provide financial training within the following frameworks to entities that have been adopted by the Bank: training in financial literacy to employees' children at their schools; scholarship students of the Bank provide financial literacy training to groups of teens at high schools; training to groups of at-risk teens; training of soldiers who have completed military service, etc. Many employees also deliver such training at their children's schools. Furthermore, students who receive scholarships from the Bank deliver group training to youths at high schools. These training sessions are delivered based on content in the "Money Road" kit put together by the Bank. This kit has also been translated in to Arabic. We updated the kit this year.
- **Individual volunteer work** – The Bank co-operates with NGOs and organizations, such as Eran and Pa'amonim, through training that allows employees to volunteer as part of the NGO activities, even outside of business hours. Employees found to be a good fit, after professional screening processes, take part in this volunteer activity.
- **Encouraging Bank retirees to volunteer** – The Bank emphasizes keeping in touch with Bank retirees, and believes that they can contribute significantly to the community even after retiring from the Bank. Retirees are invited to take part in diverse volunteer activities, such as the following: Providing financial assistance in conjunction with the connection with Pa'amonim; running the Jerusalem Marathon to benefit the Israel Cancer Society, the Lod Race and so forth. The Bank also holds a special fair prior to retirement of employees, offering those retirees who are interested several options to volunteer with different social organizations with which the Bank has a relationship. Due to the constraints on holding multiparticipant activities, we focused on activities that could be held remotely or in small capsules.
- **Encouraging family members to volunteer** – Beyond encouraging Bank employees to volunteer, the Bank also invites their family members to volunteer with social initiatives, such as the "Young Summer" initiative to promote volunteering by employees' children, employee family members accompanying Project Birthright groups and so forth.





## Employee involvement

- Employees of the Bank provide workshops in financial literacy to teenagers and newly discharged soldiers via Zoom.
- Thousands of our employees borrowed books from “rebook” libraries.
- About 80 Bank employees and their families volunteered at various NPOs during the summer months.
- About 25 Bank employees completed an online training course at “ERAN”, an NPO dedicated to providing lifesaving emotional first aid services, and they are currently volunteering at “ERAN”.
- Dozens of employees from our telebank centers volunteered to answer the phones during the telethon held by “Simcha Layed”, an NPO dedicated to helping children with chronic illnesses or disabilities.
- Dozens of employees of Tefahot Insurance Agency volunteered to conduct a telephone survey among senior citizens who are participating in the Jaffa Institute’s “Aging with Dignity” program.
- Managers of the Bank volunteered to be mentors for NPOs that ran into hardship.



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 frameworks.

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

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

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 its activity in the community, the Bank sees the importance of promoting education and social issues and reinforcing its ties with local community where the Bank operates.

To this end, Mizrahi-Tefahot Bank is active in various communities in the vicinity of Bank centers, and is also involved in funding and social activity as part of its activity among neighboring communities:

### Community activity in major cities where the Bank operates

The Bank headquarters is located in Lod and in Ramat Gan, with some 1,000 employees in each of these cities. It is therefore important for the Bank to take an active part in local life, and the Bank partners with many initiatives in these cities. Our employees take part in various community activities and volunteer at schools and after-school child-care facilities in these cities within the Bank’s “adoptive units” program.

### Other activities for promotion of education and society

- **Landmark events in Israeli society** – Mizrahi-Tefahot Bank promotes initiatives among employees to reinforce their sense of belonging to this country, acting to celebrate special events on the calendar. In 2020, we adjusted our events to comply with the Ministry of Health’s directives, such as: disseminating a video interview with a Holocaust survivor to our employees prior to the Holocaust Martyrs’ and Heroes’ Remembrance day and preparing food baskets during the month of Ramadan.
- **Restoring the color to nature** – The Bank, in collaboration with the Israel



**“Adopt a soldier”** – The bank has adopted an IDF unit and organizes various activities with it. Prior to the Covid-19 crisis, the Bank held a conference for the unit that it adopted, during which the bank’s counselors provided financial training to soldiers who were completing their military service.



Nature and Heritage Foundation and the Israel Nature and Parks Authority, "adopted" the Zikim nature reserve near Ashkelon and donated funding to rehabilitate the reserve that suffered fire damages.

We suggested to our employees to give a financial donation, and the Bank added funding to contribute to rehabilitating the reserve.

- **Scholarships for students** – This year too, the Bank continued to award scholarships to outstanding students from various schools. We cooperated with the Feuerstein Institute in the Hebrew University in Jerusalem and granted scholarships to students of Ethiopian origin to help them achieve higher education. In 2020, the Bank awarded 74 scholarships to outstanding students in different educational institutions.



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

A bank branch is not just a financial center - it is also a place for making contact with the community. As part of our identity as a compassionate bank exerting efforts to bring our customers closer to the Bank and its branches, we created a social project designed to empower, enrich and bring people together in the environment of the Bank's branches.

As part of the "Let us meet at Mizrahi-Tefahot" project, a wide range of activities are being offered at Bank branches, by leading lecturers in their fields. These free get-togethers, which offer lectures on topics of enrichment and enjoyment, take place in the afternoons and evenings in a comfortable atmosphere and customers of all banks, the neighborhood's residents and the general public are all invited.

In order to publicize this project, we launched a special website containing information about the lecturers, the lecture schedule and activities for various audiences. Information about this project is also offered on our main website and on our Facebook page, via our newsletter and by SMS. Naturally, Bank employees, their families and friends are also invited to attend these meetings.

In 2020 there were 423,530 visits to the "Let us meet" website.

When the Covid-19 pandemic broke out and the restrictions made it impossible to hold activities at our branches, we redesigned our activities so that we could continue to offer added value to the general public. We shifted our "Let's meet" activities to digital channels and began broadcasting our enrichment activities on the Bank's Facebook page. We broadcast special customized activities for the Arab society on digital channels and our "business meeting" activities were shifted to Zoom and to the Arab TV channel (Hala TV).

During 2020, we held 61 activities, 26 of them in our branches and 35 different activities on digital platforms. These meetings were attended by 4,402 participants.

### Meetings customized for different target audiences

As part of the "Let us meet" activities, the Bank offers sessions with content adapted for target audiences in various demographics, in response to their individual needs. These include:

- **"Sixties Get-together" activity** – A series of meetings and lectures designed for retirees. In early 2020, we held three activities in Bank branches. After the pandemic broke out, we shifted the activities to digital platforms and held four additional lectures (some in conjunction with the Adler Institute). Our "Sixties Get-together" was designed as part of the Bank's strategy of focusing on personal and compassionate relations, with our objective being to provide a high-quality experience for this population. During 2020, we refreshed some of the content for senior citizens, including special lectures in conjunction with the Adler Institute. All lectures were open to the public, free of charge.
- **"Get-togethers" with the Arab society and with the ultra-orthodox Jewish society** – Within the framework of the "Let's Meet at Mizrahi-Tefahot," we hold special activities for the Arab society and for the ultra-orthodox Jewish society, while customizing the content and lecturers to the target audience. We made adjustments for switching to digital platforms so that, during 2020, we held 10 activities for the Arab society – one in the Shfar'am branch and 9 additional activities on relevant digital channels. We held one activity (prior to the outbreak of the pandemic) for the ultra-orthodox Jewish society at our Geula branch in Jerusalem.
- **Helping our business customers during the Covid-19 crisis** – As part of Mizrahi-Tefahot Bank's support of business owners generally, and especially during 2020, we held special activities with leading business entities. In August, we offered two lectures in conjunction with the Israeli Management Center (on exiting the crisis and on growth engines) and, during September and October, we held a three-session workshop addressing various aspects of business management during the Covid-19 period. All activities for businesses were held via Zoom, which were attended by 574 participants. Participation is open to the general public at no charge.





## Community involvement at Bank Yahav

As part of Bank Yahav's investment in the community, the bank takes action to develop long-range relations with social organizations and partners. Bank Yahav also encourages its employees to volunteer in the community during their free time. Bank Yahav focuses its humanitarian efforts on at-risk teens and on young people with disabilities, as part of its objectives of narrowing social gaps and promoting equal opportunities.

Due to the Covid-19 crisis, 2020 was characterized mainly by assistance in funding purchases of computers that enabled needy youth to continue their studies remotely and by supporting NPOs that assist the needy and distribute food. Bank Yahav invested in the following main initiatives:

- **Purchases of laptops** – Funding for purchases of laptops for children in foster care in “Hamifal’s educational children’s homes,” for disadvantaged girls in the Giv’at Washington NPO and for needy families in the “Shuvu Achim” NPO.
- **Funding of activities and after-school classes for disadvantaged populations** – Summer camp for children with diabetes, basketball teams for at-risk youth, the building of “the Garden of Dreams” for children with cancer and purchases of musical instruments for the residents of Akim and for at-risk girls.
- **Assistance to teens with disabilities** – The NPOs “House on Wheels,” “Aleh,” and the “Beit Eden Home” in Ramle.
- **Assistance with the purchasing of meals and food baskets** for at-risk youth, for Holocaust survivors and for needy families, in conjunction with the NPOs “Leket Israel,” “Letet,” “Nevet” and more.
- **Assistance to businesses that ran into financial hardship, including** : purchases of meals on a daily basis for a prolonged period from the Shalva coffee house, a social business employing people with special needs, in order to ensure its business continuity; assistance to the Beta Center - a visitor center dedicated to the history and culture of Israel’s Ethiopian community, which ran into financial hardship; and purchases of holiday gifts for all employees of the Kishor Vineyard, which employs people with special needs, which also ran into financial hardship.

### Employee involvement in the community

Due to the Covid-19 crisis, volunteering in the community by Bank Yahav’s employees was limited, and focused on the following projects:

- Distributing gift baskets to hospital medical teams, to old age homes, to rehabilitation centers for drug addicts and prostitutes, and more.
- Collections of winter clothes for needy children.

## Community involvement at Bank Igud

Bank Igud’s commitment to the community receives expression in its employees’ community activities and initiatives to strengthen disadvantaged populations, particularly needy populations and senior citizens. Bank Igud has long-range relations and maintains regular contact and activities with many NPOs, including “Lasova,” “Letet” and “Leket Israel.”

During 2020 and in light of the Covid-19 pandemic, Bank Igud expanded its community support activities, increased its donations budgets, donated food packages to the elderly and helped Sheba Hospital with purchases of medical ventilators. Volunteering activities were held in compliance with the restrictions, and the bank’s employees continued to stay in touch with Holocaust survivors by telephone.

## Community involvement at overseas affiliates

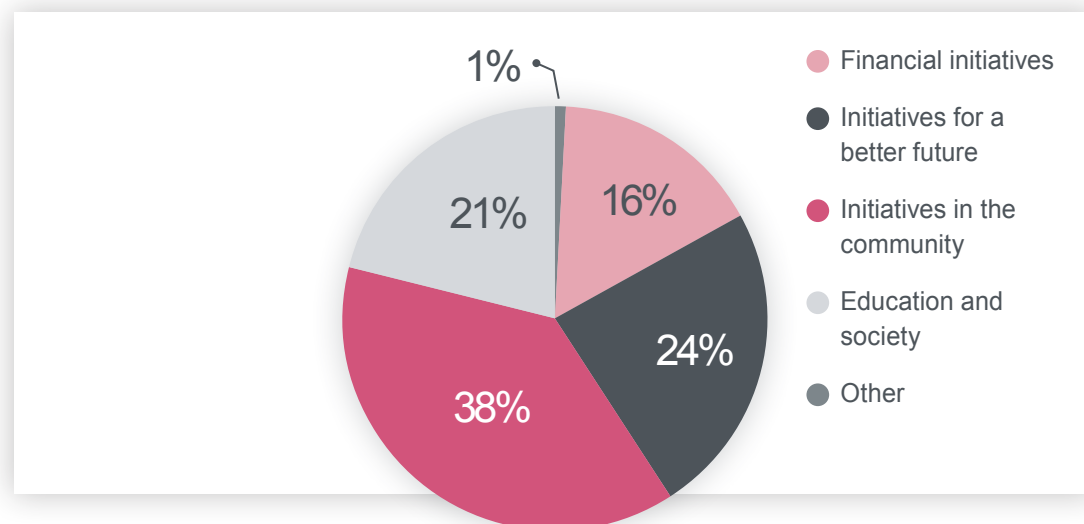
Group activity in the USA (Los Angeles branch) and in the UK (London branch) in the community is focused on these activities:

- **Volunteering in the community** – In 2020, 53% of our employees in the USA volunteered for 31 hours in their local community.
- **Donations to social community activities** that support social businesses and disadvantaged populations, to promote financial education, to promote education and social activity, and to empower children and youth. In 2020, the contribution amounted to NIS 67,110.





### Composition of operating segments for overseas affiliates



## Involvement with cooperation, dialogue and feedback<sup>1</sup>

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

- **Local authorities** – The Bank is in constant contact with the welfare and education departments at many local authorities across Israel, in order to develop projects and to identify social organizations that may be adopted by Bank units, as part of their regular community involvement. Together with these, the Bank reviews and plans the investment plan for the relevant venture, such as adoption of welfare daytime clubs in Ramat Gan by Bank units, or sponsoring of municipal programs, such as the Melodica club or the social film festival in Lod.
- **Employees - "Your Vote Counts"** – This project allows Bank employees to take part in the decision as to which NGOs would participate in the project and which ones would benefit from the Bank's contribution amounting in total to NIS 100 thousand. The selected NGOs, together with the Bank, offer projects to promote social causes, to employ persons with disabilities or to promote financial education in the community.

1. GRI: 102-43.

- **Clients - "Partners by Choice"** – This project allows Bank clients to take part in voting on which NGOs, that provide for under-privileged populations, would receive a Bank donation of NIS 500 thousand. In this project, now in its eleventh year running, the Bank contacts its clients and asks them to vote for their preferred NGO. The Bank and the selected NGOs deliver joint projects designed for the benefit of under-privileged populations.
- **Social NGOs and organizations** – In order to identify needs, the Bank is in constant dialogue with social NGOs and other organizations. As a result, we initiate projects in response to emerging needs, such as the "Partners by choice" project and "Friends of medicine", which were described in detail in this chapter.



**"Partners by Choice"** – once a year, the Bank invites its customers to vote for their preferred NPOs. The bank donates a total of ILS 500 thousand to the NPOs that received the most votes.



## Measuring activity effectiveness and impact

In addition to measuring satisfaction with activities for the community, the Bank also measures the effectiveness and impact of projects in which the Bank is involved:

- **Surveys and feedback questionnaires** – The Bank sends out surveys to relevant respondents after activities are completed, to evaluate participant satisfaction in the interest of constant improvement. For example: we sent feedback questionnaires to NPOs that participated in the "Fair of Light." The Bank also maintains a constant dialogue with representatives of the social organizations where employees do volunteer work in the "Adoptive Units" project, through questionnaires and visits which review, inter alia, their satisfaction with the volunteer work and with their relationship with the Bank unit. The data collected in 2020 indicates that satisfaction of social organizations where Bank employees volunteer remains very high, with demand to expand operations with additional volunteering employees.
- **Lesson learning process** – Upon completing a major activity, the lesson learning process takes place with all relevant parties, based on feedback received from people in the field. After the lesson learning process, changes and improvements are made to future planned activities.
- **Activity and outcome review** – For major projects conducted by the Bank, after the activity we receive reports to summarize the activity outcome vs. pre-defined goals. For example, after the year's activity and support for social-oriented businesses by the "Business with value" project, we monitored the development and improvement of those businesses by using different parameters. Analysis of these reports showed that ventures which participated in this project have increased their average monthly revenues, profitability and headcount.



## Publicizing activities and invitation to join them

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

- **The Bank's website** – We publicize our activities on the Bank's website, which serves as a platform for informing customers about our various social projects (examples: invitation to the "Fair of Light"; publicizing the project of collecting unused medicines for the "Friends for Health" NPO; publicizing the "Zazim" project; and publicizing an appeal for the "Business with Value" project.
- **Intra-organizational dialogue** – The Bank maintains a constant dialogue with employees, through internal communications and by listing the diverse activities on the "Mizrahi-Tefahot in the Community" website.
- **Calendar** – Every year, a calendar is produced and distributed to all Bank employees, describing the projects and activities of volunteer employees across each month. In 2020, a calendar was produced in conjunction with the social business "Dodo's Animals," which was based on the drawings of Ido Bensman, a teen on the autistic spectrum.
- **Recognition for volunteer employees** – Bank management values and appreciates employee involvement in the community and regards this as part of the organization's values. Once every two years, an evening of appreciation is held for volunteer employees and during the annual balance sheet conference, management recognizes outstanding branches and units for their contribution to the community.



## Reinforcing Israel's economy through responsible supply chain management

The Bank generates direct economic value to its stake holders and indirect economic value to companies and suppliers in the Bank's indirect supply chain. The Bank regards its suppliers as partners in promoting sustainability and responsible conduct. To this end, the Bank acts to promote a responsible supply chain and strives to improve the social and environmental performance of its suppliers, with attention given to diversification among suppliers, responsible financing and development of supplier capabilities. The Bank strives, in as much as possible, to consume products and services from suppliers who respect and ensure human rights and ethical conduct. 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 total purchasing is paid to small and micro businesses.

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

## Managing the supply chain during the Covid-19 crisis

As part of our responsible management of the supply chain, we regard our suppliers as fully-fledged partners in our capacity to operate the Bank in this period, and we are aware of difficulties faced by suppliers in this period. Therefore, the Bank has brought forward payments to suppliers, which are made promptly and with no delay. The Bank has also increased the range of existing suppliers, in order to provide different Bank units with the required disinfection and protection equipment quickly and efficiently.



## Responsible supply chain management

Mizrahi-Tefahot Group has significant impact on Israel's economy, and as such it attaches great importance to orderly and responsible supply chain management. Procurement is managed at the Bank by the Logistics Department of the Human Capital, Resources and Operations Division.

In conformity with Group policy and its responsible supply chain concept, the Group 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.

Responsible supply chain management is applied as follows:

- Control of lawful employment by suppliers** – Visits to premises of major suppliers of the Bank, review of these suppliers based on criteria specified by the Bank. Any supplier that fails to meet the criteria is liable to have their contract terminated.
- Control of outsourced employees' employment terms** – The Bank ensures that employment terms of outsourced employees would be in line with all laws and regulations with regard to security, cleaning and catering staff. This is verified by a qualified payroll auditor, in conformity with statutory provisions, including requests made by employees seeking specific verification.
- Promoting local purchasing** – Given its responsibility to reinforcing the Israeli economy, it is Bank policy to prefer local suppliers ("Made in Israel"), so that the great majority of purchasing by the Bank is made from local suppliers.
- Prioritizing suppliers** – Being accountable to Israeli society, the Bank maintains a policy that prioritizes suppliers who contribute to the community and operate based on an internal Code of Ethics and is committed to providing service in conformity with the Bank's Code of Ethics. Also giving priority to procurement of equipment with a high energy efficiency rating.



During 2020, with the goal of swiftly and efficiently providing disinfection and personal protection supplies needed to contend with the Covid-19 pandemic, the Bank expanded its pool of suppliers (large and small suppliers from outlying regions and from central Israel).



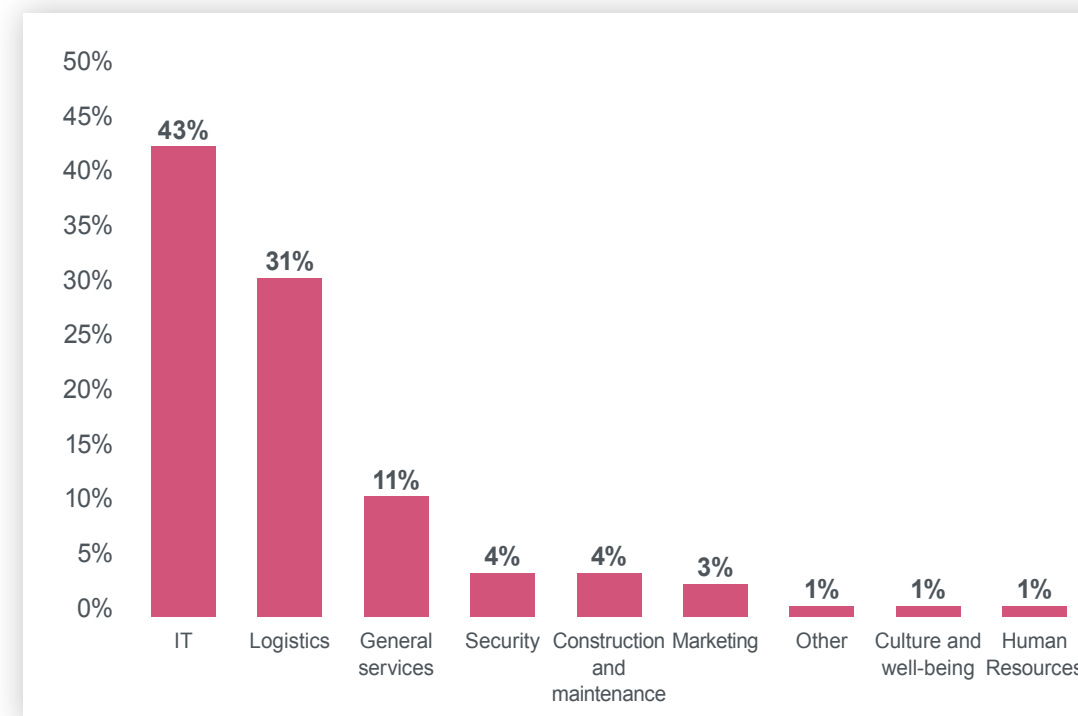
## Responsible supply chain

The Group has a policy in place for preferring local suppliers. The Group receives services from about 3,700 active suppliers (about 720 of the suppliers are of Bank Yaham and 630 of Bank Igud), out of which, 747<sup>1</sup> are new suppliers and 97% are local Israeli suppliers. 20% of the suppliers are from regions defined as "outlying regions" according to the Central Bureau of Statistics<sup>2</sup> and about 70% are small and micro businesses<sup>3</sup>, and they account for about 41% of the total volume of purchasing.

The Bank's supply chain includes: suppliers in the fields of construction and maintenance, property developers and management companies; equipment suppliers (such as office equipment, printers, leasing, telephones, computers, peripheral computer equipment, etc.); and service-providers (such as consultants, planners, inspectors, computing and information security service-providers and providers of cleaning services).

In 2020, total purchase orders created by the Group for suppliers amounted to NIS 2.6 billion.

### Procurement at Mizrahi-Tefahot Group

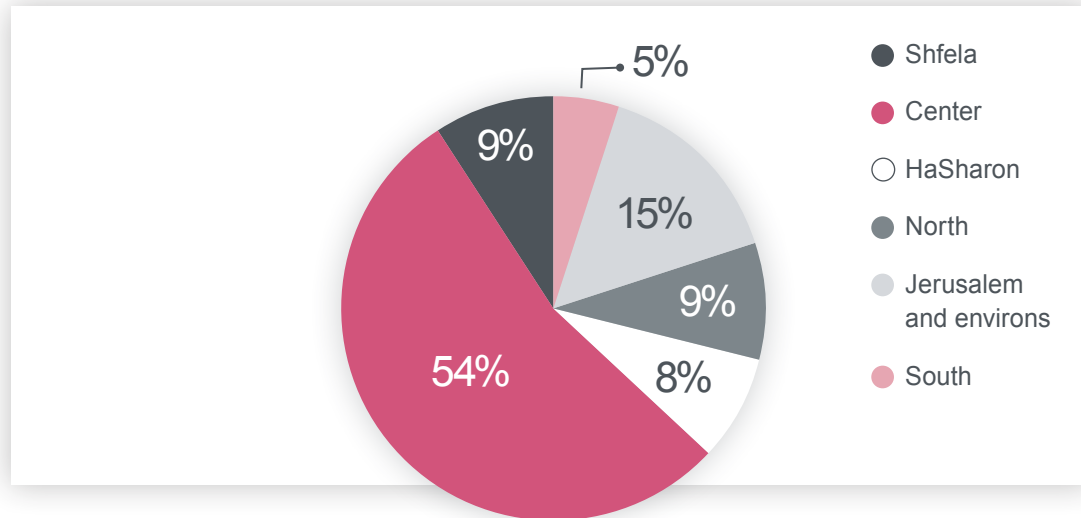


1. This statistics relates to new suppliers of Mizrahi-Tefahot Bank and Bank Yahav only.  
 2. Clusters 1 - 5 according to the Central Bureau of Statistics' socioeconomic index for 2017.  
 3. According to the definition commonly used in Israel, as per Government Resolution no. 2190.

