





Environmental, Social and Governance Report
Corporate Social Responsibility **2021**

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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 ESG Report for 2021, which summarizes our social, environmental and economic activities during the year. The Mizrahi-Tefahot Group continues to grow and be a leader in business excellence while at the same time it is growing added value in all environmental, social and governance (ESG) areas wherever it operates. The report thoroughly reviews the Group's achievements and activities in these areas, and emphasizes the integration of these areas in our business strategy.

2021 was a year in which we learned to live alongside the Corona, which posed health, economic and social challenges for everyone. As a major leading bank, we contended with challenges and sought to provide solutions for the needs of stakeholders both inside and outside of our organization. We diligently cared for the health of our customers and employees in all the Bank's headquarters and branches. We adapted our services and products by expanding the digital service channels and continued to provide full in-person service in accordance with Ministry of Health directives. Towards the end of the year we experienced an eruption of the omicron wave, which is affecting the ongoing activity of business owners and households. In view of this, the Bank's management decided to offer customers who encountered difficulties during this period a special plan for deferring loans or for relief in mortgage payments without charging additional fees.

Another significant event in 2021 that accompanied the Bank's routine activities was the merger of Bank Igud into Mizrahi-Tefahot Bank. The Bank is managing the merger project separately from its ongoing business and in phases to ensure that the migration of customers, the business activity and the human capital that will be transferred from Bank Igud to Bank Mizrahi-Tefahot will be carried out optimally. The process is being carried out while diligently maintaining human rights, fairness, transparency and responsible risk management, as is customary in all of our activities. The addition of Bank Igud to the Group is a significant component of the Bank's growth strategy and it enables the Bank Group to achieve a quantum leap in market shares in a variety of operating segments, while improving the resource-use mix and enhancing its competitive capacity.

In 2021, the Bank presented a new five-year strategic plan, a plan aimed at continuing the Bank's success, while strengthening the technological and operational infrastructure and cultivating the Bank's existing organizational culture. This strategic plan incorporates the human organizational DNA, "advancement while remaining human", and gives extensive expression to aspects of corporate responsibility for all stakeholders. Among the objectives of the strategic plan related to the Bank's core business activities are the expansion of our financing of projects that advance environmental and renewable energy objectives and promote 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 paying special attention to senior citizen customers and to populations with relatively low accessibility to digital channels, and maintaining our unique concept of service that optimally combines service by personal compassionate bankers with service through advanced digital channels.

We acknowledge the impact of climate change on the world in general and on our business activities in particular and understand that environmental risks are a significant part of the existing risks in the Bank. This issue was defined as strategic, and a strategic team was established that examined various aspects of risk management and formulated recommendations for promoting this issue at the Bank.

We are proud of our top rating in the Maala Index of Corporate Social Responsibility in Israel – "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 (SDGs) across our operations.

We are proud to partner on ethics-based action and are committed to act further in this spirit, for the benefit of its customers and investors, Group employees, the community and the environment. We thank you for expressing interest in our work in this report and welcome your reference to it. This report serves as another channel of communications with our stakeholders, and its purpose is to generate open and transparent dialogue about all topics addressed in this report.

We wish you a pleasant read,

Moshe Vidman, Chairman

Moshe Lary, CEO

Words from the Corporate Social Responsibility Officer¹

Mizrahi Tefahot Group is publishing, for the ninth year in a row, this ESG report to the public and to stakeholders, providing an overview of Group operations in Israel and world-wide in 2021, with emphasis placed on social and environmental issues. ESG 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. This area is managed at the Group in an orderly fashion, with on-going dialog with all stakeholders, integrating the work of multiple entities and requires significant coordination and preparation, in order to lead processes with long-term impact.

Notwithstanding the Corona pandemic, which accompanied us this year as well, we continued to advance corporate social responsibility affairs in all areas:

Credit – The Bank continues to fund major projects in the areas of energy production, renewable energy and green solutions for public transportation. This is based on the understanding that being a bank that leads the economy in Israel, financing these projects will help preserve the environment and reduce air pollution.