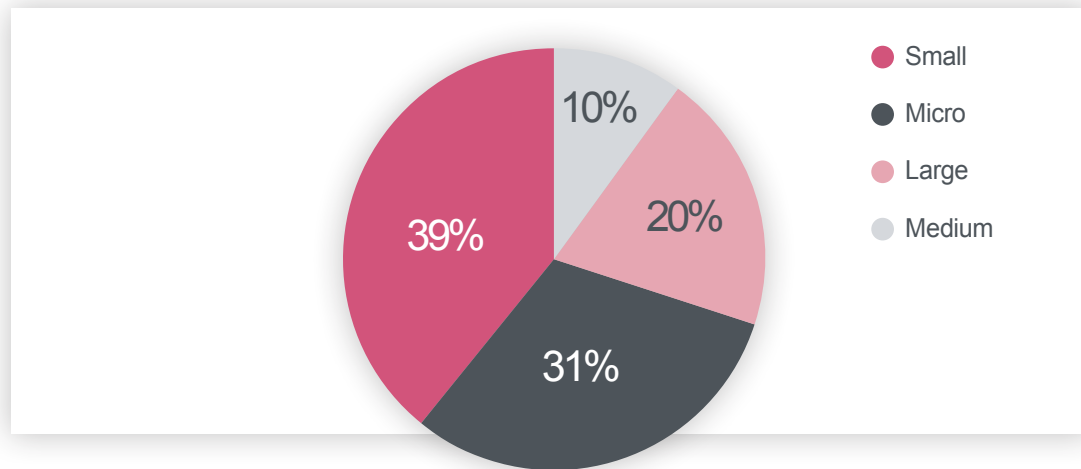




### Composition of suppliers by geographic location



### Composition of Group suppliers by business size



**Prioritizing responsible suppliers** – The Bank's procurement policy stipulates a mandatory condition, whereby a business license and permits must be in place and appropriate employment conditions, including compliance with protective legislation, safeguarding employee health and safety, payment of minimum wage, prohibition of child labor, prohibition of discrimination and ensuring employee rights. We take into consideration different parameters for our suppliers. For example, does the business comply with work health and safety regulations. The supplier selection considerations may also include parameters of community involvement and the upholding of a code of ethics.

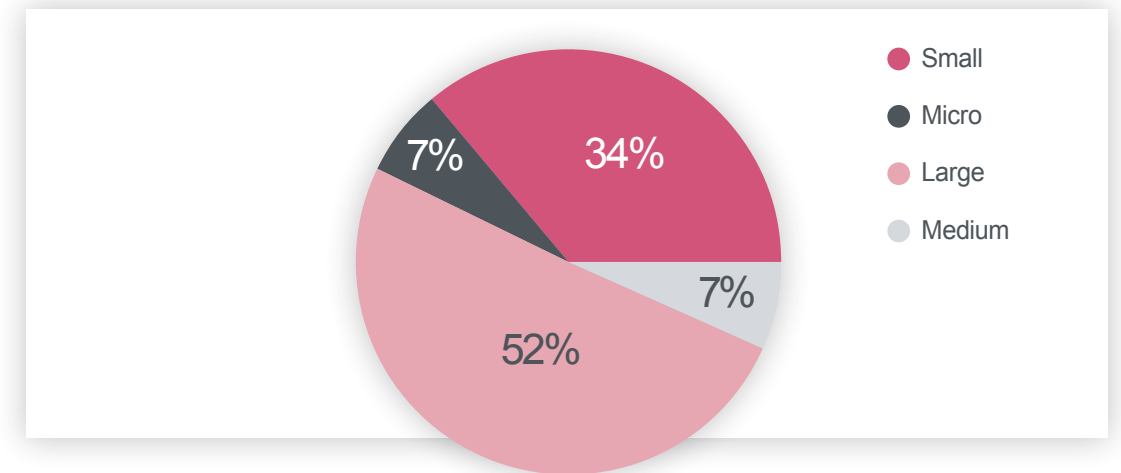
**Advancing small businesses** – The Bank recognizes the importance of small businesses as growth engines for the Israeli economy as a whole and also takes action to assist them within its own house. The Bank takes action to expand its pool of small business suppliers. It also holds conferences for small and medium-sized business in collaboration with external entities in order to expand its pool of suppliers.

### Preserving human rights and compliance with the law

The Bank only contracts with suppliers who operate in compliance with all relevant laws and regulations. Furthermore, the Bank, when signing agreements with suppliers, makes sure that such agreements include a requirement for suppliers to fully discharge their obligations as employers towards their employees or anyone on behalf thereof, including the suppliers' obligations to comply with all statutory provisions applicable to employers with regard to their employees and laws which govern employment and employee rights.

Suppliers that enter engagement agreements with the Bank undertake to comply with the values of reliability, professionalism, optimal service, excellence, transparency, fairness and respecting human dignity, as part of their routine work with the Bank – values that reflect Mizrahi-Tefahot Bank's code of ethics.

### Payments to Group suppliers by business size





## Supplier control

The Bank's Logistics Division Manager and Purchasing Manager visit premises of major Bank suppliers. Over the years, we have visited all our major suppliers, with some suppliers also re-visited. This visit is accompanied by a questionnaire, designed to test suppliers based on the aforementioned criteria. Voluntary topics (such as, is there a Code of Ethics in place) are also asked about during such visits.

With regard to environmental issues – agreements with suppliers include all sections required by law from environmental aspects (such as removal of batteries and electric equipment). Any supplier that fails to meet the criteria is liable to have their contract terminated.

During 2020, inspections on the premises of key suppliers were not performed due to the Covid-19 restrictions.

**Control of employment terms of outsourced employees** – In accordance with the law, the Group makes sure that the employment terms of outsourced employees (cleaning, security and catering staff) are verified by a certified wage reviewer. As of the end of 2020, all Bank suppliers in these areas were compliant with statutory provisions tested, except for one cleaning service provider whose contract was terminated in 2020 due to failure to comply with audit requirements and failure to remedy the deficiencies found. Employees can use an anonymous, discreet mechanism to report violations and non-compliance by their employers.

**Control of suppliers with regard to corruption risk** – The Bank performs risk assessments, including with regard to corruption risk, among suppliers and sub-contractors engaged on a regular basis. The final invoices from these contractors for refurbishment work and cleaning service invoices are specifically and regularly reviewed by the supervisor in charge of these operations.

In addition, significant contracts signed with architects and supervisors include a specific clause forbidding them from accepting any direct or indirect benefit from any third party. During 2020, Bank Igud discovered one instance of misuse of the Bank's resources by a cleaning service supplier. The incident was investigated by the Bank's security officer, who found that the financial damage was marginal. Additionally, a hearing was held with the Human Resources Department, during which the decision was reached to immediately terminate the engagement with that supplier. The employer conducted a hearing for the cleaner, and Bank Igud's Human Resources Department also cautioned the cleaner. Subsequent to the incident, a process of drawing conclusions took place and the controls were tightened. Additionally, Bank Yahav discovered an incident whereby an employee of a manpower contractor embezzled Bank funds. The bank filed a complaint with the Israel Police and drew conclusions from the incident. The contractor's employee concluded his job at the Bank before the incident was discovered.








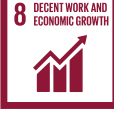

**Safety** – The Group constantly acts to control and guide employees and suppliers on safety issues. A safety expert on behalf of the Bank performs controls and issues occupational safety instructions to contractors in the various projects. Occupational safety training is provided from time to time to all external inspectors working with the Bank.









## Risk management among suppliers

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

Achievement of 2020 goals

Specified goal	Response to SDGs	Status
Upgrade the "Money Road" kit.	 	Done
Continue "Let us meet at Mizrahi-Tefahot" activities and create in-depth activities on general topics and on financial topics customized for various segments.	  	Done
Promote activities to increase awareness in society for the Ethiopian-descent community, in co-operation with the Israel Association of Community Centers.	 	Done
Continue random visits to major suppliers (3 suppliers).		Not achieved due to the Covid-19 crisis.
Expanding activities to encourage family volunteering.		Done

Goals for 2021

Specified goal	Response to SDGs
Continue "Let us meet at Mizrahi-Tefahot" activities and create in-depth activities on general topics and on financial topics customized for various segments.	 
Expanding the target audience for "the Money Road" financial literacy training (updating the kit for elementary schools and expanding it for students, for young people in National Service, for soldiers who complete military service, etc.).	 
Activities to increase our employees' awareness of the importance of diversity and equal treatment of special populations.	 
Expanding activities to encourage family volunteering.	







# Investing in the Employees

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

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

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

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

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

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

Average age  
**40.9**  
of Bank employees

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

**13** years  
Average seniority  
at the Bank



## Mizrahi-Tefahot employees

Bank management regards all Bank employees and managers as a key component for achieving its business strategy and growth objectives for operations and profitability. The Bank is committed to investing in development of its employees, to encourage their curiosity and trust and to empower them to create meaningful change. Mizrahi-Tefahot Bank is a place of work where:

- Employees' needs are seen, taken care of and nurtured.
- A safe work environment is ensured.
- Inclusion and diversification are important values in the Bank's organizational culture.
- Basic human rights are ensured and respected.

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. As a result, the Bank's human resource management strategy, which is managed by the Human Capital, Resources and Operations Division, receives expression on two plains:

**Responsible work environment** – Services to individual employees, from recruiting through ongoing services and up to retirement.

**Employee training and development** – Human resource development at the Bank in all relevant aspects.



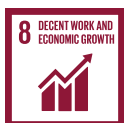
## Taking care of our employees also during the Covid-19 period

- **Safeguarding our employees' health** – In order to safeguard our employees' health during the Covid-19 period, the Bank adapted the work environment. The Logistics Department took swift action and, inter alia, installed partitions in all branches and headquarters buildings of the Bank and immediately disinfected all work places. Additionally, during the lockdown periods, and in lieu of public transportation, the Bank expanded its fleet of shuttles to headquarters buildings in order to maintain social distancing and our employees' health. Furthermore, the employees were dispersed among the various buildings and the Bank issued authorizations to work from home in order to enable remote work according to the government guidelines.
- **Taking care of our employees' welfare** – Throughout the entire Covid-19 period, the Bank was diligent about keeping in regular contact with all employees and attending to their welfare – both those at work and those at home – about keeping in touch with employees who became infected or were quarantined and about assisting to the extent possible.  
During a lockdown, the Bank sent daily messages to employees to update them about what was happening at the Bank. For those at home, the Bank set up a designated channel for its employees on the social network and uploaded content designed to help employees and their families in relation to various practical topics, along with training kits and tips for coping with the situation, information about avenues of assistance for coping with anxiety during a crisis, as well as calming activities for children and teenagers. Furthermore, a web site was created on the Bank's intranet, providing information and answers to common questions, and a special email address was set up for employee queries on various topics. The Bank's employees and their families were delivered a gift to their homes in appreciation of their work and their families' support during the situation, and they were offered a variety of online enrichment lectures.  
Due to the social distancing guidelines, some of the welfare activities were adapted and took on new and refreshing formats. For example: employee fun and team-building days were converted into high-quality cooking lessons via Zoom; the repertoire of lectures was expanded and offered online so that all employees from the Dan region to Eilat could participate in them.
- **Employee training and development** – Notwithstanding the lockdowns and restrictions, the training center continued training employees according to the annual work plan and held courses and seminar days online on several platforms that were adapted to the content being taught and to the level of confidentiality of the material presented. All of the training center's courses were adapted to comply with the Covid-19 guidelines, and the employees were issued cameras, earphones and speakers so that they could learn optimally.  
This challenging period also gave rise to new opportunities. For example: the Bank expanded its language courses and offered all employees an opportunity to learn English through a designated application. Additionally, the Bank held multiparticipant conferences through designated applications so that all employees could enjoy fascinating lectures on diverse topics.

## Responsible work environment



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 key principles in Bank operations:



**Promoting fair work environment and employment terms** – The Bank strictly ensures the rights of all employees, complies with labor laws in countries of operation and provides to employees better work conditions than required by labor laws. As a rule, the work relations with managers and employees are handled collectively and the Bank maintains continuous dialogues with its employees and their representatives. Moreover, the Bank only employs employees of working age, in conformity with the law in countries of operation.



**Diversity, equality and avoiding discrimination in employment** – The Bank constantly acts to promote equality in the work environment. This is based on recognizing the ultimate importance of the value of equality. The Bank does not discriminate against any employee by religion, ethnicity, race, gender, age, gender identity, place of residence nor any other attributes.

**Caring for employee well-being** – Employee well-being is managed as follows: Creating well-being support for Bank employees and their families, a 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.

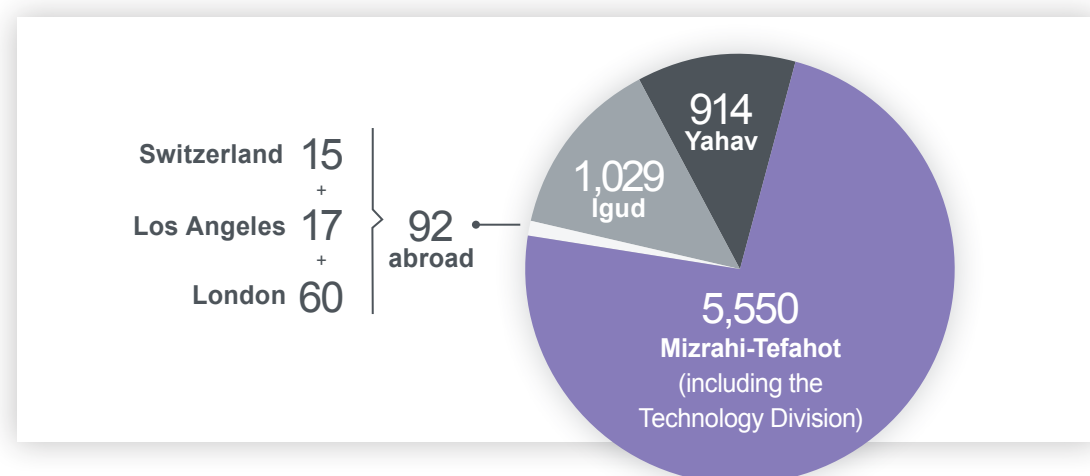
## Mizrahi-Tefahot family

Mizrahi-Tefahot Group continues to grow from year to year, and therefore the number of Group employees grows accordingly.

### Mizrahi-Tefahot employees

The number of employees of Mizrahi-Tefahot Group at year-end 2020 is 7,585 employees and managers.

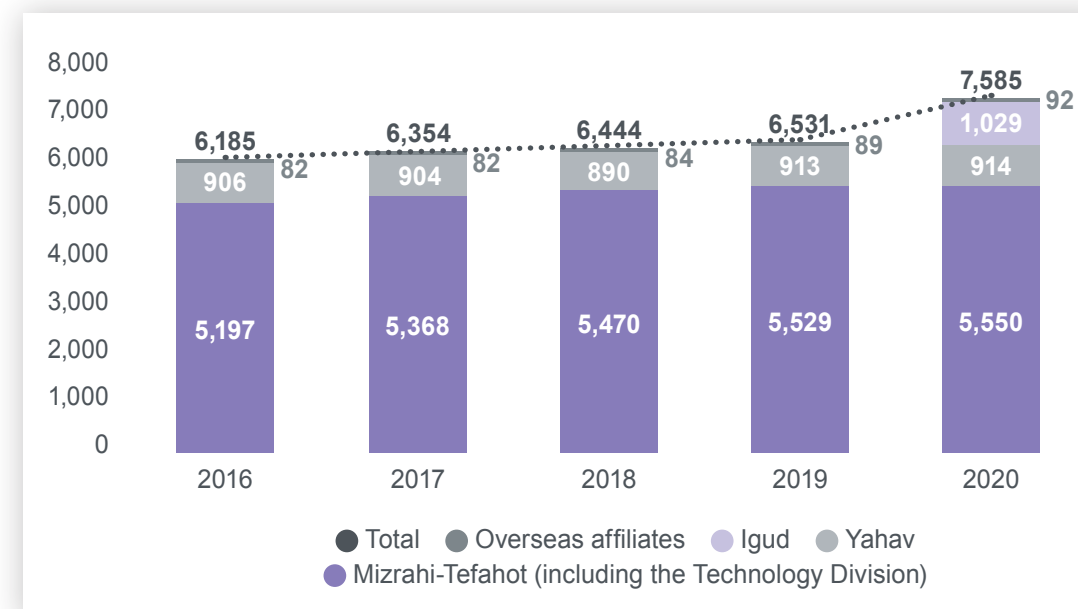
#### Total employees of the Group (at year-end 2020)



#### Composition of Group employees by rank and gender

	2019			2020		
	Female	Male	Total	Female	Male	Total
Managers	633	647	1,280	788	750	1,538
Employees	3,556	1,695	5,251	4,063	1,984	6,047
Headquarters	1,301	1,060	2,361	1,554	1,175	2,729
Branches	2,888	1,282	4,170	3,297	1,559	4,856
<b>Total</b>	<b>4,189</b>	<b>2,342</b>	<b>6,531</b>	<b>4,851</b>	<b>2,734</b>	<b>7,585</b>

#### Group employees over the years<sup>1</sup>



91% of Group employees are full-time employees and the others are part-time employees. Most of the part-time employees are students, who work at the Banking Center (call center).

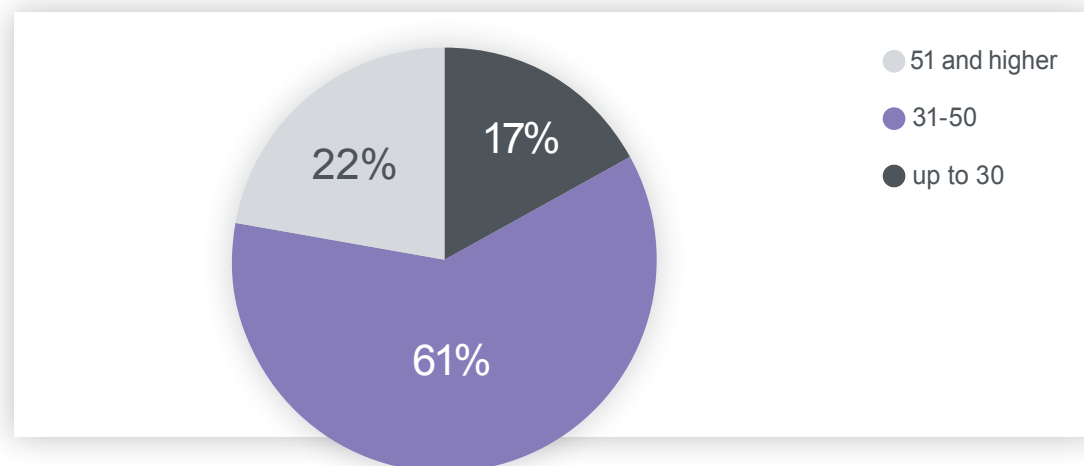
The average age of the Bank's employees in 2020 (excluding the Technology Division) is 39.7 and the average age of all employees of the Group is 40.9.

1. In 2020, the Group's data also include employees of Bank Igud.





### Group employees in 2020 by age bracket (in %):



### Composition of Group employees over the years by age:

	Age group	2019			2020		
		Female	Male	total	Female	Male	total
Non-managerial position	Up to 30	940	255	1,195	940	307	1,247
	31-50	2,054	1,082	3,136	2,416	1,283	3,699
	51 and higher	562	358	920	707	394	1,101
	<b>Total</b>	<b>3,556</b>	<b>1,695</b>	<b>5,251</b>	<b>4,063</b>	<b>1,984</b>	<b>6,047</b>
Group managers	Up to 30	11	6	17	6	3	9
	31-50	451	361	812	537	418	955
	51 and higher	171	280	451	245	329	574
	<b>Total</b>	<b>633</b>	<b>647</b>	<b>1,280</b>	<b>788</b>	<b>750</b>	<b>1,538</b>
Total employees	Up to 30	951	261	1,212	946	310	1,256
	31-50	2,505	1,443	3,948	2,953	1,701	4,654
	51 and higher	733	638	1,371	952	723	1,675
	<b>Total</b>	<b>4,189</b>	<b>2,342</b>	<b>6,531</b>	<b>4,851</b>	<b>2,734</b>	<b>7,585</b>

### Geographic diversity

#### Mizrahi-Tefahot Group employees in Israel by geographic distribution, in 2020:

	Residential region in Israel and abroad	Number of employees	Percentage of total employees
Israel	South	784	10%
	Jerusalem region	1,311	13%
	North	760	10%
	Shfela	1,241	17%
	Sharon	1,051	15%
	Tel Aviv metro area	2,346	34%
<b>Total in Israel</b>		<b>7,493</b>	<b>98.6%</b>
UK	London	60	1%
Switzerland	Zurich	15	0.2%
USA	Los Angeles	17	0.3%
<b>Total – abroad affiliates</b>		<b>92</b>	<b>1.4%</b>
<b>Total – Mizrahi-Tefahot Group</b>		<b>7,585</b>	<b>100%</b>

49% reside in HaSharon and Central regions, 13% in Jerusalem and environs, 10% in the Southern region, 17% in the Shfela region and 10% in the Northern region.

1.4% of Group employees are employed by overseas affiliates (92 employees and managers) – in London, Switzerland and Los Angeles. The great majority of these are local employees. Strict hiring of locals for management and other roles at Bank overseas affiliates.

Local employees account for two thirds of management at the Zurich subsidiary; 90% of management at the London branch; and 100% of management at the Los Angeles branch.

### Education

In 2020, the share of Bank Mizrahi-Tefahot employees (excluding the Technology Division) who hold a university degree was 77% and 10% were university students.

In 2020, 74% of Group employees had a university degree.

### Contractors

As a rule, it is Bank policy that each Bank employee is an employee of the Bank for all intents and purposes. From time to time, the Bank receives services from external companies, to support project operation for a limited time – and only a small number of such contractors. In 2020, the Bank received services rendered by 20 external contractors.



## Employee Turnover

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

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

**Employee turnover in the Group by gender and age**  
(This figure derives from the merger of Bank Igud;  
subsequent to the merger, some branches will be closed)<sup>1</sup>

	Age group	2019 <sup>2</sup>		2020	
		Employees and managers hired by the group	Employees and managers who departed (terminated / resigned / retired)	Employees and managers hired by the group	Employees and managers who departed (terminated / resigned / retired)
Male	Up to 30	107	65	78	38
	31-50	110	122	71	87
	51 and higher	14	48	8	16
<b>Total men</b>		<b>231</b>	<b>235</b>	<b>157</b>	<b>141</b>
Female	Up to 30	271	133	126	100
	31-50	142	146	73	121
	51 and higher	17	75	2	17
<b>Total women</b>		<b>430</b>	<b>354</b>	<b>201</b>	<b>238</b>
<b>Total up to 30</b>		<b>378</b>	<b>198</b>	<b>204</b>	<b>138</b>
<b>Total 31 – 50</b>		<b>252</b>	<b>268</b>	<b>144</b>	<b>208</b>
<b>Total 51 and older</b>		<b>31</b>	<b>123</b>	<b>10</b>	<b>33</b>
<b>Total</b>		<b>661</b>	<b>589</b>	<b>358</b>	<b>379</b>

Out of the employees and managers who concluded their employment by the Bank, 156 resigned, 131 of whom were temporary employees. 4 permanent employees and managers were dismissed, and the Bank did not continue to employ another 116 temporary employees. All of the rest either retired after reaching the statutory retirement age or within the framework of voluntary early retirement plans.

The Group's churn rate in 2020 (excluding Bank Igud and the banking centers) is 7%. Mizrahi-Tefahot Group's inclusive churn rate for 2020 (including Bank Igud and the banking centers) is 8.5%.

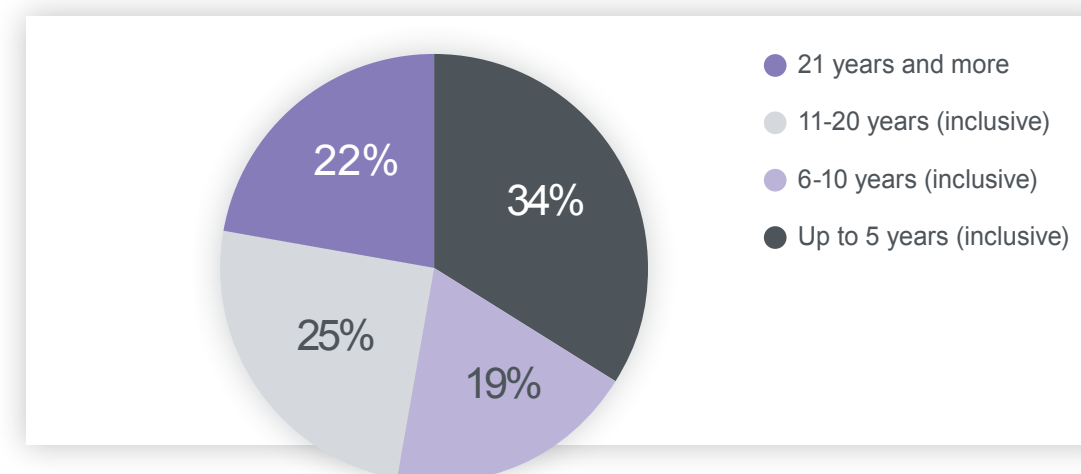
1. The employees at our banking center are students. In 2020, the employees of Bank Igud had unique employment characteristics that affect the turnover rate and therefore, the data are not comparable to the data presented in our 2019 report.  
2. GRI: 102-48.



## Seniority

34% of employees are new employees at the Group (up to 5 years), along with employees who have been with the Bank for over 21 years and constitute 22% of the work force. The diversity of veteran and experienced employees, alongside new and young ones, allows for preservation of knowledge, organizational memory and professionalism over many years, along with new ideas, growth and development. Average seniority at the Group is 13 years

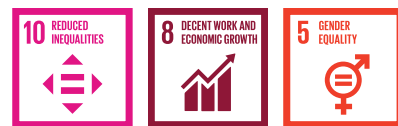
**Composition of Group employee seniority as of 2020**





## Promoting fair work environment and employment terms

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



### Caring for 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.

#### Freedom of association

As part of ensuring employee rights, the Bank ensures employees' right of association. Bank employees are represented by one of three different Employee Unions: Mizrahi-Tefahot Employee Union, Council of Managers and Authorized Signatories and Mizrahi-Tefahot Technology Division Ltd. Union. Bank managers are aware of the guidelines and procedures that ensure operations of these Employee Unions and act accordingly.

Collective labor agreements apply to 93% of Mizrahi-Tefahot Bank's employees, to 84% of the employees of the Technology Division, to 88% of Bank Yahav's employees and to 79% of Bank Igud's employees. All other Bank employees are employed in conformity with individual employment contracts<sup>1</sup>.

The following key events in management-employee relations took place in 2020:

- During the first lockdown in 2020, Mizrahi-Tefahot Bank operated according to the Bank of Israel's guidelines in order to maintain functional continuity and to safeguard the employees' health. When the lockdown ended, the Bank reached an agreement with the Histadrut Federation of Labor to debit vacation days of employees ordered to take unpaid leave.

1. GRI:102-41.



### Promoting employment security

The Group strives to promote employment security among its employees. Inter alia, the Bank applies a policy whereby each Bank employee is an employee of the Bank for all intents and purposes. This policy also applies, naturally, to banking center employees, most of whom are students characterized by a higher turnover. When a new hire starts working at the Bank, they are classified as "Trainee". After a relatively short time of only 3 years, the Bank decides to grant tenure to employees, in accordance with procedure. As of the end of 2020, 71% of Group employees were tenured.

Moreover, the collective bargaining agreement provides a solution in cases of downsizing due to streamlining.

Composition of Group employees by employment agreement:

Employment agreement	2018			2019			2020		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Fixed	2,872	1,607	4,479	2,918	1,633	4,551	3,451	1,916	5,367
Provisional	1,047	451	1,498	1,057	404	1,461	1,152	492	1,644
Employees subject to individual contract	174	293	467	214	305	519	242	332	574



## Maintaining employee health and 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.

As a result of the Covid-19 crisis and due to our concern for our employees, we took a series of actions to safeguard their health: we split up critical units into small work teams who were dispersed to various spaces throughout the Bank; we installed disinfection stations at a multitude of locations in branches and headquarters; we installed plexiglass partitions at all branches in order to maintain separation between customers and employees; and we distributed personal disinfection kits to all employees. Now that the lockdown has ended and the work routine has been resumed, the Bank is continuing to diligently maintain principles of good hygiene and provide its employees with a protected and safe environment. In order to avoid transmission, the Bank ensures social distancing and limits the number of persons in each space. Most meetings are being held via digital means and VC systems, and the Bank's managers receive special training to help them cope with employees and customers during this challenging period.

Another aspect of safeguarding our employees' safety is road safety. The Bank makes sure to deliver training to employees who use a company car or a leased company car about the car's safety systems and careful driving. As part of the concern for employee transportation safety, the Transportation Safety Officer sends out periodic emails with current updates on winter driving, driving during the holidays etc. In 2020, we also delivered 713 training hours on safety to 226 employees and managers.

**Work-related accidents** – In 2020 there were 30 work-related accidents en-route to/from or during work. The Bank is acting to reduce the number of such accidents. In this year there were no work-related accidents involving external contractors.

In 2020, two employees died. There were no deaths due to work-related accidents.

Moreover, the Bank sends an annual postcard to employees whose children are of legal driving age, with emphasis on accompanying new drivers with regard to driving safely and adapting the driving to conditions around you.



## Absence data (in days) in 2020:

		Paid leave	Military reserve service	Absence days due to sickness	Absence rate due to sick days (in %)
Mizrahi-Tefahot	Female	57,879	169	46,790	5.5%
	Male	28,291	1,219	14,872	3.3%
	<b>Total</b>	<b>86,170</b>	<b>1,388</b>	<b>61,662</b>	<b>4.7%</b>
Bank Yahav	Female	12,162	3	11,324	6.8%
	Male	4,891	179	3,089	4.6%
	<b>Total</b>	<b>17,053</b>	<b>182</b>	<b>14,413</b>	<b>6.2%</b>
Bank Igud	Female	16,516	30	11,287	6.7%
	Male	9,149	201	3,796	4.1%
	<b>Total</b>	<b>25,665</b>	<b>231</b>	<b>15,083</b>	<b>5.8%</b>

## Addressing distress situations at the branch



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



Training to contend with conflicts with customers at the Bank's branches – a workshop is provided annually to employees serving as security officers, in addition to their banking roles at branches throughout Israel, which provides them with tools and skills to contend with conflict scenarios with customers at Bank branches. In 2020, 41 workshops were held in this regard, which were attended by 760 employees.

## Ensuring employment conditions

The Bank believes that each and every Bank employee is entitled to working under respectful conditions. Thus, the Bank acts to ensure working conditions of employees in several ways.

### Ensuring wages and social benefits in conformity with legal requirements

In all areas of operation, including at its overseas affiliates, the Bank adheres to equal pay to employees in conformity with statutory provisions and consequently also complies with the binding minimum pay.

Note that for employees employed under the collective bargaining agreement, pay is updated annually. The Group also adheres to all statutory requirements with regard to taking parental leave, work hours and other labor laws.

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

## Going on parental leave

Employees take parental leave in conformity with the law and return to their same role once their leave is over. Changes, if any, are made in full coordination with the employee. During 2020, 355 women and 1 man happily left on parental leave, of whom 134 women and 1 man returned to their positions.

### Parental leave data<sup>1</sup>

	2019			2020		
	Female	Male	Total	Female	Male	Total
<b>Took parental leave</b>	477	6	<b>483</b>	507	5	<b>512</b>
<b>Of which, number of employees who resumed work after completing parental leave</b>	61	3	<b>64</b>	196	5	<b>201</b>
<b>Took parental leave during the year and stayed out on parental leave/unpaid leave after the end of the calendar year</b>	392	3	<b>395</b>	279	0	<b>279</b>
<b>No. of employees who took parental leave last year and were still working at the Bank 12 months after they had returned to their jobs</b>	406	3	<b>409</b>	356	5	<b>361</b>
<b>Took parental leave during the year and chose not to resume their work</b>	24	0	<b>24</b>	24	0	<b>24</b>



1. The data do not include overseas extensions.

## Organizational changes

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

## Employee remuneration

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

- **Pay promotion** – Once a year, in accordance with the recommendation of management, the Board of Directors decides on promotion or pay increase across the organization, based on performance in the past year. This is done in conformity with the various collective bargaining agreements, for employees and managers employed by individual contract, for managers based on the agreement signed with them and for tele-bankers with experience at the Banking Centers.
- **Individual bonus** – Once a year, in accordance with the Group's financial standing and taking into account other business considerations, the Board of Directors decides on bonuses to be awarded, their rate and how they are to be distributed. Bonus eligibility and amount are determined, for each employee, based on their achievement of targets and on their supervisors' recommendation.  
Part of the bonus is paid uniformly to all employees, and another part is paid based on personal performance of the employee and their contribution to the Bank's success.
- **Wage increase bonus and ROE bonus** – The Bank pays its employees subject to the collective bargaining agreement, during the term of this agreement, a variable bonus based on achievement of return on equity targets. In addition, part of the ROE bonus will become fixed as a fixed wage increase, subject to achievement of minimum ROE.  
Options to managers – The granting of options to officers and managers in the Bank Group is designed to adapt the remuneration incentives to the Bank's strategic plan, to the Bank's long-range targets, to the Bank's results over time and to our employees' actual contribution to achieving the Bank's targets.
- **Outstanding employees** – The Bank recognizes outstanding employees with special attention. Outstanding employees receive recognition in front of the entire Bank management, in presence of the Bank President & CEO, in an impressive ceremony. Outstanding employees are selected by recommendation of their supervisor, their achievements and their contribution to the Bank.
- **Individual awards** – The branches offer a program of incentives and remuneration, based on excellence in various benchmarks, in branch activities and in special drives. Remuneration is typically paid at the branch level and is designated for team building and leisure activities for branch employees. Bank headquarters awards individual prizes in recognition of employees who posted outstanding achievements in their work.



Saluting employees serving on the Military Reserve – In 2020 we delivered a gift to employees serving on the Military Reserve for longer than 5 days. The Bank also recognizes those in the Army reserve at the meeting of all Bank managers.

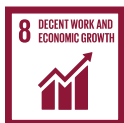




## Diversity, equality and avoiding discrimination in employment



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. The Bank does not discriminate against any employee by religion, ethnicity, race, gender, age, gender identity, place of residence nor any other attributes. The Bank constantly strives to promote equality in the workplace, through equal recruitment, equal employment, equal pay and promotion of gender equality.



### Equal hiring

**Mizrahi-Tefahot 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 applies a recruitment process which provides equal opportunity to candidates from different demographics in Israeli society, and does not discriminate against any employee by national, religious, cultural or ethnic affiliation, by race, gender, sexual orientation, disability nor any other attribute.**

As needed, adjustments are made to the recruitment and selection processes, to ensure equal opportunity for all candidates, so that candidates are recruited based on their qualifications and on needs of the Group. Such relief is typically in the form of additional time or the option to take the test in your native tongue (such as Arabic).

Below are some examples of initiatives launched by the Bank to recruit diverse employees:

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

A dedicated team consisting of Jewish Orthodox women was established in 2017 at the Banking Center (call center). Most of the candidates have no background and experience, and receive their banking training on the job. When establishing the team and throughout their employment, the required adjustments were made to include them in the workplace, by way of adjusted shift times and work environment. In 2020, another team was formed at the Mortgage Center and existing teams were expanded.

**Employees from Arab sector** – As part of its strategy to create a diverse work environment, in 2020 the Bank continued to recruit employees from Arab sector. As part of this recruitment effort, the Bank co-operated with NGOs "Kav Mashve" and "Al Fanar", that refer Arab candidates to the Bank.

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

### Integration of employees with disabilities

– the Bank is committed to promoting equal opportunity employment for persons with disabilities. In order to comply with statutory provisions of the Employment of the Disabled Act, the Bank put in place a strategy for including employees with disabilities and locating relevant positions for them in different units. The Bank has appointed an officer responsible for employment of persons with disabilities. We also maintained contact with the Support Center for Employers of Disabled Persons, at the Ministry of Economics – as well as with various NGOs which specialize in assisting in placement of such employees.

Each year, the Bank hires several employees with disabilities in various positions, and adds special positions for new employees with disabilities. In order to ensure inclusion of employees with disabilities, the Bank's work environment is accessible, and is further adapted when additional needs arise.

Furthermore, Bank Yahav joined "The Valuable 500" project, which promotes accessibility and the hiring of people with disabilities by major companies worldwide.



The Bank formed a forum for managers of employees with disabilities, in order to provide them with the managerial tools that they need and to enable them to optimally manage their employees.





**Managers' forum for employees with disabilities** – In recent years, Mizrahi-Tefahot Bank has been exerting considerable efforts to recruit and hire employees with disabilities for a wide variety of roles in the Bank. While doing so, the Bank found that managing employees with disabilities poses complex managerial challenges that differ from the usual managerial challenges. Therefore, a forum for managers was formed in the Bank, which accompanies employees with disabilities, and provides managers with the managerial tools that they need to optimally manage their employees.

25 managers from various units in the Bank are participating in the forum, under the guidance of the manager of the Organizational Development and Training Department, the manager of the Human Resources Department, the manager of the Organizational Development and Sustainability Department and the officer responsible for hiring employees with disabilities. The forum enables managers to share managerial issues that they are facing, and provides management workshops to provide solutions to problems raised by the managers.

## Employee diversity



**5.5%** In 2020, of all employees recruited by Mizrahi-Tefahot Bank, 5.5% were from groups subject to under-employment, including employees from the Arab sector, employees of Ethiopian descent and persons with disabilities.

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

**14.5%** of all Arab sector employees are managers.

We should note that Bank systems do not include any records that classify employees by such groups. The data presented is based on information obtained from employee statements, and it is likely that other employees from these groups were not included in these data.



## Equal employment

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

Moreover, employing staff from different sectors requires a work environment that reflects cultural sensitivity and adapts itself to the religious and cultural needs of its employees. Therefore, as from 2018, non-Jewish employees may take advantage of five paid leave days at the Bank's expense during their holidays, in addition to holidays according to the Jewish calendar, which are not business days at the Bank.

As part of promoting equality at the Bank, the Bank adheres to a policy for avoidance of discrimination, both with regard to discrimination against employees and against clients, including action designed to reduce gender inequality, avoid vulnerability due to preference based on ethnic or cultural background, eliminating prejudice against persons with disabilities and so forth. The Bank also operates an anonymous hot line and fax for employee inquiries as needed.

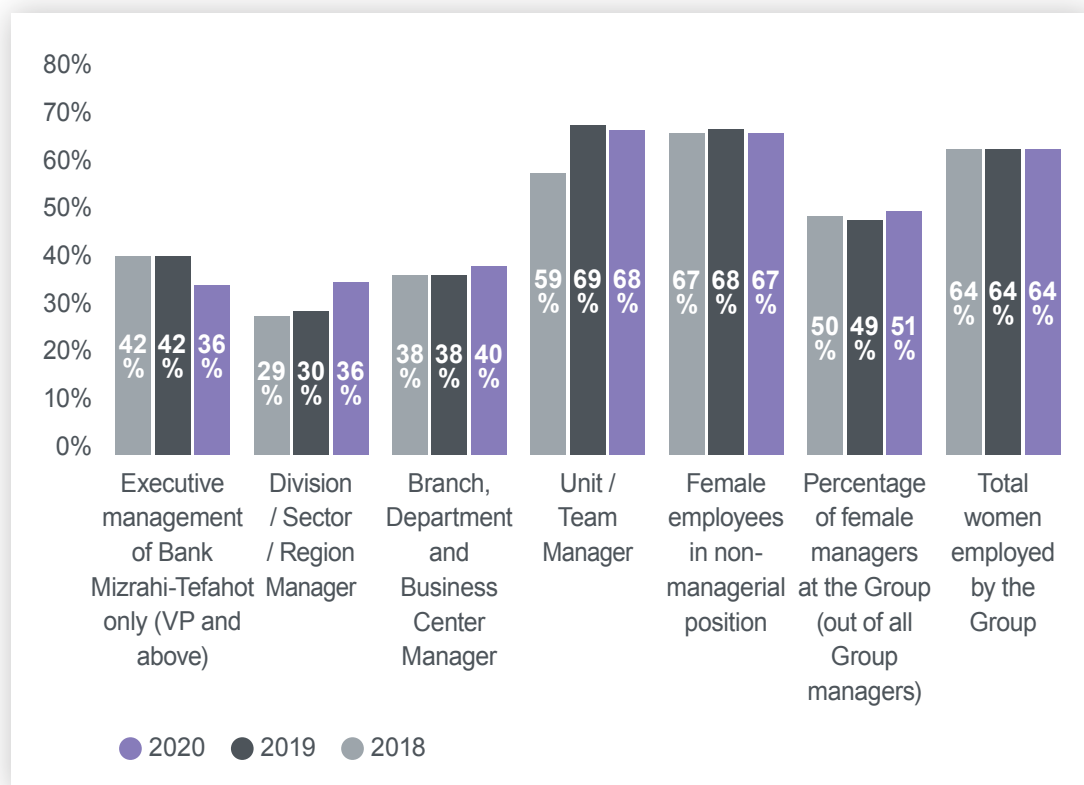
In 2020, no complaints of discrimination were received from employees nor from job applicants.

## Promoting gender equality

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

	2020			Percentage of female employees at this rank
	Female	Male	Total	
Executive management of Mizrahi-Tefahot Bank only (VP or higher)	4	7	11	36%
Division / Sector / Region Managers	42	75	117	36%
Branch managers / department managers / business center managers	176	260	436	40%
Team managers / area managers	566	409	975	58%
Non-managerial position	4,063	1,983	6,046	67%
Group managers	788	751	1,539	51%
Total employees	4,851	2,734	7,585	64%

### Multiyear ratio of women, by echelon



As of 2020, the Group had 4,851 female employees, or 64% of all Group employees, compared to 4,189 female employees at the end of 2019, or 64% of all Group employees.

As of the end of 2020, the number of female managers was 788, or 51% of all managers, compared with 633 female managers at the end of 2019, or 50% of all managers at that time.



### Pay differences between male and female employees

Each employee's pay, in all ranks and positions at the Bank, is determined upon hiring by the Bank, regardless of the employee's gender – but rather based on their skills, professional experience and their designated position. And indeed, when we considered the salary of male and female employees in similar roles, from entering the organization to three years later – we found no differences in salary.

We also considered salary differences across the Bank, between the average salary for female and male employees at different ranks. For groups of managers and employees, we calculated this for employees with seniority of 20 years or less, to eliminate any distortion in this calculation.

### Salary ratio female / male, 2020

Rank	Salary ratio
<b>Executives</b>	0%
<b>Senior management</b>	6.89%
<b>Branch and department managers</b>	4.27%
<b>Employees<sup>1</sup></b>	14.47%
<b>Employee in similar roles (up to 3 years' seniority)</b>	0%

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

1. Includes the echelons of team and area managers



## Equality in pay promotion

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

## Preventing abuse and sexual harassment in the work place

As part of the measures designed to ensure a safe and pleasant work environment for all employees, the Bank strictly prevents all cases of abuse and sexual harassment.

The Bank has appointed a Supervisor for Prevention of Sexual Harassment, who was trained for this role and attends workshops in this field from time to time.

Any case of sexual harassment should be referred to the Supervisor for Prevention of Sexual Harassment, and each case is reviewed in conformity with the applicable procedure.

The Supervisor for Prevention of Sexual Harassment is also responsible for handling complaints filed by outsourcing contractors who work on Bank premises.

Every year, all Bank employees receive the procedure for preventing sexual harassment, including contact information of the Supervisor for Prevention of Sexual Harassment, and all new hires attend training on this topic, delivered by mandatory E-learning kit. Bank management and the Board of Directors receive an annual report on sexual harassment at the Bank.

Courses and conferences for managers at the Bank include workshops on prevention of abuse and sexual harassment.

In 2020, only a handful of complaints were filed at the Group with regard to sexual harassment or abuse in the work place. Each case was reviewed and appropriate actions were taken to avoid any recurrence of such case and to increase awareness of this topic.

In 2020, we delivered 403 hours of training on prevention of sexual harassment and workplace abuse, to employees and managers.

## Caring for employee well-being

In order to develop employees, the Group acts to promote their well-being at the Bank and in their personal lives, by diverse ways: Employee benefits, work-life balance and caring for retiring employees.

## Employees' benefits

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

- **The work cycle** – various benefits upon reaching milestones during employment at the Bank: Upon hiring, upon reaching tenure, upon promotion, at milestones based on seniority and upon approaching retirement.
- **Annual Cycle** – benefits and gifts for holidays and other events based on the calendar
- **Employees' family circle** – benefits for life events of employees and their families. This includes gifts given at events such as birthdays, bar / bat mitzvahs, weddings, births, etc., as well as upon starting in first grade and starting military / national service.

Moreover, Bank employees also enjoy a range of other benefits:

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

## Well-being events together with employees' families

Due to the outbreak of the Covid-19 pandemic and the Ministry of Health's subsequent guidelines, all of Mizrahi-Tefahot Bank's cultural, sports and social activities were postponed until the guidelines were changed. Depending upon the Covid-19 situation, enrichment lectures on a variety of topics were offered to the Bank's employees and their families via Zoom.



During the Covid-19 period, employees and their families were treated to nine personal enrichment lectures via Zoom on topics of personal growth and family coping, as well as four workshops for children.





- **Workshops on topics of personal growth and family coping:** Nine workshops were offered that focused on topics relevant to the period, such as coping with a family member who suffers from Alzheimer's, how to run a calm household, teenagers and mask-wearing and healthy and vegan cooking workshops.
- **Children's workshops:** Four special children's workshops were offered during the Hannukah holiday.

During January, prior to the outbreak of the pandemic in Israel, a "Best Movie Club" was launched, during which employees and their spouses were invited to view a selected movie once per quarter, for a token cost, at one of the many movie theaters across the country, followed by a lecture and refreshments. Bank retirees are also invited to take part in this activity, through the Retiree Council.

Additionally, during the summer, the Bank organized a spectrum of special benefits and offers for special activities at reduced prices for its employees, depending upon the Covid-19 restrictions.

## Promoting a healthy lifestyle

- **Healthy lifestyle** – One of the methods we employed to encourage our employees to adopt a healthy lifestyle was to offer a variety of lectures on this topic via Zoom, such as healthy cooking, time management, communications within the family and more.
- **Enrichment lectures for employees** – During 2020, we offered lectures on a wide variety of topics (health, parenting, cooking, lifestyle and more) in order to enrich our employees' knowledge in a range of topics.
- **Fun team-building days** – The Bank makes sure that employees go on fun days and team-building activities, which are an opportunity to break out of the routine, relax and re-charge. During the respites between the lockdowns, some of the Bank's units held team-building days in compliance with the Purple Tag guidelines.
- **Gym at the Lod headquarters building** – At the Lod headquarters building, a gym is available to Bank employees, offering a variety of activities and courses during the week, at a nominal cost. The gym operated in compliance with the Covid-19 guidelines.
- **Workplace League** – The Bank has 12 sports teams that annually take part in the Workplace League. Some 150 Bank employees take active part in Bank teams, practice and competitions. In 2020, due to the Covid-19 pandemic, only some of the league games were held.
- **Medical check-ups for all employees aged 40 or over** – As part of our concern for the health and well-being of employees, the Bank bears the cost of medical check-ups for all employees aged 40 or older.
- **Awareness of diseases and pandemics** – The Bank was diligent about safeguarding its employees' health throughout the Covid-19 pandemic, encouraged them to get vaccinated and also provided mobile vaccination vehicles at their workplaces.
- **Assistance to employees with severe diseases** – The Bank's welfare officer is responsible for keeping in touch with employees suffering from severe diseases and for handling their requests and responding to their needs, such as helping employees whose families need financial assistance in covering medical expenses.

- **Blood donation** – From time to time, the Bank, in cooperation with the Blood Bank, conducts a blood donation drive among Bank employees.

## Help in times of crisis

As part of our concern for our employees' families, our unit managers, with the assistance of the Human Capital, Resources and Operations Division, provide assistance to employees and their immediate environments and provide support to them also during difficult times and crises. In addition to the Bank's support in crisis situations, a mutual aid fund was established at the initiative of the employees. Employees who wish to do so, pay a modest sum out of their salary into the fund, which helps employees in various crisis situations.

## Work-life balance

**A proper work-life balance and development of professional skills, as well as development of personal interests and personal growth directly affect employee well-being.**

Therefore, the Bank encourages employees to maintain a balance between work and leisure, provides training for employees on this subject and ensures that employees have free time during the week for their family and other activities:

- **Work week** – The work week at the Bank, for a full time position, is only 39 hours long, compared to 42 hours as stipulated by law.
- **Additional paid leave** – Employees are granted annual paid leave as required by law and based on seniority, and even longer:
  - Paid leave during Hol HaMoed are only partially deducted from the remaining paid leave days.
  - Non-Jewish employees may take five days off every year, paid by the Bank, during their religious holidays. These days are in addition to holidays according to the Jewish calendar, which are not business days at the Bank.
  - The Bank offers additional paid leave to employees upon their wedding, their child's birth, Bar-Mitzva (or Bat-Mitzva) and wedding.
  - Regular employees at the Bank who study for a post-graduate degree while working are credited with paid leave upon graduation.



- **Support for caregivers** – employees who care for a sick family member – As a rule, the Bank is considerate of employees and is flexible in crisis situations, when employees are required to care for a sick family member.
- **Vacation pay** – Bank employees are eligible to receive vacation pay, at a rate higher than required by law:
- **Vacation voucher** – Once every year, employees receive a voucher with a specified value, for booking a vacation in Israel or overseas, at their choice.
- **Balancing between home and work during the Covid-19 crisis** – During the Covid-19 crisis, we instructed our managers to be empathetic to employees and enable them to be available to their families. The Bank is doing everything in its power to help employees who are unable to come to work due to school closures by allowing them to work flexible work hours and, in some instances, to work from home.  
The Bank also decided to participate in the vacation days forced on employees during the first lockdown, when the State severely restricted the number of employees allowed to go to work. The Bank reached an agreement with the employee committee, under which only a portion of the vacation days would be debited from employees, and an arrangement was agreed upon for subsequent similar lockdowns.