Real investments – A dedicated questionnaire was added to the investment examination process, which examines the companies in which the Bank is interested in investing, in ESG aspects as well, and in that way, the Bank promotes responsible investments with the Bank's funds.

ESG risk management – During 2021, a strategic team was established, headed by the Bank's Risk Manager and in cooperation with other division managers. At the same time, work teams were set up, which operated for several months and examined various aspects of the risk management, including examining the practice, conducting gap surveys and formulating recommendations for closing them. The team discussed risks related to credit, real investments, extreme scenarios and more. The team will continue their work in 2022 as well.

Promoting ESG issues at the Bank level – Following the work of the strategic team, it was decided that a permanent committee of the Human Capital, Resources and Operations Division will meet on a quarterly basis to discuss issues and promote policies, initiatives and controls in this area. In addition, the issue of environmental and social risks will be discussed by the Board of Director's Risk Management Committee.

With the community – The Bank considers itself committed to investing in the community and has defined a social strategy that rests on the Bank's strategy of "advancement while remaining human". The central motif in our social strategy is innovative initiatives to promote a more compassionate society. In this framework, together with the Midot-SFI organization, this year the Bank launched the "In Good Company" Center for the promotion of social businesses and organizations. The Center's goal is to encourage social innovation and create an infrastructure for the development of professional empowerment of various bodies operating in the social sphere. In addition, this year

the Bank continued to invest heavily in the community and work to promote financial education, entrepreneurship of children and youth and to integrate employee volunteering into its activities in the community.

Transfer to a "green" building – We are currently engaged in the construction of a new campus in Lod, to which all employees of the Bank's headquarters will move. This building is designed in accordance with the latest green construction standards. The building is also designed to be according to the WELL green building standard – a voluntary international standard that promotes the health and well-being of the building's users.

Corporate responsibility management at the Bank – This year, too, the Group continued to conduct a dialogue with all interested parties, including analysis houses in Israel and around the world in order to refine its work in the ESG areas and to continue to develop the environmental and social aspects. The report presents the Group's approach and activities for the promotion of corporate responsibility issues in conjunction with the SDGs goals set by the UN. The Group will continue to report to the public on progress in the area of corporate responsibility.

The Group's goal is to maintain a fair and transparent relationship with all stakeholders. This relationship is the basis for the Group 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 stakeholders.

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 2021

Data as of December 31, 2021

Social

Percentage of employees recruited from under-employed demographics

13%

Average training hours per employee

40.5

Percentage of local procurement

97%

Credit to micro and small businesses (ILS in billions)

30

Investing in the community (ILS in millions)

17.2

Percentage of employees at the Bank from underemployed populations¹

15%

Credit to households – housing loans (ILS in billions)

174

Amount of employee volunteer hours

20,200

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

3.6

Percentage of small and micro suppliers out of all the suppliers of the Group

68%

Credit to environmental products (ILS in millions)

2,025

Number of Group employees

7,646

Credit to social products (ILS in millions)

1,087

Percentage of women among all employees

64%

Number of branches for the Group²

225

Percentage of women in the Bank's management

42%

Investment in training for employees (ILS in millions)

57.4

1. An estimate made in accordance with the definition of the Equal Employment Opportunity Commission, Ministry of Economy and Industry, for the recruitment of employees from demographic sectors that are characterized by a low employment rate.
2. Some of Bank Igdud's branches will be closed in the merger process.

Environmental

Reduction in the carbon footprint

7.85%

Reduction in energy intensity

4%

All of the Bank's initiatives for reducing its energy consumption enabled savings (tons of CO₂)

502



Emissions saved due to environmental initiatives of the Bank (tonnes of CO₂)

614

Voluntary reporting of greenhouse gas emissions



Governance

Pre-tax profit (ILS in millions)

5,030

Retained economic value (ILS in millions)

2,064



Dividend distribution (ILS in millions)

1,236

Provision for taxes (ILS in millions)