## Caring for employees approaching retirement

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

- **Employees retiring at the legal retirement age** are eligible to a pension from the pension fund. Contributions to this fund on behalf of Bank employees are made in conformity with the law.
- **Employees retiring before the legal retirement age (early retirement)** – Employees confirmed for early retirement have two tracks available to them: the early retirement track and the increased severance pay track. Retiring employees in these tracks are also eligible for Bank assistance in financing training courses and a meeting with a retirement advisor to maximize their benefits.

Employees nearing retirement or early retirement are invited to attend a retirement preparation workshop held at the Bank. All retiring employees are eligible to benefits in account management, holiday gifts as well as cultural events organized by the Retiree Council. The Bank also encourages managers to keep in touch with retirees in their departments and to continue to benefit from the latter's extensive experience and knowledge accumulated over the years, should the retirees so wish.

This year, due to the restrictions, the retirement preparation workshop was held online and engaged in such topics as: retirement as an opportunity for growth and development; family life after retirement; spousal and inter-generational communications; positive thinking and positive communications; family law and inheritance laws; maintaining cognitive capabilities and memory retention; keeping occupied and finding new hobbies; ways to fulfill personal aspirations; coping with retirement-related anxiety and stress; tax planning and financial rights, and more.

### 2020 data on retirees

	Female	Male	Total
<b>Employees taking retirement</b>	19	47	66
<b>Employees taking voluntary retirement (in conformity with voluntary retirement program)</b>	70	21	91
<b>Total</b>	<b>89</b>	<b>68</b>	<b>157</b>

## Benefits for Bank Yahav employees and retirees

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

Bank Yahav offers an increased severance pay track for employees taking early retirement. Bank Yahav retirees enjoy various benefits, such as gifts on holidays or birthdays or attending extra-curricular courses and leisure activities. The Bank also provides a budget for the Retiree Council and for trips and lectures for Bank retirees. In relation to employees who are retiring at the statutory retirement age, the Bank offers to participate in the fee to a pension advisor.



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

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

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

### Training and mentoring of employees and managers

The Group's training program includes a variety of courses, training and general interest lectures for employees and managers, both on professional topics (whether or not regulatory mandated), 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 training activities appropriate for their role.

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

- **Training, seminars and workshops** – The Bank offers training and workshops which support the professional, behavioral and management skills required for the position at the highest standards. The courses delivered cover the various banking topics: loans, investments, service and selling, work process deployment, IT deployment, management and leadership and so forth. Bank employees also take part in external professional conferences, such as annual conferences for CPAs and for attorneys, capital market and so forth. During training delivered to employees, special emphasis is placed on regulatory training – a deployment method for each regulation, adapted for its complexity and for its relevant target audience. Training also refers to deployment of new content among employees and managers, as well as to maintaining and refreshing skills over time. Inter alia, conferences and seminar days were held last year on a variety of topics relating to regulations and compliance for branch managers, compliance trustees and bankers, to area managers and to business managers, which

emphasized the importance of inculcating a culture of compliance in branches and headquarters. During 2020, despite the lockdowns and restrictions, the Training Center continued training our employees according to the annual work plan and held online courses and seminar days on several platforms that were adapted for the content being taught and the level of confidentiality of the material being presented.

- **Personal mentoring program** – The Bank emphasizes professional and managerial mentoring. Every employee starting in a new position is mentored by a colleague and by the unit manager, using a structured, customized mentoring program. Employees attending managerial courses are mentored by other managers at various levels. Additionally, mobile tutors from the Training Center provide online personal tutoring directly to employees' at their work stations, after coordinating the topics to focus on with the employees' managers.
- **Learning organization** – The Training Center develops diverse projects, designed to deploy a "learning bank" culture where managers and employees regard learning as a continuous activity, which also takes place at their work station, as well as initiated by branch managers. Material is made available to managers and employees on the Bank's learning portal, mentoring is provided as part of starting in a new position, computer-based kits for individual learning are provided for training at team meetings and so forth. For example: A letter sent to managers upon starting their first managerial position provides a link to a custom training kit, based on their role, designed to support managers upon entering their role and so forth.
- **The BINA learning system** – provides employees with transparency with regard to their planned personal training program and allows managers to constantly monitor the employee's professional development. Basic E-learning kits (mandatory for all new hires) and mentoring tracks have been uploaded into the system. Furthermore, dissemination of training deliverables is automated by the system, with each recipient getting their own individual email message. Examples of courseware on regulatory subjects offered via the BINA system: insider information, foreign interests, making service accessible by people with disabilities, investments by Bank employees, FATCA (Foreign Tax Compliance Act), etc. The BINA system also makes informational materials available to our managers and employees, including kits for in-branch training and online kits for independent study, and allows employees who want to expand their knowledge before registering for a course to view presentations and course content as "observers".
- **Extra-curricular classes** – The Bank offers its employees various extra-curricular courses for enjoyment and for development of skills – even beyond what is needed for their position, such as language courses. This year, too, the Bank continued the Tree of Knowledge project, with presentations given by senior lecturers from business and academia. In line with the spirit of this period, the content was presented online. In 2020, we delivered 6 presentations. More than 100 managers and employees participated in each meeting. Additionally, the Bank allowed all of its employees to participate in English courses through a special application, and podcasts were disseminated to managers to enhance their managerial skills.
- **Academic education** – The Bank encourages employees to complete and expand their academic education, and contributes towards tuition costs for select eligible employees.
- **Personal support and advice** – Branch / department managers receive, upon starting in a managerial position, personal support and advice and also attend individual consulting meetings as part of select training courses.





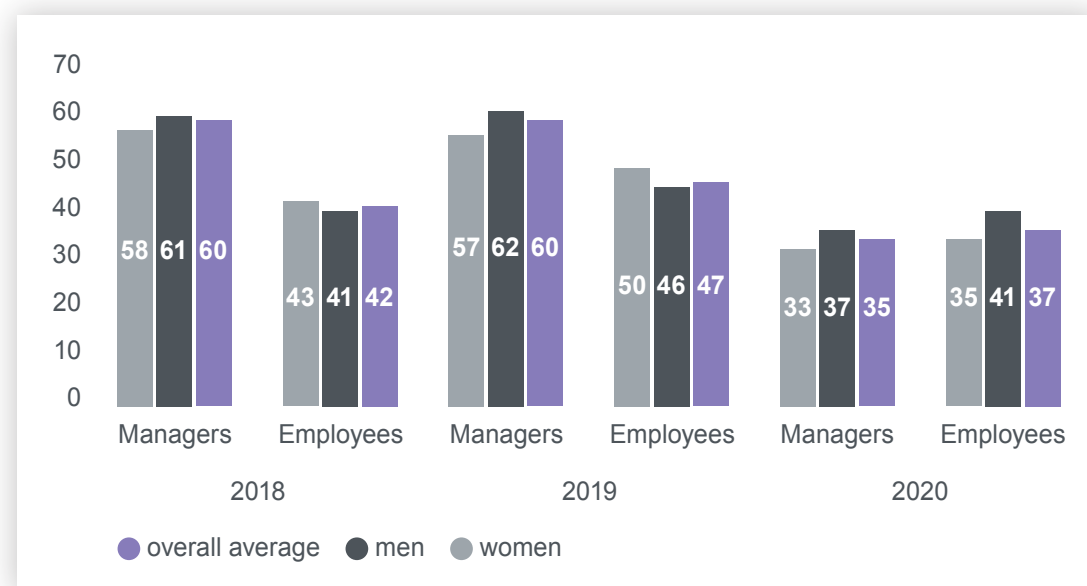
Bank Yahav creates an annual training plan for all employees, based on the Bank's work plan and needs. This plan is disseminated to all employees.



During 2020,  
**32,042** days were devoted to training,<sup>1,2</sup> notwithstanding the Covid-19 pandemic and the change in the work mode.

In 2020, the cost invested in training for Mizrahi-Tefahot Bank employees amounted to **NIS 43.3 million**

Average hours of training per employee by echelon in 2020



1. Out of the total days of training, 29,102 were training days given solely to employees of Mizrahi-Tefahot Bank.  
 2. Each training day = 8 hours.

## Review of training program effectiveness

In order to review, to improve professional skills and to streamline learning processes, a structured process is in place for testing the effectiveness of new learning content as well as of existing learning content.

To this end, the Training Center applies the following measures:

- Meetings on the subject of training effectiveness** – A meeting devoted to the effectiveness of training is held quarterly at the Training Center, attended by the manager of the Training Center, team managers and course coordinators. During the meeting, every coordinator presents a summary of the feedback on courses under his/her management that were held since their last meeting. These summaries include verbal examples of feedback and statistics. Depending upon the feedback and the course coordinators' conclusions, the meeting participants decide what actions should be taken to resolve the issues that were raised. After each meeting, a check list is disseminated that includes the list of tasks and the teams responsible for each of them, and every meeting begins with a review of the implementation status of the decisions reached during the previous meetings.
- Feedback** – At the end of each training session, participants take part in a verbal feedback session, designed to test their satisfaction with the training. Training participants are also asked to complete feedback forms in the BINA system; in some cases, employees and managers are also asked to complete a feedback form after some time has passed, designed to test the contribution of training to improved performance, knowledge implementation and application in the normal course of their work. The feedback serves to review the presentation quality, any aids in use and relevance of the content for the employee's job. Feedback ratings and comments are monitored and analyzed, with reference to standard deviation for each item, resulting in the required modifications being made to future training sessions, with monitoring of their implementation. The weighting of feedback and ratings for all training and courses delivered in 2020 showed a high level of effectiveness and satisfaction by the training participants.
- Review and revision of study material** – Once every other month the relevant staff convenes at the training center in order to review feedback received and to decide on any changes required in order to improve training. Changes are also made as a result of response choice analysis of the composition of responses to course questions and testing of assimilation of the material learned. For each course, we review which topics were clearly delivered and well understood by participants, and which require further highlighting. As a result of the Covid-19 crisis, we adapted the mode of study and the contents for online learning (such as: Organizational Skype, WebEx, Zoom, etc.). Bank Igud also disseminates questionnaires and tests from time to time to verify understanding and the effectiveness of its training.
- Effectiveness testing after course completion** – For courses that concern compliance content at the Bank, course participants are required to undergo another test six months after they completed the course, to test the implementation of the course material and to review the effectiveness of content and course delivery.
- Focus groups** – Prior to specific courses (such as the advanced management program, the track for future managers at headquarters), employees and managers who had participated in previous courses were invited to discuss the course content and offer suggestions for improvement, if any.

## Career development tracks

**Promoting employees to management positions** – the Bank encourages promotion of its employees to management positions and provides them with tools for this purpose. In 2020, 94% of the managers appointed were promoted from among the Bank's employees, 62% of whom are women. New managers and their families are invited several times a year to an event in the CEO's office, during which the Bank's executives congratulate them for their promotion to managers in the Bank.

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

- **Manager development program** – This program is intended for branch, department and team managers. The program consists of multiple courses, individual advice and seminars on management and project skills.
- **Training program for management cadre** – The Bank has developed programs to train suitable employees for future positions, in both their professional and managerial capacity. Employees and managers found suitable for promotion receive, as part of this program, diverse training, such as: branch management cadre, headquarters management cadre, advanced management course, Target program for training managers for senior positions and employee training program for future professional positions (business management cadre).
- **Manager training at Bank Yahav** – Bank Yahav operates programs to develop and retain key managers in the bank, by offering manager development courses at its headquarters and in branches throughout the year.



## Training employees on human rights topics

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

The Bank attaches great importance to having all Bank employees be capable of handling issues related to human rights, in all aspects of their work. This is a major cornerstone of Bank life and one of its key values. To this end, the Bank delivers training on human rights from the client aspect and from aspects of all stake holders at the Bank. The Bank also invests in training by way of remote learning – through interactive E-learning kits used individually by each employee / manager at their own pace, to bridge physical distances, on topics such as the following: Accessible service for persons with disabilities, prevention of abuse and sexual harassment, insider information and so forth. Ethics-related training is also delivered for deployment of the Code of Ethics, preventing sexual harassment, equal opportunity at work, accessible service, consumer-related regulations and public inquiries.

Furthermore, the Bank website provides a brochure titled "Happy that you joined us", providing information for new hires with regard to their rights, explaining their pay slip and pay components at the Bank, as well as the system for promotion, remuneration and incentives at the Bank.



In 2020, Mizrahi-Tefahot Group delivered **23,705 hours of training on policies and procedures** with regard to human rights aspects relevant to Bank operations.

## Dialogue with employees<sup>1</sup>

The Bank attributes considerable importance to maintaining continuous communications with its employees and managers in order to expand the dialogue with its employees, as part of its policy of maintaining a responsible employment environment.

### Maintaining a dialogue with employees and expanding intra-organizational communication.

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

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

1. GRI: 102-43.



- **Employee survey** – Every year, Mizrahi-Tefahot Bank allows BDI to conduct an independent survey of employee satisfaction. Inter alia, this survey is used to rank the Bank among BDI's "100 Best Companies to Work For." The survey results are analyzed according to various factors, such as seniority, age and gender, and its conclusions are presented to the Bank's management.
- **Information bulletin "Among Us Online"** – an employee newsletter published on the internal website for Bank employees. Each newsletter contains articles on diverse subjects within the organization, such as: personal advancement, employee volunteer activity, special systems put into work at the Bank and so forth. Monthly information bulletin "Among Us Online" – In 2020, the Bank issued 4 issues of "Among Us Online" for a total of 53 issues to date, with an average of 1,600 employees who read the various articles.
- **"Among us, this is serious"** – The "Among us, this is serious" website lists aspects and milestones for professional and personal assistance to employees.
- **"Round tables"** – The Bank holds "round table" discussions, to which all employees of the Bank are invited, moderated by a senior manager or member of management, for open discussions about the latest topics on the Bank's agenda. During 2020, one "round table" discussion was held before the Covid-19 pandemic broke out. This activity is another step in promoting intra-organizational communications at the Bank, based on the wish to conduct a dialogue and raise ideas regarding the Bank's key activities and processes.
- **Dialogue with new employees** – The Bank also holds special "round table" discussions for new employees, so that they can discuss their onboarding experience.
- **"Organizational structure" publication** – The Bank portal provides all employees with the Bank structure and explanations of roles and responsibilities of the various units and their activities at the Bank.
- **"Happy that you joined us"** – This brochure for new hires provides information with regard to their rights, explaining their pay slip and pay components at the Bank, as well as the system for promotion, remuneration and incentives at the Bank. (Also listed under "Preserving human rights in Bank operations").

## Providing feedback and evaluation to employees

The Group ensures that employees receive regular feedback about their performance. In 2020, 100% of Mizrahi-Tefahot employees received feedback in a personal discussion or meeting.

Feedback is provided in a personal talk. Soon prior to the evaluation date, workshops are provided on this topic and an explanation of the evaluation process is disseminated. Workshops on employee evaluation and providing effective feedback are held as part of the management training process as well.

The feedback is mutual feedback and allows employees to provide feedback on what is going on at the bank.





Achievement of 2020 goals



Specified goal	Response to SDGs	Status
Diversify training means – use of platforms and auxiliary systems and promote remote learning.		Done
Develop technology to support working remotely / from home.		Done
Continue manager assistance for employees with disabilities.		Done
Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches.		Done
Meetings at headquarters with unit managers and higher, to expand knowledge on matters related to human resources, in order to improve intra-organizational communication.		Done
Improve and expand intra-organizational communication channels.		Done

Goals for 2021



Specified goal	Response to SDGs
Continue activity to recruit and hire employees with disabilities and assistance for managers of those employees.	
Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches.	
Improving intra-organizational communications through the holdings of meetings and discussions between representatives of the Human Resources Division and managers and employees.	
Improving intra-organizational communications by enhancing employees' knowledge through online lectures and 'TED'-style lectures on banking subjects and on organization-wide topics.	
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.	
Analyzing organizational needs against human resource aspects in the changing labor market.	
An officer was appointed and an internal procedure was published on the subject of preventing workplace bullying.	



# 314

thousand call minutes  
via digital platforms

**7.95%**  
Decrease in the  
intensity of the  
group's carbon  
footprint  
in tones per m<sup>2</sup>

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

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

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



## Investing in the Environment

# Group responsibility for the environment<sup>1</sup>



Mizrahi-Tefahot Bank recognizes the impact of its operations on the environment and on the Earth's climate, both directly due to resource consumption by the Bank and indirectly – through the Bank's value chain. Therefore, the Bank strives to minimize the negative impact of its operations, to protect and improve the environment in which the Bank operates. To this end, the Bank reduces material consumption, promotes improved energy efficiency and environmental risk management. These matters are managed at the Bank by the Business Banking Division with regard to environmental credit risk management and by the Logistics Department of the Human Capital, Resources and Operations Division with regard to consumption and improved energy efficiency.

The Bank's strategy on environmental activity focuses on three major areas:

Responsible resource consumption

Management and reduction of carbon footprint

Increased awareness of environmental issues



## Investing in the environment during the Covid-19 crisis

The Bank, which is defined as a vital enterprise, continued providing services regularly throughout 2020, according to the Covid-19 restrictions. As part of complying with the restrictions on gatherings during the Covid-19 pandemic and vigilantly protecting employee health, in addition to business continuity - defined as a critical service for clients - and business development.

- **Increasing the Group's work spaces and electricity consumption** – As part of our strict compliance with the restrictions on gatherings during the Covid-19 period, the Bank increased the work spaces and split up the business units into different buildings, which led to an increase in the number of the Group's work spaces and in the volume of electricity consumption.
- **Use of various media systems** – During the Covid-19 period, we considerably increased our use of media systems, such as VC, Webex and Skype in order to hold work meetings and training sessions. Our use of these systems enabled us to maintain the work routine while reducing the number of trips between the Bank's various units. This change resulted in a decrease in the Group's total energy consumption.

1. Mizrahi-Tefahot Bank has been holding all of Bank Igud's share capital since September 30, 2020. In light of this, the environmental data in this section also include Bank Igud's performance. For the sake of presenting transparent performance data and maintaining the principle of comparability, the data for 2020 in this section will be presented in two formats: environmental performance for 2020 excluding Bank Igud and environmental performance for 2020 including Bank Igud.

- **Paper consumption** – as a result of the significant reduction in face-to-face service provided to the Bank's customers due to the outbreak of Covid-19 and the restrictions on gatherings, the Group's paper consumption was reduced.



## Responsible resource consumption – improved energy efficiency

Energy consumption is among the Group's most significant environmental impacts, due to operation of office buildings. Therefore, the Group manages and measures this area and promotes improved energy efficiency, including replacement of systems with high energy consumption with advanced systems with more efficient energy utilization.

This issue is managed by an Energy Efficiency Committee, consisting of professionals from the Logistics Division and permanent professional consultants. The role of the Committee is to consider any idea and suggestion for improved efficiency – from buying advanced systems with the capacity for analysis and control, to help reduce energy consumption, through adjustment of the temperature of cold water in cooling units according to the temperature outside, business hours, turning off lights or turning off air conditioners in bulk after business hours etc.



## Energy consumption at Mizrahi-Tefahot Group

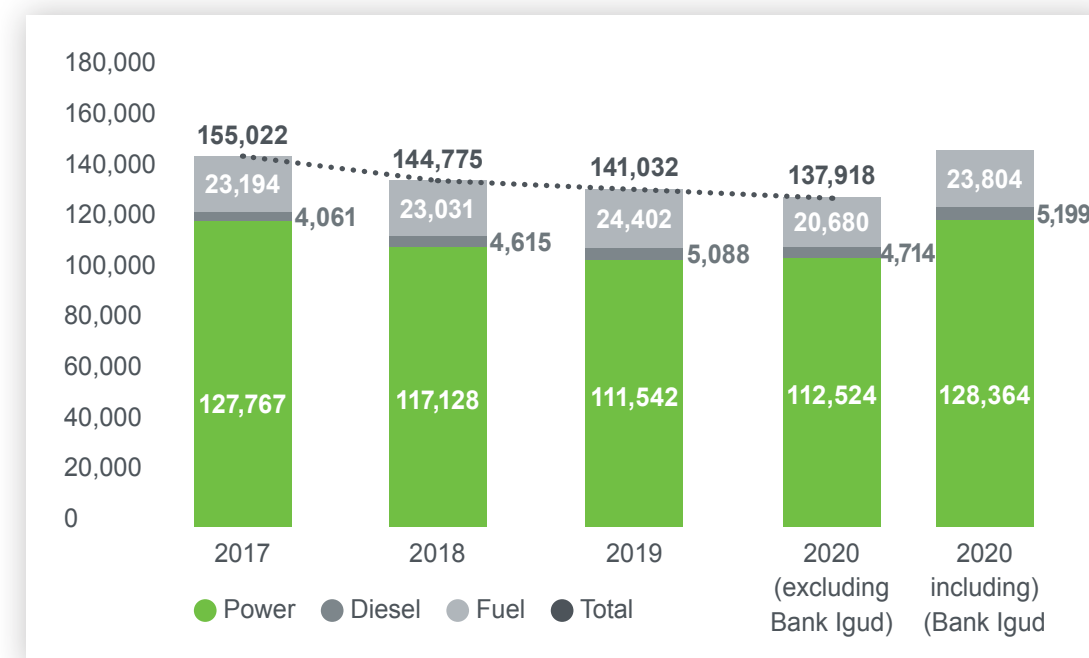
		2017	2018	2019	2020 (excluding Bank Igud)	2020 (including Bank Igud)
<b>Power (KWh<sup>2</sup>)</b>	Total power consumption per m <sup>2</sup>	286	262 <sup>1</sup>	248 <sup>1</sup>	250	235
	Total power consumption per employee	5,658	5,116	4,744	4,768	4,701
	<b>Total power consumption</b>	<b>35,490,911</b>	<b>32,535,599</b>	<b>30,983,930</b>	<b>31,256,592</b>	<b>35,656,592</b>
<b>Fuel (liters)</b>	Total gasoline consumption	690,497	675,060	715,235	606,145	697,703
	Total diesel consumption	110,344	119,631	131,881	122,202	134,769
	<b>Total fuel consumption</b>	<b>800,841</b>	<b>794,691</b>	<b>847,116</b>	<b>728,347</b>	<b>832,472</b>
<b>Energy (GJ<sup>3</sup>)</b>	Total power consumption	127,767	117,128	111,542	112,524	128,364
	Total gasoline consumption	23,194	23,031	24,402	20,680	23,804
	Total diesel consumption	4,061	4,615	5,088	4,714	5,199
	<b>Total energy consumption</b>	<b>155,022</b>	<b>144,774</b>	<b>141,032</b>	<b>137,918</b>	<b>157,367</b>
<b>Energy intensity</b>	<b>Total energy intensity per m<sup>2</sup> (GJ/m<sup>2</sup>)</b>	<b>1.24</b>	<b>1.16</b>	<b>1.13<sup>1</sup></b>	<b>1.10</b>	<b>1.03</b>
	<b>Total energy intensity per employee (GJ/employee)</b>	<b>24.84</b>	<b>22.76</b>	<b>21.59</b>	<b>21.04</b>	<b>20.75</b>

In 2020, due to the Covid-19 crisis and the restrictions on gatherings, the Group increased work spaces, which resulted in higher electricity consumption but, on the other hand, resulted in a decrease in the

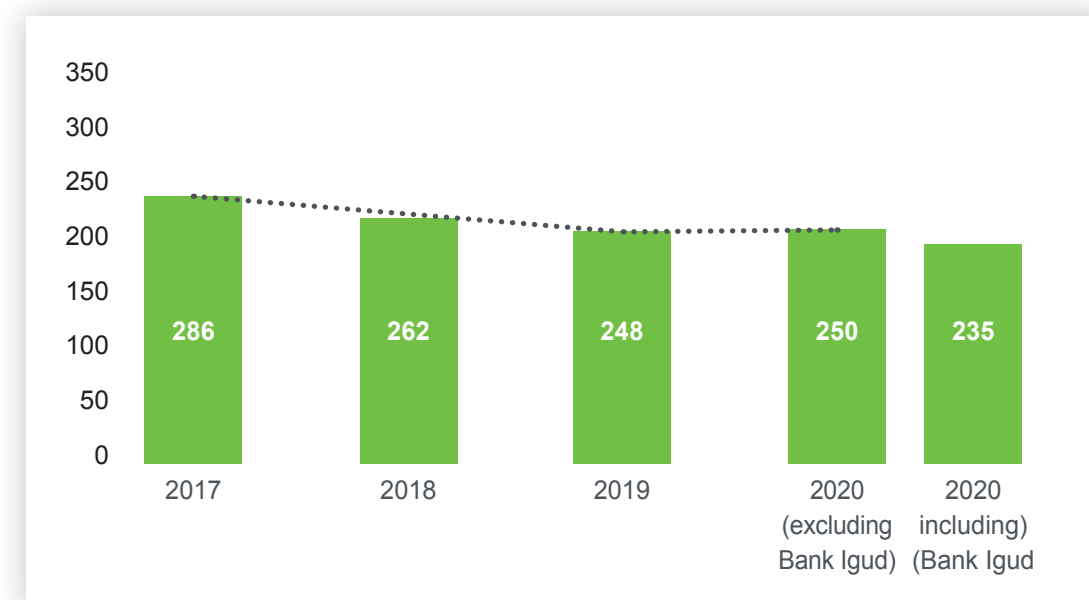
1. KWh – kilowatt-hour
2. GRI: 102-48
3. GJ – Giga Joule – unit for measuring energy

Group's total fuel consumption, due to the increased use of various media systems to conduct work meetings and training sessions. All of these resulted in a decrease in the Group's total energy consumption.

## Total energy consumption (GJ)



## Energy intensity (KWh per m<sup>2</sup>)<sup>1</sup>



1. GRI: 102-41.



## Improved energy efficiency measures for power consumption

- **Use of LED lighting** – Gradual replacement of lighting fixtures at Bank premises to use low-cost lighting. It is Bank policy to install low-cost lighting in any branch or facility newly constructed or refurbished. In 2020, the Bank continued the gradual replacement of lighting fixtures with LED lighting at older branches and at headquarters. In 2020, the lighting was replaced in 22 branches, and the project will be completed in 2021.
- **Operation of control systems at headquarters buildings** – The system controls turning off of lights outside of business hours and can automatically turn off lights after business hours and reduce lighting in parking garages. The system automatically turns off the lights in each Bank headquarters building according to a pre-defined schedule. Additionally, lighting systems were installed in rooms in the headquarters buildings, in the Technology-Logistics Center and in the Bank's central headquarters that automatically turn off the lights when a person leaves a room and automatically turn on the lights when a person enters the room.
- **Power savings at Bank headquarters in Lod** – This was achieved by adjusting the temperature provided by the AC system to the desired air temperature – increasing the temperature of cold water flowing in the AC pipe system in the headquarters building in Lod. The adjustment is made based on specific requirements for each area. In addition, the operating schedule of the AC system was aligned with business hours in the building; sometimes, a decision was made together with the business units to concentrate activity in certain areas in order to allow the system to be disconnected in the evening hours.

- **Use of emergency generators during regular peak hours** – According to an agreement signed in 2014 with IEC, the Bank participates in PUA's load minimizing program and sells power to IEC during peak hours, on demand, by operating its emergency generators. This was in order to help reduce peak consumption at the national level and to make use of diesel in generators at the Bank headquarters in Lod.
- **Installation of diesel circulation system in generators** – in order to avoid soil pollution by unusable diesel and to extend the useful life of diesel. In addition, diesel containers are tested to ensure impermeability to prevent any leaks.
- **HVAC system installation** – HVAC units in computer rooms were networked for optimized operation of the AC systems.
- **Replacement of older, inefficient AC systems at branches** – In 2020, systems were replaced at another 3 branches.
- **Efficient space utilization** – The Bank regularly reviews the efficient utilization of all its assets. In case of need for additional work stations, the first planning option considered is how to do so without any additional space, by re-organization of the work areas. The Bank also regularly reviews the sale / return of surplus space. More efficient use of space indirectly results in savings in power consumption as well.
- In 2020, downsizing of areas were approved at seven branches. Despite Covid-19, which required distancing between employees and the splitting up of units, and despite the increase in the number of employees and the continuing trend of opening new branches during 2020, the Bank's total spaces are similar to those in 2019. This is further evidence of the bank's successful use of space.
- **Review of alternative energy at the Bank headquarters in Lod** - In 2019, we approved construction of a power plant at the Technology-Logistics Center, operated by natural gas, to generate power to be used by this facility, as well as "co-generation", or use of excess heat emitted by the system for cooling the facility. In 2020, the Bank participated in an Israel Electric Corporation tender for the receipt of quotas relating to the construction of our own electricity generation systems powered by natural gas. The Bank won the tender, and we are now in the planning stages of the power plant, as part of the planning of the entire campus scheduled to be constructed within the coming years (Bank headquarters in Lod).
- **Promoting green construction** – The Bank-owned Technology-Logistics Center 1 building was constructed in conformity with the Outstanding Green Building standard. Currently, the Bank is planning construction of Technology-Logistics Center 5 – this building is being designed with assistance from an expert environmental consultant in green construction. This expert accompanies this project from the outset through to receiving the environmental standard certification when construction is complete.

## Improved energy efficiency measures for fuel consumption

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

- We're becoming more digital** – In 2020, as a result of the Covid-19 crisis and the need to maintain social distancing, the Bank expanded its existing digital platforms to accommodate remote meetings, thereby enabling its employees and managers to hold online discussions, training sessions and meetings. The holding of online meetings enabled the Bank to reduce the volume of employee mileage, which resulted in a decrease in our volume of emissions. In 2020, 314 thousand call minutes were consumed on the various platforms, compared to 68 thousand in 2019. Additionally, calls were held on additional platforms that were not measured, according to the customers'/suppliers' needs, for meetings not involving sensitive business information (various internet platforms that are not characterized by high data security).



As a result of the Covid-19 pandemic, it became necessary to use various digital platforms to hold meetings, discussions and training sessions.

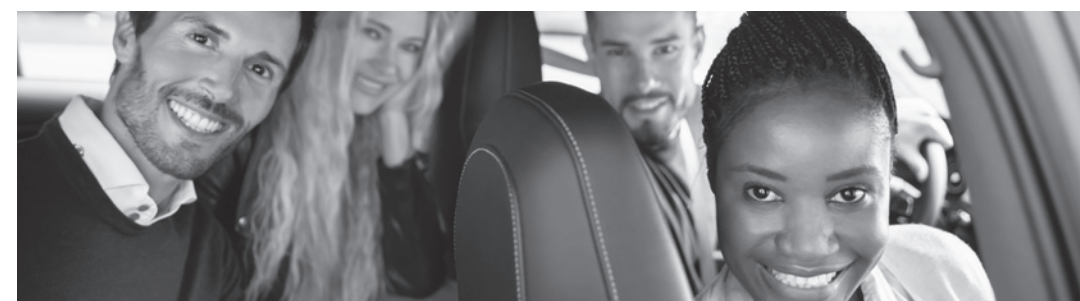


- Shuttle service** – The Technology-Logistics Center operates a shuttle service for employees arriving from different locations around Israel. The shuttle size matches the actual number of passengers. The Bank also encourages its employees to use public transportation in general and trains in particular and provides shuttle service prior to the beginning and end of workdays from the train station to the Technology-Logistics Center. A shuttle service also operates between Bank headquarter buildings in Ramat Gan and in Lod for employees who need to

attend meetings. This co-ordinated service reduces the use of private cars or taxis. In 2020, 400 employees made daily use of the organized shuttle service, representing an increase compared to previous years. Furthermore, due to the disruptions to public transportation during the Covid-19 lockdown periods, the Bank operated designated shuttle lines for many additional employees (the majority of whom work at the Bank headquarter in Lod).

All of Mizrahi-Tefahot Bank's initiatives for reducing its energy consumption enabled savings of

**948** tons of CO<sub>2</sub>



### Initiatives to reduce energy consumption

Initiatives to reduce power consumption	Estimated power consumption saved		Estimated carbon footprint savings
	KWh	Giga Joule (GJ)	
Replacement of light bulbs in offices with LED light bulbs	200,000	720	100
HVAC system renovation	17,000	61.2	8
<b>Total</b>	<b>217,000</b>	<b>781.2</b>	<b>108</b>

Initiatives to reduce fuel consumption	Estimated fuel consumption saved		Estimated carbon footprint savings
	Liters	Giga Joule (GJ)	
Transition to video conferencing <sup>1</sup>	305,467	10,422	714
Transition to digital training sessions	55,423	1,891	126
<b>Total</b>	<b>360,890</b>	<b>12,313</b>	<b>840</b>

1. This figure relates to some of the digital platforms that the Bank uses, which are linked to a monitoring system enabling us to measure the number of users of the systems and to accurately assess the volume of savings.



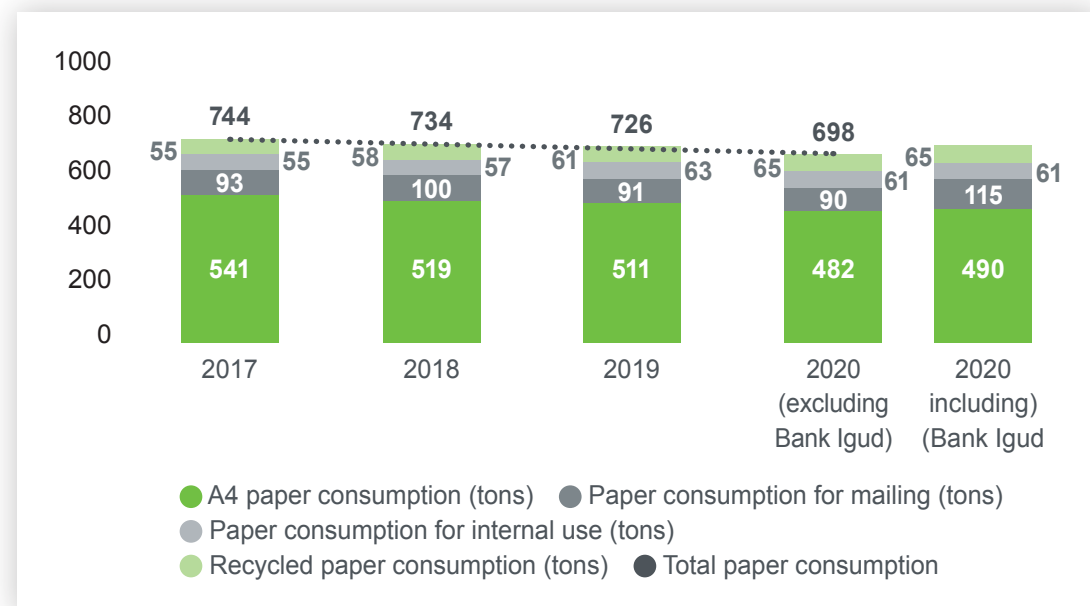


## Reducing paper consumption

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

	2017	2018	2019	2020 (excluding Bank Igud)	2020 (including Bank Igud)
<b>Total paper consumption (tons)</b>	744	734	726	698	731
<b>Ratio of recycled paper consumed out of total paper consumption</b>	7.4%	7.9%	8.5%	9.3%	8.9%

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



In 2020 (excluding the volume of Bank Igud's paper consumption), the Group reduced the quantity of paper that it used by 28 tons. This is a decrease by 3.8% compared to 2019. This reduction was achieved while the Group's business activity continued to grow and expand. One of the strategies that helped achieve this reduction is Mizrahi-Tefahot Bank's "paperless branch" project, during which the Bank introduced the use of tablets for obtaining customers' digital signatures in branches. Another major reason for the reduced consumption is because the provision of face-to-face service in branches was very limited during 2020 due to the outbreak of the Covid-19 pandemic.

Along with efforts to reduce consumption, the Group acts to include purchasing of recycled paper.

In 2020, purchasing of recycled paper constituted 9.3% of the total paper consumption in the Group (excluding Bank Igud), which represents an 11% increase in the ratio of recycled paper consumed compared to 2019.

The Group reduced the volume of paper that it used in 2020 by 28 tons – 38% less than in 2019.

All recycled paper used by the Bank is made of 100% recycled fibers. The Bank ensures that raw materials used by suppliers are from an approved source and compliant with international standards.

Moreover, as part of promoting Bank activities to ensure environmental protection among clients as well, Mizrahi-Tefahot Bank continues to promote sustainable mailing and encourages clients to accept mailing by email messages, thereby reducing paper consumption and protecting the environment. Currently, 45% of Bank clients receive mailing by email messages, and the Bank continues to encourage clients to enroll to receive mailing by email messages, in order to further reduce paper consumption.



As a result of the Bank's appeal to customers to encourage them to register via the Bank's website to receive mail via email, the number of users has increased and today, 45% of the customers receive mail via email.

Measures to reduce paper consumption at the Bank resulted in **savings of 3.5 million pages**, equivalent to **17 tons<sup>1</sup> of CO<sub>2</sub>**.

Initiatives to reduce paper consumption	Estimated consumption savings in pages (units)	Estimated weight of consumption savings in pages (tons)	Estimated carbon footprint savings
"Paperless Branch"	3.5 million	17.5	17

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

## Waste recycling and processing

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

Waste type	Handling	Destination for removal	Volume in 2017 (in tons)	Volume in 2018 (in tons)	Volume in 2019 (in tons)	Volume in 2020, excluding Bank Igud (in tons)	Volume in 2020, excluding Bank Igud (in tons)
Paper waste	Sent for recycling (tons)	KMM	432	501 <sup>1</sup>	400	434	486
Handling of electronic waste	Scrap (tons)	Ecommunity Company (as of 2021 – Shuru Company)	35	66	46	39	48
Processing of ink jet and toner cartridges	Scrap (units)	KMM and Cahila	14,851	12,472	9,711	10,889	10,889 <sup>2</sup>

The Group sends 100% of its paper and electronic waste to be recycled.

Mizrahi-Tefahot Group exerts considerable efforts to handle its waste. The Group's efforts include actions to reduce paper consumption, massive replacements of old printers for new, more efficient printers and initiating the use of original ink cartridges, which are more efficient and offer longer-range use than compatible cartridges.

Mizrahi-Tefahot Bank is compliant with directives of the Ministry of Environmental Protection with regard to disposal of normal and hazardous waste<sup>3</sup>.



1. In 2018, a project took place to reduce the number of years stored in the Bank archive.  
 2. These data do not include Bank Igud.  
 3. Being a financial institution, hazardous waste at the Bank consists of batteries and light bulbs. This data is presented under electronic waste for the Bank.

## Water consumption

Water consumption at Mizrahi-Tefahot Group is primarily for office use. The volume of the Group's water consumption for 2020, including Bank Igud, was about 101,328 m<sup>3</sup>. The water consumption intensity of the Group was 13.5 m<sup>3</sup> per employee.

The volume of the Group's water consumption for 2020, excluding Bank Igud, was 98,363 m<sup>3</sup>. The water consumption intensity of the Group was 15 m<sup>3</sup> per employee.



## Management and reduction of carbon footprint

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

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

This year too, Mizrahi-Tefahot Group is continuing to report its greenhouse gas emissions to the Ministry of Environmental Protection's voluntary reporting system. The Group reports its greenhouse gas emissions according to an agreed methodology.

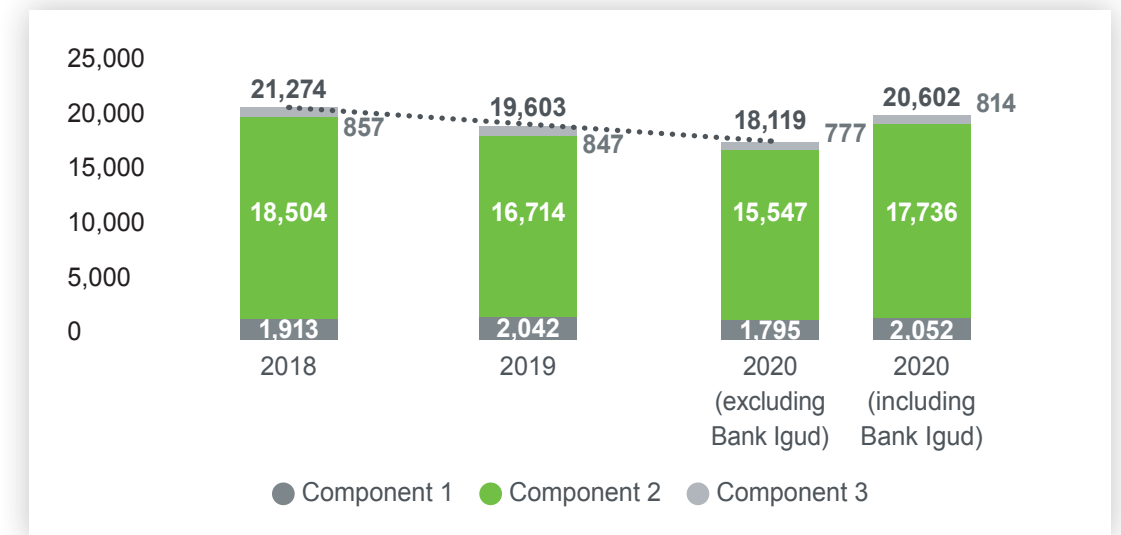
1. <http://www.ghgprotocol.org/>

### Mizrahi-Tefahot Group's carbon footprint (CO<sub>2</sub> eq)<sup>1</sup>

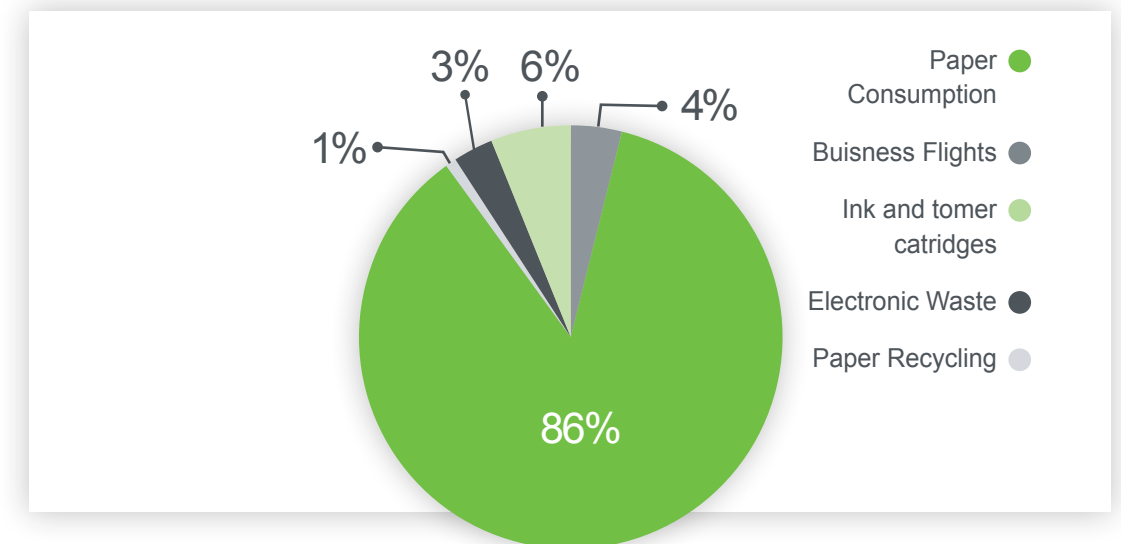
	2017	2018	2019	2020, excluding Bank Igud	Ratio of change compared to 2020 (excluding Bank Igud)	2020, including Bank Igud
<b>Component 1 – direct emissions due to fuel consumption</b>	1,917	1,913	2,042	1,795	-12.10%	2,052
<b>Component 2 – indirect emissions due to power consumption</b>	20,185	18,504	16,714	15,547	-6.98%	17,736
<b>Component 3<sup>2</sup> – Other indirect emissions in the supply chain as due to business flights, paper consumption and waste (electronic and recycled paper)</b>	661	857	847	777	-8.3%	814
<b>Total carbon footprint (CO<sub>2</sub>e) – components 1, 2 and 3</b>	<b>22,763</b>	<b>21,274</b>	<b>19,603</b>	<b>18,119</b>	<b>-7.57%</b>	<b>20,602</b>
<b>Carbon footprint intensity (CO<sub>2</sub>e tons per employee) – components 1, 2 and 3</b>	<b>3.6</b>	<b>3.3</b>	<b>3.0</b>	<b>2.8</b>	<b>-6.6%</b>	<b>2.7</b>
<b>Carbon footprint intensity (CO<sub>2</sub>e tons per m<sup>2</sup>) – components 1, 2 and 3</b>	<b>0.18</b>	<b>0.17<sup>3</sup></b>	<b>0.16<sup>3</sup></b>	<b>0.14</b>	<b>-7.95%</b>	<b>0.14</b>

1. The Group's carbon footprint data include Mizrahi-Tefahot Bank and major subsidiaries.  
 2. Emissions in component 3 exclude emissions involved in paper transportation and waste transportation to waste treatment facilities  
 3. GRI: 102-48.

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

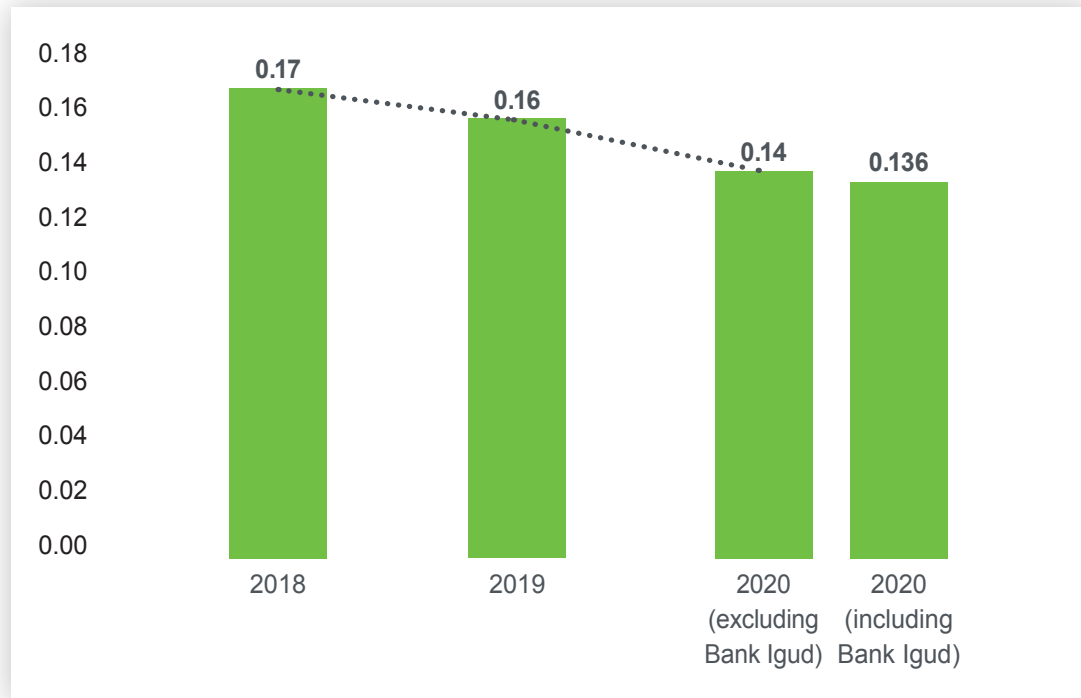


### Emission source – component 3 (including Bank Igud)





### Carbon footprint intensity (tons CO<sub>2</sub>eq per m<sup>2</sup>)<sup>1</sup>



## 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 deliver annually training on environmental issues, and the Bank promotes initiatives among employees and their family members for reducing and recycling waste.

As part of diverse actions taken by the Bank to deploy the values of sustainability, training is delivered on environmental issues. The Bank also promotes campaigns designed to promote recycling by employees. These campaigns are 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.

- **Bottle recycling** – The Bank places receptacles for the collection of cans and bottles with the goal of encouraging its employees to recycle. The redeemed bottle deposits are donated to needy families.
- **Recycling of batteries and electronic waste** – The Bank is part of Ecommunity, a social corporation for recycling of electronic waste which employs employees with disabilities. Bank employees are reminded to bring used batteries and electronic waste, which is collected in containers placed around the Bank.

1. GRI: 102-48

- **Collecting clothes for donation and recycling** – In the Bank's office building in Lod, we placed a container for collection of clothes from employees and their families. The collection is conducted in cooperation with the "Pitchon Lev" NPO.
- **Re-use of furniture** – When a property is sold or returned, the Bank reviews if the furniture can be used elsewhere at the Bank. If possible – furniture is moved to such alternative location or, otherwise, it is donated to the community.



The Bank encourages its employees and their families to donate clothes and other goods for recycling using the "Pitchon Lev" NPO's receptacles located in the Bank headquarters in Lod.

## Indirect impacts

The majority of the Bank's indirect impacts derive from the provision of credit and project financing. Therefore, the Bank implements an environmental risk management policy and, as part of managing the risks involved in providing credit, elements of this policy are also taken into account, including, inter alia, risk assessment, monitoring and management. Additionally, the Bank strives to develop products and services that will help its customers manage their environmental impacts themselves. The Bank recognizes the fact that climate change causes major long-range impacts on the economy and on society, and that cross-sector collaborations are needed in order to manage these impacts. As a financial institution, the Bank does its part in the management of these impacts and, inter alia, takes action to finance projects that contend with the climate crisis, to provide credit to customers for reducing emissions and for promoting products with environmental value (for more information about the projects, see p.73).





## Dialogue on environmental issues<sup>1</sup>

The Group maintains a dialogue on environmental issues, focused on discourse with relevant clients and suppliers about the environmental impact resulting from their operations. The Bank also derives ideas for activities and initiatives from on-going dialogue, allowing the Bank to contribute towards environmental protection.

- **Suppliers** – During visits by the Logistics Division to strategical suppliers, they administer a specific questionnaire on environmental issues. This questionnaire tests the extent to which suppliers act in conformity with social responsibility, including environmental aspects thereof. This questionnaire asks suppliers how they handle waste, incorporate green standards in their operations and so forth. This was not done in 2020 due to the Covid-19 pandemic.
- **Environmental organizations** – The Bank maintains a dialogue with organizations and NGOs on environmental issues, where ideas are raised for activities in which the Bank could contribute to environmental protection. This dialogue resulted in multiple projects, such as recycling drink cans and bottles, recycling medications, recycling batteries, recycling electronic waste, carpooling, environmental initiatives as part of the ZAZIM project etc. The Bank includes its employees and clients in these activities.