1,730

Reporting pursuant to GRI Standards

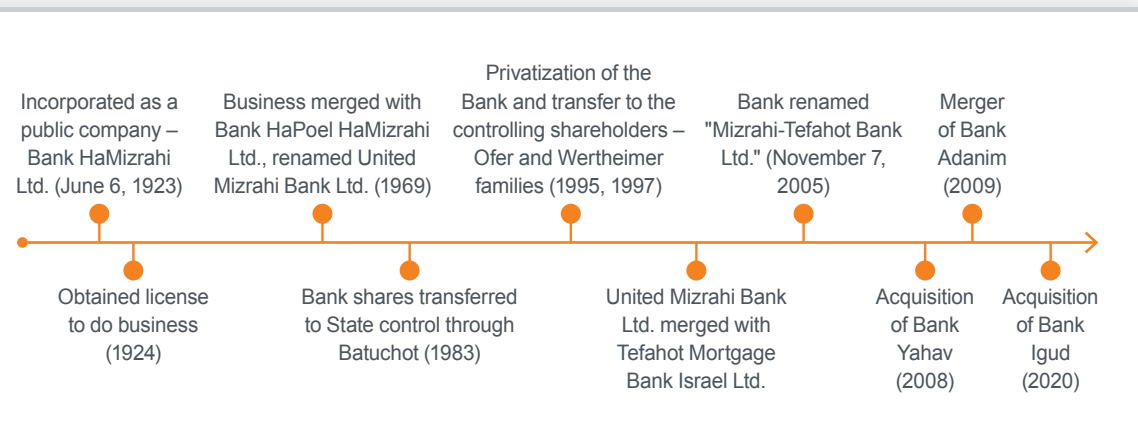
Maala's ESG index Platinum Plus rating

Adoption of Global Compact principles

Mizrahi-Tefahot Group

The Bank attaches great importance to generating direct and indirect value to stakeholders by virtue of its activities. This value is reflected by Bank contribution to economic growth, by providing banking solutions to individual and business 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 stakeholders would ensure its success over time and would also contribute to creating economic value for shareholders. Thus, the Bank is acting to properly prepare for future challenges and for business continuity for critical services under various scenarios and in providing service to clients even in emergencies, in as much as possible. The Bank's operations with regard to business continuity aspects are incorporated in a specific policy.



Bank Mizrahi-Tefahot Ltd. (hereinafter: "the Bank") is a public company, and was among the first banks established in the State of Israel. The Bank was incorporated as a company on June 6, 1923, under the name Bank Mizrahi Ltd., and holds a bank license. The Bank was founded at the initiative of the World Mizrahi Center, in order to facilitate the of settlement, construction, manufacturing, labor and commercial activities of the new settlers in the Land of Israel. In 1969, with the merger of the Bank's business with the "Bank HaPoel HaMizrahi Ltd. business", the Bank was renamed "United Mizrahi Bank Ltd.". In 1983, as part of an arrangement between the Government of Israel and the banks, the Bank shares were transferred to the State's control through a securities company set up for that purpose. In 1995, the Bank's privatization process and the transfer of its control to the Wertheim and Ofer Groups began – a process that was completed in 1997. Following the merger between United Mizrahi Bank Ltd and "Tefahot" Israel Mortgage Bank Ltd. ("Tefahot"), the merged bank's name was changed on November 7, 2005 to its present name, Mizrahi-Tefahot Bank Ltd.

Since 2008, the Mizrahi-Tefahot Group also includes Bank Yahav for Government Employees Ltd. (in which the Bank holds 50% of all rights and means of control) and Bank Igud (whose acquisition was completed in September 2020 and has since become a subsidiary fully owned by the Bank).

As of the end of 2021, the Bank Board of Directors is headed by Mr. Moshe Vidman and the Bank President & CEO is Mr. Moshe Lary.

Group and Bank operations^{1,2}

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 225 branches and business centers. Furthermore, business clients are supported by business centers and professional departments at Bank headquarters, which specialize by sector.

As of the end of 2021, the Bank's overseas operations are conducted through two branches (Britain and the United States).