1. GRI: 102-43

## Regulatory compliance and control

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











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

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





All these are constantly monitored by relevant employees and managers of the Logistics Division. Furthermore, as part of the Bank's commitment to environmental protection, this year, the Bank is again participating in the greenhouse gas emissions reporting initiative of the Ministry of Environmental Protection.



Achievement of 2020 goals

Specified goal	Response to SDGs	Status
Continued replacement of lighting with LED lighting at branches (15 branches) and at the Technology-Logistics Center.		Done
Review model to promote selection of hybrid cars by managers.		Done
Expand the video-conferencing facilities through custom VC systems and by adding advanced systems in conference rooms.		Done
Continue review for efficient utilization of space (added 15 stations at existing branches – with no additional area).		Done
Continue reducing paper consumption.		Done
Continue review of old chiller replacement at branches (2 branches).	 	Done
Review potential for promoting carpooling through co-operation with custom apps.	  	Due to the Covid-19 crisis, the project did not come to fruition.

Goals for 2021

Specified goal	Response to SDGs
Completion of the project to switch to LED lighting at branches at in the Technology-Logistics Center.	
Reduction of fuel consumption by expanding the technological capabilities for remote work and online learning.	
Reduction of paper consumption by 3%.	
Replacement of old air-conditioning systems in two branches.	







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





## Group commitment to accountable conduct



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

### Mizrahi-Tefahot Board of Directors<sup>1</sup>

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

#### Board members

As of December 31, 2020, the Group Board of Directors consisted of 11 Board members – 9 male and 2 female. The Board of Directors includes 9 Board members having accounting and financial qualifications (the Audit Committee includes 5 such Board members). The Board of Directors includes 4 external Board members, in conformity with Proper Banking Conduct Directives, of which 3 external Board members appointed in conformity with the Corporate Act. All external Board members are also independent Board members.

Among the Board members are also Board members with experience and knowledge of risk management and credit risk. The Risk Management Committee of the Board of Directors consists of 6 members with significant experience with risk management. Furthermore, members of the Board Committee on Technology and Innovation include directors possessing experience in and knowledge about technology and innovation.

All Bank Board members have professional qualifications, in conformity with provisions of the Corporate Regulations, and are classified as "expert Board members" for the purpose of Corporate Regulations.

All Board members do not report to the CEO, directly nor indirectly.

All Board members are aged 50 and over, and there is no age limit for membership of the Bank Board of Directors.

For additional details about members of the Bank's Board of Directors, including their qualifications, education, experience and additional details about their incumbencies, and additional details about

1. Information about the Board of Directors in this chapter only refers to the Board of Directors of Mizrahi-Tefahot Bank, unless otherwise noted. Detailed information about Bank Yahav's board of directors and about Bank Igud's board of directors may found in the Periodic Report for 2020 published on the Bank's website.

directors possessing accounting and financial expertise and professional qualification, as is required pursuant to the public reporting provisions and the Securities Regulations, see Regulation 26 in the Bank's Periodic Report for 2020 on the Israel Securities Authority's Magna website.

Furthermore, the Board of Directors has an annual training program and Board members are invited, from time to time, to attend external professional training. The program of continuing education courses for 2021 encompasses a wide variety of topics, including technological, strategic, financial and regulatory topics, that will be taught by internal and external lecturers.

Below are members of the Bank Board of Directors who served in office during 2020:

Moshe Vidman, Chairman	Jonathan Kaplan
Sabina Biran	Gilad Rabinowitz
Ron Gazit	Ilan Kremer
Avi Zeldman	Eli Elroy
Yoav Asher Nachshon	Yosef Plus
Hannah Fayer	

- On 24.12.2020, the Bank's General Meeting approved the appointment of Ms. Esther Gilaz-Ran as an outside director of the Bank pursuant to the Companies Law (she also fulfills the qualification criteria for an outside director pursuant to Directive 301) for a three-year term of office as of 27.2.2021. For more information see Immediate Reports dated December 24, 2020, reference no. 2020-10-140100.
- On 24.12.2020, the Bank's General Meeting approved the reappointment of Mr. Yoav-Asher Nachshon as a director of the Bank. However, since the Bank had not yet received confirmation from the Supervisor of Banks that he has no objection to Mr. Nachshon's reappointment as a director of the Bank at that time, the Bank's report on that date was that Mr. Yoav-Asher Nachshon had ceased holding office as a director of the Bank. For more information see Immediate Reports dated December 24, 2020, reference no. 2020-10-140100.



## Appointment of Board members

On 24.12.2020, the General Meeting approved an amendment to the Articles of Association with regard to the duration of a director's incumbency, whereby directors (apart from outside directors) will be appointed by the Annual Meeting and the duration of their incumbencies will be until the close of the third Annual Meeting convened subsequent to the Annual Meeting that approved their appointments, or until an earlier date approved by the Commissioner of Banks in that regard. The Bank may, by way of Extraordinary General Meeting, appoint additional director/s to the Bank, whether for the purpose of filling a vacancy that occurred for any reason, or whether as an additional director/s, provided that the number of directors will not exceed the maximum number prescribed in the Articles of Association. Directors so appointed (apart from outside directors) will conclude their incumbencies at the close of the third Annual Meeting convened subsequent to the Extraordinary General Meeting that approved their appointments, or on an earlier date approved by the Commissioner of Banks in that regard. No Bank Board member may be appointed nor serve unless they have the required qualifications and the capacity to allocate the appropriate time for discharging the office of a Bank Board member, considering, inter alia, the Bank's distinct needs and its size. and size of the Bank.

A director's onboarding packet, which every director receives upon appointment, contains information about all material that will be forwarded for the director's examination, about meetings that the director should schedule with various Bank officers and about the Bank's work procedures. This packet also contains all technical details needed for the director to perform his/her role.

## Effectiveness of the Board's work

**Evaluating the effectiveness of the Board's work** – The plenum of the Board of Directors evaluates the effectiveness of its work, in conformity with Directive 301, using structured questionnaires and with the assistance of an external consultant. Once every two years, the Board of Directors evaluates the effectiveness of its own work during a discussion among Board members only. In 2020, an evaluation of the effectiveness of the Board of Directors' work was performed with the assistance of an independent external advisor using anonymous questionnaires.

Bank Yahav evaluates the effectiveness of the Board of Directors' work in accordance with Proper Conduct of Banking Business Directive 301. The evaluations made to date have been carried out by external advisors and discussed by the Board of Directors plenum.

**Improving the effectiveness of the Board's work** – On July 5, 2017, the Bank of Israel published a revision to Directive 301 of the Proper Conduct of Banking Business Directives in relation to boards of directors (in this section: "the Directive"). These updates to the directive are designed to improve the effectiveness of Board work and to enhance the professional qualifications of the Board of Directors. The revised directive stipulates, inter alia, that the Board of Directors may not consist of more than 10 members; expands the definition of "having banking experience" and increases the number of Board members required to have such experience from one fifth to one third; stipulates that the Board of Directors shall include at least one Board member with proven experience in technology; reduces the list of topics for which Board authority may not be delegated to Board committees; stipulates that the Board of Directors should set policy on the maximum term in office of the Chairman of the Board of Directors; as well as other provisions with regard to Board authority, work and function. The revised directive is effective as from the circular issue date.

## Board committees

In 2020, the Board of Directors operated six standing committees:

Credit Committee	
<b>Name</b>	
<b>Composition</b>	Moshe Vidman(Chairman) Yoav Asher Nachshon, Hannah Fayer, Sabina Biran, Yoni Kaplan.
<b>Role</b>	This committee is authorized to discuss general policy issues concerning credit, to formulate recommendations to be brought before the Board of Directors plenum, to discuss the annual and multi-annual work plan of the Credit Control Department and to receive periodic reports concerning credit risk. The committee is also authorized to discuss credit applications which are exceptional to the credit policy and to recommend their approval to the Board of Directors plenum.
<b>Number of committee meetings</b>	15
<b>Meeting attendance ratio</b>	91%
Risks Management Committee	
<b>Name</b>	
<b>Composition</b>	Moshe Vidman, (chairman), Sabina Biran, Avraham Zeldman, Jonathan Kaplan, Yosef Plus, Ilan Kremer.
<b>Role</b>	This committee is authorized to discuss issues and policy related to risk management and control at the Bank, capital planning at the Bank and internal control. The committee discusses recommendations submitted to the plenum of the Board of Directors and drafts proposals before the board meeting scheduled to discuss those topics. The Committee discusses, inter alia, the master policy on risk management and control framework, overall risk strategy, risk appetite, the assessment process of capital adequacy and the quarterly risk document. The Committee discusses and makes recommendations to the Board of Directors on approval of policy documents for the various risk factors, including: Overall management of financial risk, operating risk management, including management of business continuity, reputation risk management, online banking management. The Committee is authorized to approve new products that are subject to approval by the Board of Directors plenum.
<b>Number of committee meetings</b>	13
<b>Meeting attendance ratio</b>	100%

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Remuneration Committee	
<b>Name</b>	
<b>Composition</b>	Hannah Fayer (chairperson), Sabina Biran, Gilad Rabinowitz, Yosef Plus.
<b>Role</b>	This committee is authorized to discuss and make recommendations to the Board of Directors with regard to remuneration policy and procedures, as required by the Corporate Act and in conformity with Proper Conduct of Banking Business Directives. The remuneration policy is required to be in conformity with the Bank's organizational culture, its long-term strategic goals and its control environment – such that remuneration incentives would not encourage risk taking beyond the Bank's specified risk appetite and would allow the Bank to maintain a robust capital base. The committee convenes at least once per year to review the implementation of the remuneration policy. Once every three years, the committee shall make its recommendations to the Board of Directors with regard to approval or revision of the current policy. This committee also makes recommendations to the Board of Directors with regard to guidelines for employment and retirement terms of Bank executives and employees and also approves officer remuneration, prior to approval by the Board of Directors and by the General Meeting of shareholders, as the case may be.
<b>Number of committee meetings</b>	8
<b>Meeting attendance ratio</b>	100%
Audit Committee	
<b>Name</b>	
<b>Composition</b>	Yosef Plus (chairman), Sabina Biran, Hannah Fayer, Avi Zeldman, Gilad Rabinowitz.
<b>Role</b>	The roles and responsibilities of this committee are: discuss any faults identified in conducting Bank business and to propose ways to remedy these faults to the Board of Directors, to specify arrangements with regard to handling complaints by Bank employees with regard to any faults identified in conducting Bank business, to review the quarterly and annual reports to the public, to discuss them and recommend their approval, to approve transactions and actions as specified in the Corporate Act and to approve transactions with related persons in conformity with Proper Conduct of Banking Business Directive 312. The Board of Directors also appointed the Audit Committee to be the entity responsible, on behalf of the Board of Directors, for supervision of the work of the Compliance Officer, including execution of the enforcement plan of securities laws and anti-trust laws, as well as its implementation.
<b>Number of committee meetings</b>	31
<b>Meeting attendance ratio</b>	99%

Technology and Innovation Committee	
<b>Name</b>	
<b>Composition</b>	Gilad Rabinowitz (chairperson), Eli Elroy, Ron Gazit , Yoav-Asher Nachshon , Sabina Biran, Moshe Vidman.
<b>Role</b>	This committee was established in 2019. Its objective is to discuss and to advise the Board of Directors on strategy, risk appetite and IT policy and management, by the Bank and by entities controlled thereby, including overseas affiliates (hereinafter: "the Bank Group"). The Committee discusses, inter alia, matters of information and cyber security, technology infrastructure at the Bank Group, administration and use of data bases, technology innovation in support of business innovation, and aligning these with the overall strategy and policy of the Bank Group, including targets, annual work plans and resources.
<b>Number of committee meetings</b>	7
<b>Meeting attendance ratio</b>	98%
Bank Igud Absorption Committee	
<b>Name</b>	
<b>Composition</b>	Avraham Zeldman (chairperson), Gilad Rabinowitz, Eli Elroy, Yoni Kaplan, Yosef Plus, Moshe Vidman.
<b>Role</b>	The committee was formed in 2020 upon the completion of the tender offer for the acquisition of Bank Igud's shares and its becoming a wholly-owned subsidiary of Mizrahi-Tefahot. The Bank's Board decided to form an ad hoc committee tasked with the absorption of Bank Igud's operations and with monitoring its implementation.
<b>Number of committee meetings</b>	1
<b>Meeting attendance ratio</b>	83%

### The Board's work

The Board of Directors fulfills its functions by means of discussions by the Board of Directors plenum, at meetings held at least once a month (or more frequently, as necessary), as well as at meetings of its committees.

During 2020, 37 board meetings were held, 30 of which were conducted via communications media (including meetings during which only some directors participated via communications media). 75 board committee meetings were held, 30 of which were conducted via communications media (including meetings during which only some directors participated via communications media). Eight directors' continuing education courses were held.

Various issues are brought for discussion by and reporting to the Board of Directors. The vast majority of issues presented for discussion by the Board of Directors is presented after having already been discussed by the Bank's professionals and control functions and by the Bank's Management. Management recommendations are included, as applicable, in background material provided to Board members.



Operating procedures of the Board of Directors stipulate matters, with emphasis on risk management at the Bank, which must be reported to the Board of Directors; these procedures specify the frequency and form of such reports. These procedures also refer to immediate reports with regard to event types which require such reporting.

Once a month, the Bank CEO presents his report, an overview of all Bank operations and special events, including issues of corporate responsibility.

A comprehensive risk survey is presented quarterly to the Board's Risk Management Committee and to the Board of Directors for discussion, which presents: all of the Bank's risks, developments in risk management and control during the quarter under report, and occasionally, topics relating to corporate social responsibility.

If, during the reported year, exceptional critical events on economic, social or environmental issues were brought before the Board of Directors, these are listed in the periodic risk report issued with the financial statements. During 2020, the Board of Directors received ongoing reports about the impacts of the Covid-19 pandemic on the Bank's operations and about how the various risks deriving from the pandemic are being managed.

The right of Board members to obtain information and to consult with various entities in the course of discharging their duties is in conformity with provisions of the Corporate Act and provisions of Proper Conduct of Banking Business Directive 301 by the Supervisor of Banks with regard to "The Board of Directors" and is included in operating procedures of the Board of Directors.

In justifiable cases, the Board of Directors may be assisted by external advisors, as set forth in the Corporate Act and in Directive 301. Board members may also, in special cases, obtain professional advice at the Company's expense, if such expense reimbursement has been approved by the Board of Directors, all in conformity with and subject to provisions of the Corporate Act and in Directive 301.



## General Meetings of Shareholders

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

One or more shareholders holding at least 1% of the voting rights during the General Meeting is entitled to request that the Board of Directors add a topic to the agenda of a future General Meeting, provided that the topic is appropriate for discussion by a General Meeting. Additionally, the Bank's management maintains communications with the various stakeholders. Issues raised during these communications are reported, if relevant, to the Board of Directors.

## Internal Audit

In conformity with statutory and regulatory provisions, the Bank operates its Internal Audit function, reporting directly to the Chairman of the Bank Board of Directors. The authority and duties of the Internal Audit function are set forth in the appointment letter discussed and approved by the Bank Board of Directors, including the authority and right to initiate audit at any Bank unit or operation, and to demand and receive any document and information required for it to discharge its operations. Furthermore, employees of the Audit function have, for the purpose of discharging their role, direct access to required records and information related to the Audit topic. Internal Audit work is based on a risk-focused multi-annual work plan, from which an annual work plan is derived. Considerations in determining the multi-annual audit plan include the following: mapping of activities carried out by different Bank units, assignment of potential risk to each activity and setting audit frequency. The work plan, prepared by the Internal Audit Division, is brought annually for approval by the Board of Directors' Audit Committee and is approved by the Board of Directors plenum. In order to adapt the Internal Audit Division's activities to the restrictions imposed as a result of the Covid-19 pandemic, the division expanded its work processes and activities via remote means, thereby assuring the continuity of the audit processes during the crisis period. Additionally, the Audit Committee approved the division's updated work plan so that it will focus on risks emerging at this time. The work processes updated by the Bank were then analyzed in order to ensure that the risk management and the implementation of controls remain effective. The Internal Auditor compiles the audit reports based on generally accepted professional standards: Various statutory requirements, including the Internal Audit Act and directives of supervisory authorities, including directives of the Supervisor of Banks. Audit reports are regularly sent to the Chairman of the Board of Directors, the chairman of the Audit Committee, the Bank President & CEO and head of the audited unit. A copy of each report is also sent to the CRO, to the Compliance Officer and AML



Officer, to the Manager of the Risk Control Division and to the Manager of the Financial Information and Reporting Division. Work processes at the Audit Division are carried out in conformity with procedures duly approved by the Board of Directors' Audit Committee.

## Internal Audit

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

## The Independent Auditor

The Bank's Independent Auditor, from 1995 to date, have been Brightman Almagor Zohar & Co. In 2020, the reappointment of Brightman Almagor Zohar & Co. as the Bank's independent auditor was approved. This reappointment was approved by the General Meeting by a simple majority of votes.

## Remuneration policy

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



On December 18, 2019, the General Meeting of Bank shareholders approved, after approval by the Board of Directors and recommendation by the Remuneration Committee, the revised officer remuneration policy at the Bank (hereinafter "revised officer remuneration policy"), effective for three years as from January 1, 2020.

The revised officer remuneration policy is in conformity with the Corporate Act, 1999, the Remuneration of Officers in Financial Corporations Act (Special Permission and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Remuneration), -2016 ("the Executive Remuneration Act") and Proper Conduct of Banking Business Directive A301 "Remuneration". The revised officer remuneration policy is based on the general principles which the Bank's Board of Directors, after recommendations by the Remuneration Committee, saw fit to adopt with regard to officer remuneration at the Bank with due attention, inter alia, to the Bank's strategic plan and to current employment terms of officers at the Bank.

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

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

In conformity with the revised officer remuneration policy, the maximum variable remuneration for officers shall not exceed 85% of the fixed remuneration, except under unusual conditions, where the maximum variable remuneration may not exceed 170% of the fixed remuneration. The Bank's Board of Directors also stipulated that the maximum variable remuneration for officers who are gatekeepers would not exceed 55% of fixed remuneration and that such officers would be eligible for an additional fixed component equal to two months' salary. The remuneration of officers, other than Board members, includes two major components: monthly salary (and associated components) and performance-based variable remuneration (based on the Bank's performance targets, on individual performance benchmarks and including discretionary remuneration, including objectives that promote goals related to corporate social responsibility), including a monetary bonus and which may include long-term equity-based remuneration not to exceed one half of the performance-based variable remuneration. In conformity with the revised officer remuneration policy, eligibility of officers to receive options would be determined based on company-wide benchmarks, with a weighting of up to 43% for gatekeepers, and up to 55% for other officers, as well as on individual performance targets, with a weighting of up to 57% for gatekeepers and up to 45% for other officers. The remuneration package may also include remuneration related to retirement. The mid-term remuneration (annual bonus) and the long-term remuneration are designed to align the interests of officers with those of the Bank, to strengthen the link between overall Bank performance and to bolster the officer's contribution to achievement of such performance, in line with the Bank's risk profile. According to the revised officer remuneration policy, once the conditions set forth in the policy have been fulfilled, part of the variable remuneration payment would be divided into multiple installments. The policy further stipulates that the variable remuneration may be subject to restitution, in whole or in part, under circumstances listed in the remuneration policy.

Furthermore, on February 3, 2020, the Board of Directors resolved, after receiving the recommendation from the Remuneration Committee, to approve a revised remuneration policy for 2020-2022 for all





Bank employees, other than officers who are subject to the revised remuneration policy for Bank officers, as noted above (hereinafter: "the revised remuneration policy for all Bank employees"). The revised remuneration policy for all Bank employees discusses remuneration terms of key employees at the Bank and those of other managers at the Bank and of other Bank employees. According to the revised remuneration policy, the terms of office or employment of all Bank employees include fixed and variable remuneration, as customary at the Bank, as well as retirement terms and any other benefit, payment or commitment to make a payment, provided with respect to the aforementioned office or employment. Provisions for return of variable remuneration, as stipulated with regard to officers, would also apply with regard to return of variable remuneration by key employees at the Bank.

The pay for most Bank employees is based on collective bargaining agreements. For more information about remuneration of Bank employees, see the Bank's 2020 financial statements (page 2, 188).

The Annual General Meeting held on 24.12.2020 resolved, inter alia: to approve an amendment to the Officers' Remuneration Policy (which had been approved by the Bank's General Meeting on 18.12.2019) regarding officers' liability insurance.

### Avoiding conflict of interest

The Bank applies all statutory provisions with regard to avoiding conflict of interest among Board members. The Bank acts, in this matter, in conformity with provisions of the Corporate Act, 1999 and provisions of Proper Conduct of Banking Business Directive 312 "Banking Corporation's Business with Related Parties". The Bank's enforcement plan also includes detailed instructions on this matter.

### Tax policy

The Bank operates in conformity with statutory provisions in Israel and in countries in which the Bank has affiliates or subsidiaries. The Bank operates in conformity with income tax provisions with regard to reporting and withholding with respect to Bank clients. For more information, see the Bank's 2020 financial statements (page 162).



## Deployment of business ethics



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



### Code of Ethics

The Bank's Board of Directors and management promote, throughout the organization, a high level of ethics and integrity. The manager of the Human Capital, Resources and Operations Division is the officer responsible for the topic of ethics in the Bank. One of the key means for instilling ethics and integrity is the preparation of the Bank's Code of Ethics and its deployment among all Bank employees. The Code of Ethics reflects the Bank Spirit and its organizational culture, was first published in 2008, defines appropriate rules of conduct for all Group employees, based on analysis of events observed in the field and is a tool for handling issues and dilemmas arising in the normal course of work.

In December 2019, with the aim of revising the Bank's strategic plan as a result of changes that occurred in the Bank and in its business environment, the Code of Ethics was revised and refreshed, in collaboration with its employees, and distinct values were incorporated into it that serve as a foundation for the business and intrapersonal conduct in the Bank. The revised Code of Ethics was presented to and approved by Bank management and by the Board of Directors.

The Bank's Code of Ethics has become an integral part of the Bank's organizational culture and is deployed across the organization by various training activities, including an Ethics Committee headed by the Manager, organizational Development and Training Department, which meets monthly to discuss ethical dilemmas that arise from the field, and to outlines policies and actions for deployment of values of the Code of Ethics.

In 2020, emphasis was placed on inculcating the revised Code of Ethics among all employees of the Bank – study units in training courses were adapted to the revised Code of Ethics, memos were disseminated to the employees, and an Ethics Week was held, which included experiential activities for all of the Bank's units to increase their familiarity with the revised Code of Ethics. At the end of the activity, every unit was asked to obtain its employees' signatures on a framed picture displaying the Code of Ethics, and to hang it in a conspicuous location in the unit as an indication of the employees' commitment to abide by the Code's values.



## Bank values which guide its operations:



Reliability



Client loyalty



Human dignity



Excellence, professional and service-oriented approach



Commitment to the Bank



Fairness



Transparency



Social and community responsibility

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

## Assimilation of the Code of Ethics

During 2020, the Bank held numerous activities to assimilate the Code of Ethics using a variety of tools according to the work plan:

- **Signing the Code of Ethics** – All employees sign the Code of Ethics and every new employee hired also signs it.
- **Reporting to the Management and to the Board of Directors** – According to the work plan for assimilating the Code of Ethics, the chairperson of the Ethics Committee presents a biannual report to the Management and to the Board of Directors about the assimilation of the Code of Ethics and about ethics-related incidents that occurred.



During 2020, **22,347** hours of ethics training were provided.

- **Ethics training** – Every new Bank employee, whether in a full-time or part-time position, is required to learn the Code of Ethics using the Bank's Code of Ethics courseware and to participate in a training course in a classroom framework. Use of the E-learning kit on Ethics is monitored. Additionally, when the Bank opens a new branch/unit, the branch/unit manager provides designated training to the employees of the branch/unit.
- **Ethics Week** – As part of the activities to assimilate the Code of Ethics in the Bank, an Ethics Week was also held during 2020, with the aim of highlighting the Bank's focus on maintaining ethical standards. In 2020, Ethics Week was devoted to assimilating the revised Code of Ethics. The activities were carried out through a competitive online game that awarded prizes and all of the Bank's units participated.

- **Proactive discussion of ethical dilemmas** – As part of the work plan, a proactive discussion of ethical dilemmas is conducted once per quarter, at Bank units in Israel and overseas. These are regularly reported to the Ethics Committee.
- **Upgrading of the Code of Ethics website** – In addition to revising the Code of Ethics, the Code of Ethics website was upgraded and redesigned in an innovative and interactive format for our employees' use.
- **Assimilation of ethical aspects in employee evaluation** – In the employee evaluation questionnaire, which is one of the sources used to make organizational decisions (such as promotion, remuneration etc.), ethical aspects of the employee's conduct are also addressed.
- **Ethical dilemmas** – Presentation of ethical dilemmas on the Code of Ethics website.
- **Introduction of Ethics as a topic in core courses** – A training unit on Ethics is incorporated in some banking courses.
- **Manager training** – Manager training includes discussions of ethical issues relevant for managers, based on values in the Code of Ethics.
- **Divisional/unit activities** – Within this framework, the Ethics Committee or its representatives meet with the employees of a specific unit to analyze ethical dilemmas and processes relevant to the unit and to formulate an internal ethics plan.
- **Communications channels** – We encourage our employees to talk to us about any issue, including about ethics-related issues, at any time and through a variety of channels. either by writing to the chairperson of the Ethics Committee via the Code of Ethics website, which is delivered to an email account dedicated to ethics-related issues, or by using an online form for anonymous inquiries. External parties may address ethics-related issues through the Public Call Center or through the Bank website. The Bank has a procedure in place which guarantees protection of the information provider and inquiries may also be sent anonymously. Information about ways to send inquiries is listed on the organizational portal, on the notice board at overseas affiliates and is made public in branches. Moreover, in conformity with a new directive by the Bank of Israel, the Bank issued a public statement with regard to public complaints, worded as specified by the Supervisor of Banks. The Bank maintains constant contact with the person who filed the complaint, unless this is not feasible (as in the case of a complaint made anonymously).

## Code of Ethics - measuring the effectiveness of its assimilation

The Bank constantly reviews the implementation of the Code of Ethics through meetings, focus groups and diverse training. We updated our Code of Ethics in 2019 after holding a dialogue with employees and managers, who analyzed the extent of its assimilation and the relevance of its various principles and recommended updates and/or additions to the Code of Ethics. During 2020, we analyzed the extent that employees assimilated the updated principles and are acting according to the principles in our Code of Ethics. We also hold an ongoing dialogue through forums of managers and employees and through quarterly meetings within our units. Inter alia, we analyze the quality of assimilation of the Code of ethics and the extent that the work plan adheres to its principles.



## Commitment to regulatory compliance



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

### Compliance with regulations and ensuring proper conduct

The Bank has a compliance policy in place, approved by the Board of Directors. This policy addresses: compliance, anti-money laundering and financing of terror, cross-border risks, fairness, privacy protection, economic competition and internal enforcement of securities laws. We appointed a compliance officer who acts according to a letter of appointment, which defines authorities and anchors the officer's independence as part of good corporate governance.

We also maintain mapping of the regulatory provisions and every division is responsible for the regulatory compliance under its purview. To ensure enforcement in the Bank, we appointed regional compliance inspectors, branch compliance trustees, a compliance banker at major branches and compliance trustees in the Bank's headquarters. These compliance officers undergo compliance training several times a year and are responsible for performing first-line controls, for identifying compliance risks, for taking appropriate risk-mitigating actions and for handling customers in conformity with our procedures.

We also formulated detailed first-line control programs, which analyze the various activities in the Bank at all levels using a risk-based approach.

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

We regularly update the mapping of compliance risks and internal enforcement, implement comprehensive assimilation, control and enforcement programs and take a variety of actions to mitigate these risks.

In 2017-2020, no significant fines were imposed on the Bank for non-compliance with laws and regulations. For payment by the Bank Group in conjunction with an agreement to conclude an investigation by the US Department of Justice, see chapter below on this matter.

The compliance officer is involved in approving new products, approving procedures and in handling relevant transactions.

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

## Implementation of compliance at the Bank

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

- **Orderly assimilation of procedures** – We are diligent about abiding by statutory provisions according to our compliance policy and by means of our SOPs, procedure updates, work processes and computerized systems. We keep all of our employees informed of procedure updates through memos that we disseminate to relevant units, which they are required to sign. The process of implementing laws and statutory provisions and updates there to are monitored, inter alia, by the Compliance Department of the Risk Management Division.
- **Control over implementation** – Monitoring the effectiveness of implementation of statutory provisions and procedures is applied, inter alia, by implementing controls over compliance with provisions in various areas. In conformity with corporate governance rules, controls are applied by employees of the line of business, in conformity with the type and attributes of the transaction, and by employees of the second line, who apply controls on various compliance topics and challenge the operations of the first line, focusing on risk-based activities.
- **Identifying and mapping compliance risks** – We constantly monitor risks in order to immediately identify any rise in risk levels (inter alia, due to the multitude and complexity of bank operations or the volume of activity or due to complex legislation) in order to focus our efforts to mitigate these risks and avoid violations.
- **Handling exceptions** – The Bank handles any exceptions identified by controls, at both HQ and branches. This includes implementation of recommendations for improved processes and controls, verifying that faults are corrected, lessons learned and disciplinary action taken, if needed.
- **Anonymous hot line for employee inquiries to Internal Audit** – Internal Audit operates anonymous telephone and fax lines for employee inquiries in cases of irregularities or events suspected of not being appropriate, severe deviation from statutory provisions, Bank of Israel directives or Bank procedures, inappropriate conduct, criminal action and so forth. The Bank has specified protection for whistle blowers.
- **Anonymous hot line for employee inquiries to Compliance Department** – The Bank operates an anonymous phone and fax hot line for employee reporting, as needed, with regard to fraud and manipulation of securities, FATCA and other compliance issues.
- **Internal Audit** – The Bank conducts independent Internal Audit of units and material processes at the Bank, including with regard to compliance with statutory provisions, Bank of Israel directives and other regulations, Bank policy and procedures, both at business units and at control units. Our Internal Audit Department is headed by our Chief Internal Auditor, who was appointed in July 2011 by the Audit Committee and Board of Directors, based on her education and experience (for additional details, see the Financial Statements – Disclosure about the Internal Auditor, on p 312).
- **Fair competition** – The Bank conducts its business fairly. The Bank strictly adheres to statutory and regulatory provisions applicable to the Bank, including the Economic Competition Act. The Bank does not promote any public agenda and does not apply any lobbying.





- **Fairness** – We enforce a policy of fairness during all of our activities with all stakeholders, especially with our customers, and we are diligent about selling products and services that are customized for customers and their needs. Fairness is one of the values in our Code of Ethics.
- **Employee training and information sheets** – As part of inculcating a culture of compliance, we provide training on the following subjects to our employees through the Compliance Department and the Training Center: compliance, anti-money laundering and financing of terror, bribery and corruption risks, internal enforcement, cross-border risks, compliance with international sanctions, the Economic Competition Law, securities laws, fairness towards customers, due disclosure and the Code of Ethics. The Bank also acts with regard to non-discrimination against various populations, including operations involving minorities. Such training is provided as part of banking training delivered as part of training of Bank employees, and in more focused training, based on role and department. Our employees are required to complete courseware and pass exams on the various compliance topics as part of their onboarding process and during their employment, with the frequency depending on the roles that they are performing. The Compliance Department validates the courseware and updates it as needed. Moreover, soon after new employees start their work at the Bank, or upon changing their role, employees attend training on compliance issues. Additionally, the Compliance Department disseminates brochures and information sheets from time to time containing emphases on compliance with statutory provisions, and holds compliance seminar days for managers, specific functionaries and for headquarters employees. Some of these brochures are also displayed in public areas in the Bank's buildings.
- **Compliance forum** – The Bank operates a forum, headed by the Chief Risk Officer and attended by heads of business divisions or representatives thereof, representative of the Legal Division, the Chief Compliance Officer and representative of the Internal Audit Division, designed to present and discuss events and cases related to compliance, to discuss material compliance risks and to describe material regulatory changes and preparations for the implementation thereof.
- **Cross border forum** – This forum engages in the management of cross-border risks in the Bank. This forum is headed by the manager of the Risk Control Division and is comprised of the following division managers: financial, legal, retail, technology, human capital, resources and operations, the chief compliance officer and additional representatives from these divisions. The cross border forum receives reports and updates about the Bank's fulfillment of its obligations deriving from cross-border risk provisions and delineates the Bank's activities in this regard.

## Compliance risk management

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

We manage compliance risks, which encompass anti-money laundering risks, cross-border risks, fairness risks and bank confidentiality risks, by identifying, analyzing and documenting compliance risks that are inherent in the Bank's business operations, including developments

pertaining to new products, business practices, business lines or new customers, and material changes in any of the above.

Moreover, the Bank regularly maintains and updates the mapping of compliance risk and internal enforcement, maintains comprehensive control and enforcement programs and takes various actions to reduce such risk. The Bank conducts operational risk surveys with reference to embezzlement and operates a current system for embezzlement monitoring.

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

In 2020, similar to previous years, no significant fines were imposed on the Bank or on any of its subsidiaries due to a failure to comply with laws and regulations. For payment by the Bank Group in conjunction with an agreement to conclude an investigation by the US Department of Justice, see details in chapter below on this matter.

## Political donations

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

## DPA – dismissal of the deferred indictment in the United States

On March 22, 2021, the court in the United States (Los Angeles) issued an order to dismiss the deferred indictment filed against companies in the Bank Group pursuant to the DPA signed on March 12, 2019 between the Bank and the US Department of Justice for the termination of the DOJ's investigation of the Bank Group's businesses with its American customers. The court order was issued following the motion filed by the DOJ upon the expiration of the two-year agreement defined in the DPA, which stated, inter alia, that the companies in the Bank Group had fulfilled their obligations pursuant to the said agreement.



The Bank is committed to business conduct in conformity with applicable laws to its operating segments, and to maintaining the highest standards of ethics, integrity, fairness and professional attitude. The Bank believes that achieving results and business success is not the only thing of importance, but also how they are achieved.

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 has defined an orderly policy for handling aspects of operating risks, has designed internal controls and ongoing monitoring and control processes to identify areas posing potential conflicts of interest and takes action to minimize them.

## Preventing corruption in Mizrahi-Tefahot

Mizrahi-Tefahot Bank pays great attention to this area and has a structured policy in place with regard to this matter. The Bank constantly monitors activity at all branches, to identify any risk of corruption and to prevent any cases of bribery, fraud and embezzlement. We took action to identify these types of risks in 2020 too.

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

- **Fraud and embezzlement by employees** – Unusual cases are monitored by the Risk Control Division and referred as needed for handling by the Internal Audit Division.
- **Cases of fraud by Bank clients** – The Risk Control Division, including the Information Security and Cyber Departments of the Risk Control Division and the Technology Division, monitor events and any cases of fraud are handled by Mizrahi-Tefahot Security Services in the Human Capital, Resources and Operations Division and by the Retail Division.
- **Activities of Bank clients, suspected of being connected to bribery and corruption** – are monitored and handled by the Compliance Department.
- **Cases of theft and robbery** are monitored and handled by Mizrahi-Tefahot Security Services, the Information and Cyber Security Department.
- **Cases related to information and cyber security** – are monitored and handled by the Information Security and Cyber Departments of the Risk Control Division and the Technology Division.
- **Ethics-related cases** – are handled by the Chair of the Ethics Committee.

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

We operate several systems to early detect, prevent, deter and handle incidents of corruption to the extent possible, including:

- In 2020, a new system was established to detect fraud and embezzlement. This system issues alerts about anomalous operations for examination according to corporate law.
- We also installed an advanced telephone call transcription system in 2020, which significantly streamlines and improves the effectiveness of our controls. This system is being used in the banking center and in the center controlling trading room activities.
- AML system – The MEA system flags exceptional events, based on criteria, for review by the branches (first line) and by the Compliance Department (second line) and then reported, as required, to the AML Authority, in compliance with statutory provisions.

We also operate an operating risk portal. This portal is used to collate all relevant events, in conformity with Bank of Israel directives, and to classify any unusual / material events for the Bank to analyze, report internally and investigate as required. Our Risk Control Division also performs ongoing risk surveys of operating processes in all of our units, in coordination with the unit managers, for the purposes of identifying operating risks inherent in their activities, for assessing the gravity of those risks and for defining risk mitigation actions.

Operational risk steering committee – Headed by the Chief Risk Officer, convenes regularly at least once every quarter, to receive an overview of events that took place, action taken and recommendations to be implemented, as well as recommendations on revision of operating processes, with emphasis on processes to improve client service, with appropriate monitoring and risk mitigation. We implemented several processes this year to minimize the damage caused by credit card fraud (forgery/duplication), inter alia, by issuing alerts to customers about suspected unauthorized activity with their credit cards. Additionally, our Information Security and Cyber Security Steering Committee, headed by the Chief Risk Officer, convenes quarterly to discuss information security and cyber security issues, to analyze incidents and to issue recommendations for action. We also operate an Internal Control Forum – a periodic forum that is responsible for integrating all internal control processes in the Bank and for discussing material, organization-wide issues.

## Accountable conduct by Mizrahi-Tefahot employees

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

As part of Bank operations to prevent bribery and corruption, and to ensure ethical conduct by employees and managers, the Bank has issued a Code of Ethics and procedure that govern, inter alia, gifts, charitable donations, air travel and limits on per diem and accommodation expenses. The Bank has no agents in its overseas operations and is assisted by suppliers, advisors or business partners to represent the Bank in front of clients and Government authorities in commercial aspects.

**Preventing fraud and embezzlement** – The Bank has policy documents and procedures for handling embezzlement, fraud and breach of laws and procedures, in which the Bank specified the



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

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

In 2020, we conducted reviews based on a structured work plan across the Group, including with regard to corruption aspects.

**AML** – The Bank adopts a risk-based approach that contributes to effectiveness of control lines and to properly addressing AML and terror financing risk for mitigating such risk. AML and terror financing risk management is part and parcel of all levels of Bank activity with clients. In order to manage this risk, Bank policy includes guidelines in this area. The guidelines relate to conditions for accepting clients for providing service and for conducting transactions, to the required knowledge of the client and their business, to classifying Bank clients by risk level, to risk unique to clients with public exposure, to bribery and corruption risk, to illegal gambling activities, to preventing terror financing and trade with enemy entities, to compliance with international sanctions, to rules regarding the activity of correspondent banks and for monitoring unusual activity. As part of its operations in this area, the Bank operates various computer systems to help employees identify, report and act in conformity with statutory provisions and procedure in this area.

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

#### Prevention and training:

- **Regular dissemination of operating procedures to employees** – The Bank specifies rules of conduct for employees, disseminating them to all employees based on the nature of their banking role.

- **E-learning kits for employee training** – The Bank disseminates E-learning kits for employees on diverse topics, including: Fairness, preventing fraud and embezzlement, bribery and corruption risk, information security, Code of Ethics, economic competition and insider information. We updated some of our courseware in 2020.
- **Advice and ongoing training** – The Compliance Expert Center is the one address at the Bank for providing answers on any compliance-related matters. The Compliance Department accompanies ongoing activity in all aspects of risk compliance, by providing ongoing advice and guidance and by delivering in-person training to all branch and headquarters employees, from initial training of the employee through advanced stages and change of roles. Our Compliance Department's managers and employees provide an extensive volume of training courses to various employee groups in the Bank and periodically test branch and headquarters employees on the level of their knowledge.
- **First-line and second-line controls** – The lines of business and the Compliance Department maintain control circles for operations, designed to ensure full compliance with regulation. The Compliance Department applies controls in accordance with annual work plans.
- **Event debriefing** – The Bank has a methodology in place to learn lessons and to take action as required to avoid their recurrence in Israel or overseas.
- **Deployment of the Code of Ethics** – The Bank deploys the Code of Ethics at its different units through various means, based on a well-organized plan.
- **Anonymous hot line for employee inquiries to Internal Audit Division** – The Bank operates an anonymous phone and fax lines for employee to contact Internal Audit as needed. anonymously. We inform all of our employees about the existence of these communication lines on the Bank's portal.

During 2020, one incident of theft of money by an employee was reported in the Bank. This report was handled in conformity with Group procedures; and the employee in question is no longer employed by the Bank. This matter was reported to the Bank of Israel, in conformity with the Supervisor of Banks' directives, and a complaint was filed with the police, in conformity with Bank policy. Bank clients did not incur any damage and the Bank did not incur any material damage.

**Prevention of corruption by clients** – The Bank monitors activity of Bank clients suspected of links to bribery and corruption, and they are handled by the Compliance Department.



In 2020, we delivered, **33,617** training hours to Bank employees. on preventing corruption Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.





## Reporting and protection for whistle blowers

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

Bank policy and procedures specified the required reporting chain in case of a suspected event or should a material event take place. The aforesaid chain of reporting ensures that every incident is handled and that all relevant authorities in the Bank are involved, including: the Human Capital, Resources and Operations Division, the Risk Control Division (including the Compliance Department), the Financial Information and Reporting Division, the Legal Division and the Internal Audit Division. Any material fraud or embezzlement events are to be immediately reported to the Chairman of the Board of Directors and to the Bank President & CEO. In case of any significant event, the investigation report is sent to the Chairman of the Board of Directors' Audit Committee, to the Audit Committee, to the Chairman of the Board of Directors and to the Bank President.

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

As stated, employees can report to the Internal Audit Division in several ways, including anonymously via telephone 24 hours a day, via email or fax, as publicized on the Bank's portal. The Internal Audit Division annually reports to the Board of Director's Audit Committee the number of anonymous reports received and whether any reporting employees require protection. The report for 2020 indicated that no employees required protection in this regard.

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

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

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

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

## Preventing corruption in our subsidiaries in Israel

Bank Yahav, Bank Igud and all other companies in the Bank Group are also obligated to comply with all statutory and regulatory requirements applying to them during their business operations. Our banks exert enormous efforts to minimize the exposure to fraud and embezzlement – as this is a critical matter for financial institutions. Their actions to comply with laws and regulations and prevent bribery and corruption are consistent with Mizrahi-Tefahot Bank's policy and conduct, as presented in this section.

Furthermore, prior to the Bank Igud's merger under Mizrahi-Tefahot Bank, Bank Igud's Operating Risk Department focused its activities on preventing any embezzlement relating to the merger.





Mizrahi-Tefahot Bank has a structured system in place for control and management of risk associated with Bank operations. Such management is covered by a framework document on risk control, which specifies the Bank's risk appetite, guidelines for risk management and corporate governance (Master Document) and policy documents on management and control of specific risk in various areas.

With regard to risk management and control, the Bank operates in conformity with directives by the Supervisor of Banks, and all policy documents on risk management and control at the Bank are based on principles of risk management and control in the banking system. These policy documents are approved at least once per year by Bank management, the Risk Management Committee of the Board of Directors and by the Board of Directors and govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations. During 2020, we approved a specific policy for managing supplier risks and outsourcing, which conforms to the new Proper Conduct of Banking Business Directive 359A – “Outsourcing.”

Furthermore, we acted in compliance with the Bank of Israel's Covid-19 Temporary Order 250 – “Adjustments to the Proper Conduct of Banking Business Directives for the Purposes of Contending with Covid-19,” which includes guidelines and measures to allow leniency in a variety of issues – especially to help households and businesses make it through the challenging period.

## Risk management at Mizrahi-Tefahot

Bank operations with regard to risk management are in conformity with Proper Conduct of Banking Business Directive 310 concerning "Risk Management", issued by the Supervisor of Banks in 2012. The regulation includes a corporate-wide risk management concept, listing principles for setting up a framework for risk and capital management and control. The regulation also clarifies the processes required of the Board of Directors in order to duly discharge its duties pursuant to Proper Conduct of Banking Business Directive 301, including a requirement to appoint a Risk Management Committee of the Board of Directors. According to the regulation, senior management is responsible for regular risk management, and is required to create a Risk Management function, and to appoint a Chief Risk Officer to head this function. The regulation lists the responsibilities and position of the Risk Management function and the Bank fully implements this regulation.

We implement an orderly risk management and control system, which includes, inter alia, a risk management framework document defining the Bank's overall risk appetite, our risk management and corporate governance principles (master document) and separate policy documents for managing and controlling specific risks. These policy documents are approved at least once per year by Bank management and the Board, by the Risk Management Committee of the Board of Directors (or by the Technology and Innovation Committee of the Board of Directors, as the case may be) and by the Board of Directors plenum and govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations. These risks include strategy and reputation risks, credit risks, including environmental risks, financial risks, operating risks, including information security and cyber security risks, supplier risks, human resource risks, legal risks, compliance

risks, online banking management risks, and the Bank's branch strategy policy, which includes principles for opening new branches, managing branch closures and managing risks at overseas branches (this policy document defines the framework for managing and controlling risks during the Bank's operations abroad).

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.

The Risk Control Division regularly reviews and reinforces the risk management and control culture at the Bank. These processes include, inter alia, the following: comprehensive annual mapping of the three lines of defense against various risks, to ensure that appropriate lines of defense are fully maintained for all material risks; in-depth processes to review the effectiveness of control in risky areas; holding conferences with all representatives at branches and at headquarters to reinforce the management culture, including reporting on operating risk; involvement in all material projects at the Bank, with emphasis on adhering to the Bank's risk appetite in all aspects; review of new products / services at the Bank from risk aspects, with emphasis on compliance and regulation / fairness and so forth; annual review and approval of all policy documents regarding risk management and in conformity with changes in regulation and global practice; challenging material processes / investments at the Bank, as part of the approval process by management and by the Board of Directors; challenging the Bank's annual work plans and aligning these with the strategic plan; challenging the remuneration policy; debriefing internal and external events including from aspects of ethics, fairness, compliance, reputation and so forth. During 2020, the Division worked continuously to examine the Bank's operations and its resilience during the Covid-19 crisis. Its work included, inter alia, the performance of a comprehensive process of drawing organization-wide conclusions about the Bank's operations during the Covid-19 crisis according to the Bank of Israel's directives. We are continuing to follow-up on the recommendations for action in this regard.

Upon the completion of the Bank Igud acquisition transaction at the end of the third quarter of 2020, our Risk Control Division was involved in the entire merger process, and analyzed the merger's direct risks and their impact on the Bank's operations and the merger plan.

We manage risks at a Group level and particularly, we establish forums and draft suitable procedures to ensure that our risk management and control processes – also in Bank Yahav, in Bank Igud and in our overseas branches – are consistent with the Group's policy.





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

The Bank Board of Directors operates with regard to risk management through Board committees. The Risk Management Committee is the major committee handling this area. This committee convened 12 times during 2020 and recommended to the Board to approve the policy documents, discussed the risk report and the quarter risk document. The committee also discussed the risk surveys, the outcomes of extreme scenarios, challenged the risk management processes and more. Our Management holds preliminary and expanded discussions about approving documents to be presented to board committees before board committee meetings are convened.

The Manager, Risk Control Division, reporting directly to the Bank President & CEO, serves as the Bank's Chief Risks Officer (CRO) and is responsible for the risk management and control function and for the risk management framework. The CRO operates through the Risk Control Division. The Risks Control Division operates independently of the risk-taking units and has direct access to information. The Division Manager has direct access to the Bank Board of Directors. As part of corporate governance for risk management, the Bank has other forums for risk and capital management and for risk monitoring. The CRO is responsible for multiple forums designed to ensure an appropriate internal control framework. These forums include specific forums for compliance, steering committees on operating risk, including information security and cyber, and regular forums with business units in the first line.

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

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

2020 was a uniquely challenging year due to the Covid-19 crisis; therefore, we significantly increased the corporate governance activities in the Bank. Our Board worked intensively to analyze the repercussions of the Covid-19 crisis on the Bank throughout the year and, inter alia, convened at a higher frequency to discuss the repercussions, including all aspects of the financial, operating and logistics risks, in order to ensure the Bank's proper management throughout the crisis. The Board analyzed, inter alia, the document outlining the conclusions drawn from the Covid-19 crisis and periodically monitored the status of the implementation of recommendations for action.

During the fourth quarter of 2020, we formed an ad hoc committee tasked with supervising the implementation of the Bank Igud merger processes. This committee will discuss all aspects of absorbing Bank Igud, including overall risk management during the merger process, in lieu of the discussions by the Risk Management Committee and by the IT and Digital Innovation Committee.

The management of Bank Igud's various risks and the risks involved in absorbing Bank Igud will also receive expression in the risk document to be discussed quarterly by the Risk Management Committee and by the Board of Directors, and in the various reports by our various risk managers within the framework of the various board forums (such as the compliance officer's quarterly report to the Audit Committee).

Technology and innovation risks – will be discussed by the ad hoc board committee for innovation and technology, which was formed in 2019 as an advisory committee to the board. This committee's chairperson is a director possessing technological expertise.



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

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

In addition to the first line of control (business entities) and the second line (control entities), the Internal Audit Division, which constitutes the third line of control, conducts audits of risk management processes at the Bank. This is achieved based on a risk-adjusted multi-annual work plan. Audit reports are submitted to the Audit Committee and to Bank management. Moreover, the Audit Division conducts annually an independent review of the ICAAP document issued by the Risk Control Division. In this document, the Audit Division expresses its opinion on the appropriateness of the ICAAP process and document, and the degree of effectiveness it attributes to the control environment for each risk.

Once every six months the Audit Division presents to the Board of Director's Audit Committee a semi-annual and annual summary including, inter alia, its comments on management of various risks, as indicated by audit reports compiled in the reviewed period. The Audit Division also presents a quarterly list to the Audit Committee of the audit reports disseminated during the previous quarter





and a summary of the reports. This list and the report summaries are also presented biannually to the plenum of the Board of Directors. The Audit Division also presents to Bank management its quarterly report of material audit findings in the reported quarter.