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 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 September 30, 2021):

| | |
|---------------------------------|-------|
| Credit to the public | 21.3% |
| Deposits from the public | 17.8% |
| Total assets | 18.2% |
| Shareholders' equity | 15.2% |

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).

1. GRI: 102-45.
2. Some of Bank Igud's branches will be closed in the merger process.

Supervisory operating segments are as follows:

- **Households**
individuals, other than private banking clients.
- **Private banking**
individuals who manage a financial asset portfolio in excess of ILS three million at the Bank.
- **Small and micro businesses**
businesses with turnover amounting up to ILS 50 million.
- **Medium businesses**
businesses with turnover higher ILS 50 million and lower than ILS 250 million.
- **Large businesses**
businesses with turnover higher than ILS 250 million .
- **Institutional investors**
Provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members who manage client portfolios.
- **Financial management**
includes trading operations, asset and liability management and non-banking investments.
- **Overseas operations**
presented separately from operations in Israel, divided into individuals and business operations.



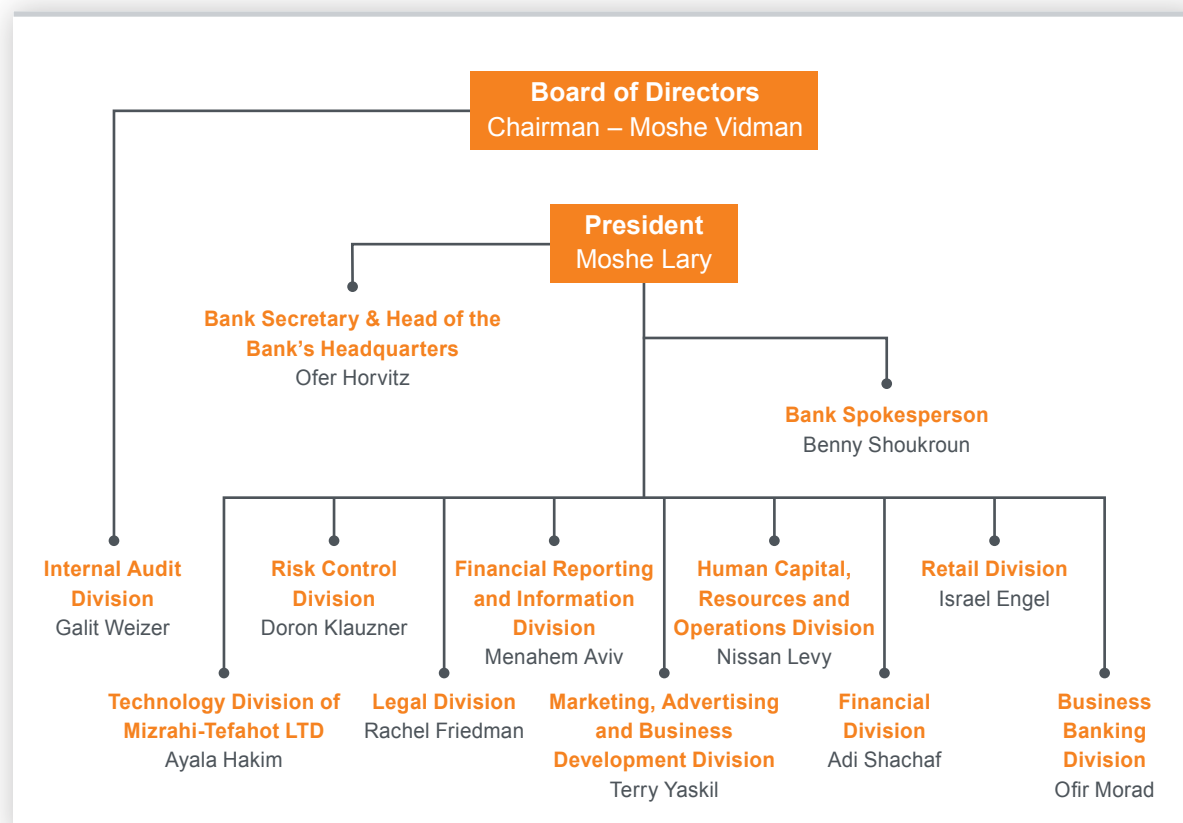
Key products offered by the Bank's different operating segments¹