## Review of effectiveness of risk management processes

Once a year, the Bank conducts a self-assessment process (RAS) to review the effectiveness of its risk management. This process uses structured questionnaires which review the positions of various Risk Owners and risk controllers at the Bank, as to the level of risk inherent in activities which they manage or control, as well as their position on the quality of risk management and control and assessment of the risk trend going forward.

During 2020, we increased the number of assessors in order to obtain a more complete picture of all aspects of our various lines of defense.

The outcome of these annual surveys are also compared to previous results to identify any gaps in risk management and control and to identify evolving trends in opinions of managers with regard to the specific risk level and to the quality of risk management and control. During this process, a dialogue is held between the risk managers and the risk controllers in order to clarify the results, to identify the challenges and risks that the Bank is facing and to update the "heat map," including the material risks to which the Bank is exposed. We also discuss the annual work plans and their impacts on the level and quality of risk management, with the objective of ensuring that detected vulnerabilities are handled throughout the year.

The "heat map" presents data on a chart of risk intensity vs. likelihood of realization over a one-year horizon. The risk intensity includes the Bank's current exposure and management quality (including controls), and the likelihood of realization takes into account the historical behavior, assessment and knowledge of expected developments over the coming year. Note that the heat map includes reference to cyber risk (global risk), compliance and regulatory risk, fairness, fraud and embezzlement, Bank preparations for providing client services during an emergency (business continuity) and so forth.

The results of the overall qualitative assessment, including developments during the year and expectations for the coming year and the risk heat map, are discussed by Bank management, by the Risk Management Committee of the Board of Directors, by the Board Audit Committee and by the Board plenum, and are submitted for review by the Bank of Israel.

Furthermore, the Internal Audit Division annually provides an independent review of the RAS process outcome, providing its assessment to the Risk Control Division, to Bank management and to organs of the Board of Directors. The results of this process showed no material gaps between how Internal Audit assessed the effectiveness of the control environment and how the Risk Control Division assessed the quality of risk management.



In 2020, we delivered **19,805** training hours on risk management.

## Management of environmental and social risk



Mizrahi-Tefahot Bank regards environmental issues as an integral value that is part of its social 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.

The Bank's new strategic plan also addresses the Bank's current environmental responsibility. We constantly strive to minimize negative impacts on our operations and to protect and improve the environment in which we operate.



### Environmental risks

For the Bank, environmental risk is the risk of a loss deriving from a borrower's financial position deteriorating due to the high costs incurred as a result of environmental hazards and environmental quality regulations, or from a drop in the value of collateral that is exposed to an environmental risk, which is caused by the project that it is financing. Environmental risk also includes other risk factors derived from this risk: goodwill, third party liability etc.

In recent years, global awareness of the potential financial exposure arising from regulations related to environmental protection has grown. According to the letter published by the Supervisor of Banks, banks are required to take action to incorporate environmental risk management in their set of risks, to design work processes to identify material risks when providing credit, and to include their assessments of such risks, if any, in their periodic credit quality assessments of credit provided.

The Bank, with the assistance of external consultants, analyzed the repercussions of its environmental risks as an integral part of its credit risks (in terms of 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.

Our policy defines methodologies for detecting, assessing and handling environmental risks; we take action to assimilate environmental risk management in our set of risks; we formulated work processes to detect material risks when providing credit and we include the assessment of these risks, if any, in our periodic risk quality assessment of the credit we provided.

We provide credit to economic sectors having material environmental implications, mainly to customers of our Business Division that pose material exposures to environmental risks, and customers of the appraiser unit, which appraises collateral for assets.



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 that could potentially be affected by environmental risks, which is also assisted by external consultants.

Additionally, environmental risk management and climate risks are also discussed specifically by the Board's Risk Management Committee, which is an advisory committee to the Bank's Board on the subject of risk management, similar to most of the material risks that we face.

Our credit risk management policy includes a policy for managing environmental risks when providing credit. This policy, as part of the Bank's risk management and control, takes into account not only considerations based on the quality of the customer, its solvency, financial robustness, liquidity, credibility, number of years at the Bank, account behavior and the quality of its collateral, but also environmental considerations according to the environmental risk policy that is approved annually by the Board as part of the Bank's policy documents as part of its role in delineating the Bank's risk policy, including the environmental risks, consistently with the Bank's strategy.

### Identifying and measuring environmental risks to which the Bank is exposed

Managing exposure to environmental risks entails the following key components:

- **Detecting, identifying and mapping** – We mapped economic sectors according to material environmental implications and identified major customers operating in these sectors that have significant environmental impact and require specific monitoring in this regard. The mapping identified four major categories, which were differentiated by the level of environmental risk. The category defining high risk potential includes, inter alia, various businesses engaging in industry, mining and quarrying. We focused on material exposures to customers of our Business Division and to customers of the appraisal unit that appraises collateral for assets.
- **Ascertaining the degree of impact of environmental risks** – is performed as needed, inter alia, in the following ways: asset appraisals (over the years we developed a methodology for defining criteria for identifying land and properties requiring analysis of environmental aspects when defining the required collateral); information received from project inspectors; material information published in financial statements; information received from customer. We obtain assistance from external consultants as needed, including in relation to cost estimates.
- **Credit provision to economic sectors having a material environmental impact** – When analyzing high-volume credit applications from companies in economic sectors identified as having material environmental implications, we focus on environmental risks that could affect credit repayment and include them in our overall risk assessment of the customer.
- **Using environmental quality databases** – As part of our inclusion of environmental risks in our work processes, we compiled an extensive list of databases relating to environmental quality for our Business Division to use as needed. This list, which was compiled with the assistance of the Bank's environmental consultants, encompasses databases pertaining to planning and construction, licenses and permits, ratings and reports, legal databases, maps, etc.

Another way that we integrate environmental risks in our set of credit considerations is by enhancing Credit Department employees' awareness of environmental risks. The Business Division headquarters annually delivers training in this area, assisted by external professional advisors from the environmental protection and legal fields, to relevant officers within the Division. Such training

includes identification of warning signs with regard to environmental protection risk, implications of such risk for business aspects, regulatory updates, information sources which contain disclosure of environmental risk issues, how they are managed by corporations (investments and expenses in this regard, lawsuits and so forth) and environmental risk aspects in insolvency proceedings. These specific training sessions are adapted for operating features of the business units, with a review of work processes related to environmental protection, whether in the normal course of business for corporations, in project assistance, in assets pledged in favor of the Bank and in legal documents. The training emphasizes warning signs which, if present, require more in-depth review of environmental aspects.


### Social risk

Bank reputation may be impacted by realization of social risk, which may be reflected in matters of social sensitivity, advertising that may disparage certain demographics and so forth. Social risk involved in banking (such as regulation and money laundering) are included as part of overall risk management at the Bank. 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.

**Changes to the product mix based on macro-economic changes** – The Bank regularly reviews and maps the risk and opportunity in the Bank's main business lines, inter alia in accordance with macro-economic changes. As needed, the Bank modifies the product mix accordingly, and reports branch performance to management in conformity with guidance and the recommended product mix.



Achievement of 2020 goals

Specified goal	Response to SDGs	Status
Implement findings of 2019 Fairness Survey.		Done
Reinforcing privacy protection.		Done
Deploying proactive lending at branches.		Done
Deploy the revised Code of Ethics.		Done
Conducting activities in units or branches to deploy the Code of Ethics.		Done

Goals for 2021



Specified goal	Response to SDGs
Further impart the topic of environmental risk to other relevant departments and employees, through custom training.	
To expand our training on the subjects of compliance and privacy protection in courses, courseware and in memos to all employees.	
To continue inculcating the Code of Ethics in the Bank through classes, courseware and our Ethics Week, during which ethics-related activities are held for all of our employees.	
To continue holding monthly Code of Ethics meetings between the Management and our managers.	





# External control and KPIs

## Quality assurance declaration for 2020

The Institute for Corporate Social Responsibility is an independent public body dedicated to enhancing corporations' corporate social responsibility. The Institute operates in the College of Law and Business, a private college accredited by the Israeli Council of Higher Education. Inter alia, the Institute holds professional meetings, prepares reports, research studies and market surveys and translates practical methodologies from around the world into Hebrew. In May 2021, the Mizrahi-Tefahot Group asked the Institute to perform a quality assurance process on its Corporate Social Responsibility Report for 2020. I declare that the Institute is receiving payment for this assignment to cover the time it devoted to the quality assurance process. Other than this payment, neither the Institute nor Dr. Liad Ortar (who performed the work) have any business or consulting relations with the Mizrahi-Tefahot Group, and the quality assurance process was entirely independent. During the quality assurance process, the draft report was examined, comments were submitted and the aforesaid quality assurance declaration was formulated.

### The approach

The quality assurance process for corporate social responsibility reports is designed primarily to improve the quality of the report by providing professional feedback. During this process, the report is examined to ascertain whether it is consistent with three key principles:

1. **Inclusiveness** – that the reporting process itself includes full reports of all topics and encompasses a wide variety of topics that are of interest to stakeholders.
2. **Materiality** – that the report relates to material matters in the company's activities.
3. **Responsiveness** – that the report responds to issues raised by stakeholders.

### The findings

This report by the Mizrahi-Tefahot Group is the eighth report that it is publishing, following the trend in the entire banking sector in Israel to issue sustainability reports in compliance with the requirements of the Supervisor of Banks. The report complies with the latest reporting guidelines of the Global Reporting Initiative and the Social Reporting Standard and has been prepared as a comprehensive report. I hereby declare that the Mizrahi-Tefahot Group is indeed complying with the scope of the disclosure and reporting as is warranted at this level, and has demonstrated compliance with the three aforesaid principles.

This eighth report is continuing to show a trend of commendable professional development.

Comments on the report:

- Financial institutions' scope 3 carbon emissions – the methods of calculating carbon emissions are steadily becoming more professional throughout the world. Undoubtedly, calculating scope 3 is extremely important, because it encompasses the global supply chain of products, services and capital. Financial institutions are currently building systems to calculate the overall impacts of their financial activities' scope 3 carbon emissions on climate change. The time has come for Israel to adopt the conduct of international financial institutions (undoubtedly, the regulations will be monitoring them).

To summarize: this report is continuing to show the Group's deep organizational commitment to corporate social responsibility, sustainability and transparency. Undoubtedly, the recalculation of the materiality of the variety of issues included in the content worlds of social corporate responsibility and sustainability is critical for the Bank to remain relevant, and capable of providing the highest standards of professional responses.

Praise to all those involved,

Dr. Liad Ortar

Director

Corporate Social Responsibility Institute.

The College of Law and Business

GRI 101: Foundation 2016					
GRI standards	Disclosure	Page	UNGC-cop	SDGs	
GRI 102: General Disclosures 2016	102-1	Name of the organization	10	No specific CoP requirement	-
	102-2	Activities, brands, products, and services	10-14		
	102-3	Location of headquarters	95		
	102-4	Location of operations	28		
	102-5	Ownership and legal form	17		
	102-6	Markets served	28		
	102-7	Scale of the organization	16		
	102-8	Information on employees and other workers	116-123	6	
	102-9	Supply chain	103-107		
	102-10	Significant changes to the organization and its supply chain	18-19		
	102-11	Precautionary Principle or approach	152, 198-202	7	
	102-12	External initiatives	24-25	1-10	
	102-13	Membership of associations	19	1-10	
<b>Strategy</b>					
102-14	Statement from senior decision-maker	5	No specific CoP requirement	-	
102-15	Key impacts, risks, and opportunities	6-7, 18-19, 73-76	No specific CoP requirement	-	
<b>אתיקה ויושרה</b>					
102-16	Values, principles, standards, and norms of behavior	185-187	10	16.3	
102-17	Mechanisms for advice and concerns about ethics	186, 189, 195-196			
<b>Governance</b>					
102-18	Governance structure	174-179	No specific CoP requirement	-	

1. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English version of the report.

GRI standards	Disclosure	Page	UNGC-cop	SDGs	
GRI 102: General Disclosures 2016	102-19	Delegating authority	22		
	102-20	Executive-level responsibility for economic, environmental, and social topics	22		
	102-21	Consulting stakeholders on economic, environmental, and social topics	179-180		16.7
	102-22	Composition of the highest governance body and its committees	174, 177-179		5.5 16.7
	102-23	Chair of the highest governance body	174		16.6
	102-24	Nominating and selecting the highest governance body	176		5.5 16.7
	102-25	Conflicts of interest	184		16.6
	102-26	Role of highest governance body in setting purpose, values, and strategy	22, 179-180		
	102-27	Collective knowledge of highest governance body	174		-
	102-28	Evaluating the highest governance body's performance	176		
	102-29	Identifying and managing economic, environmental, and social impacts	179-180		16.7
	102-30	Effectiveness of risk management processes	202		
	102-31	Review of economic, environmental, and social topics	179-180		
	102-32	Highest governance body's role in sustainability reporting	22		-
	102-33	Communicating critical concerns	22-23, 179-180		
	102-34	Nature and total number of critical concerns	215-216		
	102-35	Remuneration policies	182-184		
	102-36	Process for determining remuneration	182-183		
	102-37	Stakeholders' involvement in remuneration	182-183		16.7
	102-38	Annual total compensation ratio	183		
	102-39	Percentage increase in annual total compensation ratio	183		-

GRI standards	Disclosure		Page	UNGC-cop	SDGs
GRI 102: General Disclosures 2016	<b>Stakeholder Engagement</b>				
	102-40	List of stakeholder groups	6	No specific CoP requirement	8.8
	102-41	Collective bargaining agreements	122		
	102-42	Identifying and selecting stakeholders	30		
	102-43	Approach to stakeholder engagement	59, 82, 100, 145, 168		
	102-44	Key topics and concerns raised	29-31		
	<b>Reporting Practice</b>				
	102-45	Entities included in the consolidated financial statements	17, 28	No specific CoP requirement	
	102-46	Defining report content and topic Boundaries	28		
	102-47	List of material topics	34-35		
	102-48	Restatements of information	24, 65, 102, 129, 130, 136, 138		
	102-49	Changes in reporting	28		
	102-50	Reporting period	28		
	102-51	Date of most recent report	28		
	102-52	Reporting cycle	28		
	102-53	Contact point for questions regarding the report	6		
	102-54	Claims of reporting in accordance with the GRI Standards	28		
	102-55	GRI content index	210		
	102-56	External assurance	208-209		
<b>GRI 103: Management approach 2016</b>					
GRI 201: Economic Performance 2016	103-1	Explanation of the material topic and its Boundary	10	No specific CoP requirement	
	103-2	The management approach and its components	10		
	103-3	Evaluation of the management approach	10		

GRI standards	Disclosure		Page	UNGC-cop	SDGs
<b>GRI 201: Economic Performance 2016</b>					
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	16	No specific CoP requirement	8.1 8.2 9.a 9.1 9.4 9.5
	201-2	Financial implications and other risks and opportunities due to climate change	203		13.1
	201-3	Defined benefit plan obligations and other retirement plans	125-127, 138-139		
	201-4	Financial assistance received from government	16		
<b>GRI 103: Management approach 2016</b>					
GRI 202: Market Persence 2016	103-1	Explanation of the material topic and its Boundary	122	6	
	103-2	The management approach and its components	122		
	103-3	Evaluation of the management approach	122		
	<b>GRI 202: Market Presence 2016</b>				
GRI 202: Market Persence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	125	6	1.2 5.1 8.5
	202-2	Proportion of senior management hired from the local community	119		8.5
<b>GRI 103: Management approach 2016</b>					
GRI 203: Indirect Economic Impacts 2016	103-1	Explanation of the material topic and its Boundary	82	No specific CoP requirement	
	103-2	The management approach and its components	82		
	103-3	Evaluation of the management approach	100-101		



GRI standards	Disclosure		Page	UNGC-cop	SDGs	
<b>GRI 203: Indirect Economic Impacts 2016</b>						
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	73-76	No specific CoP requirement	5.4	
					9.a	
					9.1	
	203-2	Significant indirect economic impacts	82-101		9.4	
					11.2	
					1.2	
8.2						
8.3						
8.5						
10.b						
<b>GRI 103: Management approach 2016</b>						
<b>GRI 204: Procurement Practices 2016</b>	103-1	Explanation of the material topic and its Boundary	103	No specific CoP requirement		
	103-2	The management approach and its components	103			
	103-3	Evaluation of the management approach	108-109			
	<b>GRI 204: Procurement Practices 2016</b>					
	204-1	Proportion of spending on local suppliers	103	No specific CoP requirement	8.3	
	<b>GRI 103: Management approach 2016</b>					
<b>GRI 205: Anti-corruption 2016</b>	103-1	Explanation of the material topic and its Boundary	192-193	10		
	103-2	The management approach and its components	192-193			
	103-3	Evaluation of the management approach	196			
	<b>GRI 205: Anti-corruption 2016</b>					
	205-1	Operations assessed for risks related to corruption	192-193	10	16.5	
	205-2	Communication and training about anti-corruption policies and procedures	194-195			
	205-3	Confirmed incidents of corruption and actions taken	195			

GRI standards	Disclosure		Page	UNGC-cop	SDGs	
<b>GRI 103: Management approach 2016</b>						
<b>GRI 301: Materials 2016</b>	103-1	Explanation of the material topic and its Boundary	152	7,8		
	103-2	The management approach and its components	152			
	103-3	Evaluation of the management approach	152-153, 168			
	<b>GRI 301: Materials 2016</b>					
	301-1	Materials used by weight or volume	159-162	7		12.2 8.4
	301-2	Recycled input materials used	159-162	8		12.2 12.5 8.4
301-3	Reclaimed products and their packaging materials	159-162				
<b>GRI 103: Management approach 2016</b>						
<b>GRI 302: Energy 2016</b>	103-1	Explanation of the material topic and its Boundary	152	7,8,9		
	103-2	The management approach and its components	152			
	103-3	Evaluation of the management approach	152-153, 168			
	<b>GRI 302: Energy 2016</b>					
	302-1	Energy consumption within the organization	154	7,8		
	302-2	Energy consumption outside of the organization	Not material to the organization	8		
302-3	Energy intensity	155	8			
302-4	Reduction of energy consumption	155	8,9			
302-5	Reductions in energy requirements of products and services	73	8,9			

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<b>GRI 305: Emissions 2016</b>	<b>GRI 103: Management approach 201</b>				
	103-1	Explanation of the material topic and its Boundary	152	7,8,9	
	103-2	The management approach and its components	152		
	103-3	Evaluation of the management approach	152, 168		
	<b>GRI 305: Emissions 2016</b>				
	305-1	Direct (Scope 1) GHG emissions	164	7,8	
	305-2	Energy indirect (Scope 2) GHG emissions	164	7,8	
	305-3	Other indirect (Scope 3) GHG emissions	164	7,8	
	305-4	GHG emissions intensity	164	8	
	305-5	Reduction of GHG emissions	164	8,9	
305-6	Emissions of ozone-depleting substances (ODS)	Not material to the organization	7,8		
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not material to the organization	7,8		
<b>GRI 401: Employment 2016</b>	<b>GRI 103: Management approach 2016</b>				
	103-1	Explanation of the material topic and its Boundary	114-116	1,2,6	
	103-2	The management approach and its components	114-116		
	103-3	Evaluation of the management approach	114-116		
	<b>GRI 401: Employment 2016</b>				
	401-1	New employee hires and employee turnover	120	6	5.1 8.5 8.6 10.3
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	135	No specific CoP requirement	3.2 5.4 8.5
	401-3	Parental leave	126	1,2,6	5.1 5.4 8.5

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<b>GRI 402: Labor / Management Relations 2016</b>	<b>GRI 103: Management approach 2016</b>					
	103-1	Explanation of the material topic and its Boundary	114-116	No specific CoP requirement		
	103-2	The management approach and its components	114-116			
	103-3	Evaluation of the management approach	114-116			
	<b>GRI 402: Labor / Management Relations 2016</b>					
402-1	Minimum notice periods regarding operational changes	127	No specific CoP requirement	8.8		
<b>GRI 404: Training and Education 2016</b>	<b>GRI 402: Labor / Management Relations 2016</b>					
	103-1	Explanation of the material topic and its Boundary	140	6		
	103-2	The management approach and its components	140			
	103-3	Evaluation of the management approach	143-144			
	<b>GRI 404: Training and Education 2016</b>					
	404-1	Average hours of training per year per employee	142	6	4.3 4.4 4.5 8.2 8.5 10.3	
	404-2	Programs for upgrading employee skills and transition assistance programs	140-141	No specific CoP requirement	8.2 8.5	
	404-3	Percentage of employees receiving regular performance and career development reviews	147	6	5.1 8.5 10.3	
	<b>GRI 405: Diversity and Equal Opportunity 2016</b>	<b>GRI 103: Management approach 2016</b>				
		103-1	Explanation of the material topic and its Boundary	128	6	
103-2		The management approach and its components	128			
103-3		Evaluation of the management approach	128			

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<b>GRI 405: Diversity and Equal Opportunity 2016</b>						
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	131		5.1 5.5 8.5	
	405-2	Ratio of basic salary and remuneration of women to men	133		5.1 8.5 10.3	
<b>GRI 103: Management approach 2016</b>						
<b>GRI 406: Non-Discrimination 2016</b>	103-1	Explanation of the material topic and its Boundary	128	1,2,6		
	103-2	The management approach and its components	128			
	103-3	Evaluation of the management approach	128			
	<b>GRI 406: Non-Discrimination 201</b>					
	406-1	Incidents of discrimination and corrective actions taken	62, 131	6	5.1 8.8 16.b	
<b>GRI 103: Management approach 2016</b>						
<b>GRI 412: Human Rights Assessment 2016</b>	103-1	Explanation of the material topic and its Boundary	144-145	1,2		
	103-2	The management approach and its components	144-145			
	103-3	Evaluation of the management approach	144-145			
	<b>GRI 412: Human Rights Assessment 2016</b>					
		412-1	Operations that have been subject to human rights reviews or impact assessments	107, 144	1	
		412-2	Employee training on human rights policies or procedures	144		
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	107-108	2	

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<b>GRI 103: Management approach 2016</b>						
	103-1	Explanation of the material topic and its Boundary	82	1		
	103-2	The management approach and its components	82			
	103-3	Evaluation of the management approach	82, 101-102			
<b>GRI 413: Local Communities 2016</b>						
<b>GRI 413: Local Communities 2016</b>	413-1	Operations with local community engagement, impact assessments, and development programs	82-102	1		
	413-2	Operations with significant actual and potential negative impacts on local communities	152-163		1.4	
	FS13	Access points in low-populated or economically disadvantaged areas by type	45-46, 53-58	No specific CoP requirement		
	FS14	Initiatives to improve access to financial services for disadvantaged people	46-47, 53-58, 77			
	<b>GRI 103: Management approach 2016</b>					
<b>GRI 417: Marketing and Labeling 2016</b>	103-1	Explanation of the material topic and its Boundary	64	No specific CoP requirement		
	103-2	The management approach and its components	64			
	103-3	Evaluation of the management approach	64			
	<b>GRI 417: Marketing and Labeling 2016</b>					
		417-1	Requirements for product and service information and labeling	64-65	No specific CoP requirement	
		417-2	Incidents of non-compliance concerning product and service information and labeling	67		16.3
		417-3	Incidents of non-compliance concerning marketing communications	67		16.3
	FS15	Policies for the fair design and sale of financial products and services	55-56, 64-67			
	FS16	Description of initiatives designed to promote financial education for Bank customers and for the public at large	44, 55, 77, 86-87			



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<b>GRI 103: Management approach 2016</b>					
<b>GRI 418: Customer Privacy 2016</b>	103-1	Explanation of the material topic and its Boundary	68	No specific CoP requirement	
	103-2	The management approach and its components	68-69		
	103-3	Evaluation of the management approach	68-69		
<b>GRI 418: Customer Privacy 2016</b>					
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	72		
<b>GRI 103: Management approach 2016</b>					
<b>GRI 419: Socio Economic Compliance 2016</b>	103-1	Explanation of the material topic and its Boundary	188	No specific CoP requirement	
	103-2	The management approach and its components	188		
	103-3	Evaluation of the management approach	188		
<b>GRI 419: Socio Economic Compliance 2016</b>					
	419-1	Non-compliance with laws and regulations in the social and economic area	191	No specific CoP requirement	16.3
<b>GRI 103: Management approach 2016</b>					
<b>(Sector supplement) Product Profile</b>	103-1	Explanation of the material topic and its Boundary	73	No specific CoP requirement	
	103-2	The management approach and its components	73		
	103-3	Evaluation of the management approach	73		

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<b>(Sector supplement) Product Profile</b>	FS6	Percentage of the portfolio for business lines by specific region, size and by sector	16, 73		9
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	74-76		
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	73-74		
<b>GRI 103: Management approach 2016</b>					
<b>(Sector supplement) Audit</b>	103-1	Explanation of the material topic and its Boundary	198-203	No specific CoP requirement	
	103-2	The management approach and its components	198-203		
	103-3	Evaluation of the management approach	198-203		
<b>Audit (Sector supplement)</b>					
	FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	179-180		