- **Banking and finance**
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 receipt of deposits, State-guaranteed loans, foreign trade activity (import, export, documentary credit, etc.), factoring, activity with derivative financial instruments, including foreign-currency and interest-rate trading, and more.
- **Capital market**
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.
- **Investment Advice**
Mizrahi-Tefahot provides financial and pension advisory services tailored to the customer's needs by certified advisors.
- **Mortgages**
Mizrahi-Tefahot leads the mortgage market in Israel, in which the Bank provides housing loans secured by a mortgage on a residence, from the Bank's funds, within the framework of government assistance programs, as well as loans for all purposes. In addition, the Bank provides financing solutions for selected populations, such as its pension mortgage for the elderly population and its mortgage for businesses.
- **High-tech**
The Bank expands its activity among business clients 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 clients
- **Credit cards**
All financial products and banking services provided in conjunction with credit cards issued to Bank clients by credit card companies in Israel.
- **Mizrahi-Tefahot INVEST**
Mizrahi-Tefahot operates a real investment branch, in which the Bank examines investments in start-up companies, fintech companies, non-financial companies and funds. The investment examination also includes ESG considerations, and the Bank will avoid investing in companies that do not comply with the Bank's policy on this issue.
- **Construction and real estate**
Banking activity with companies in the real estate sector, as well as unique banking services for the real estate sector, including the financing for real estate projects, urban renewal by the closed financing method. The Bank also offers various types of credit tailored to the financing needs required for the business activity of construction and real estate companies.

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

Organizational structure

The Bank organizational structure is intended to support achievement of Bank objectives and realization of its business plan.¹



Financial performance in 2021²

On September 30, 2020, the transaction between the controlling shareholders of Bank Igud of Israel Ltd. (hereinafter: "Bank Igud") and Bank Mizrahi-Tefahot was completed. In the transaction, the Bank Igud shares were acquired and as of that date, the Bank holds all of Bank Igud's share and therefore, holds the control over Bank Igud. Accordingly, the statement of income for 2021 and for the fourth quarter of 2020 and the Bank's consolidated balance sheet as of September 30, 2020 include the financial statements of Bank Igud.

The net credit balance created on the acquisition date in respect of the amount by which the fair value of Bank Igud's assets and liabilities exceeded the consideration transferred, less projected

1. On December 27, 2021, the Bank reported that Mr. Israel Engel would terminate his position as Retail Division Manager on March 31, 2022, and that Ms. Shavei Shemer would begin her role as Retail Division Manager on April 1, 2022 (Ref: 2021-01-185166).
2. This report is not a financial statement. The Bank reports its audited financial information in its annual financial statements, which are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in conformity with Public Reporting Directives of the Supervisor of Banks.

employee retirement expenses, amounted to approx. ILS 1.2 billion, which is recorded as income in the statement of income over a period of five years from the acquisition date.

For more information, see Note 35 to the Bank's 2021 financial statements.

In 2021, Bank Group revenues amounted to ILS 10,320 million and operating expenses (including payroll) amounted to ILS 5,568 million. "Retained economic value" in this year amounted to ILS 2,064 million.

The Group's net profit in 2021 amounted to ILS 3,188 million, compared to ILS 1,610 million in 2020. This is an increase of 98%.

The data on long-term profit without the effect of the consolidating of the financial statements with Bank Igud indicate:

- An average annual growth rate of revenue is 11.2% in the context of the low interest rate environment.
- The average annual growth rate of operating and other expenses was 6.2%, which was affected by the adjustment of salary expenses in respect of variable remuneration components in view of the Bank's results in 2021.

To view the Group's economic performance, see note 29 – Operating Segments and the section analyzing the development of assets, liabilities, capital and capital adequacy in Mizrahi-Tefahot Bank's 2021 financial statements.

Government support

In 2021, 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.

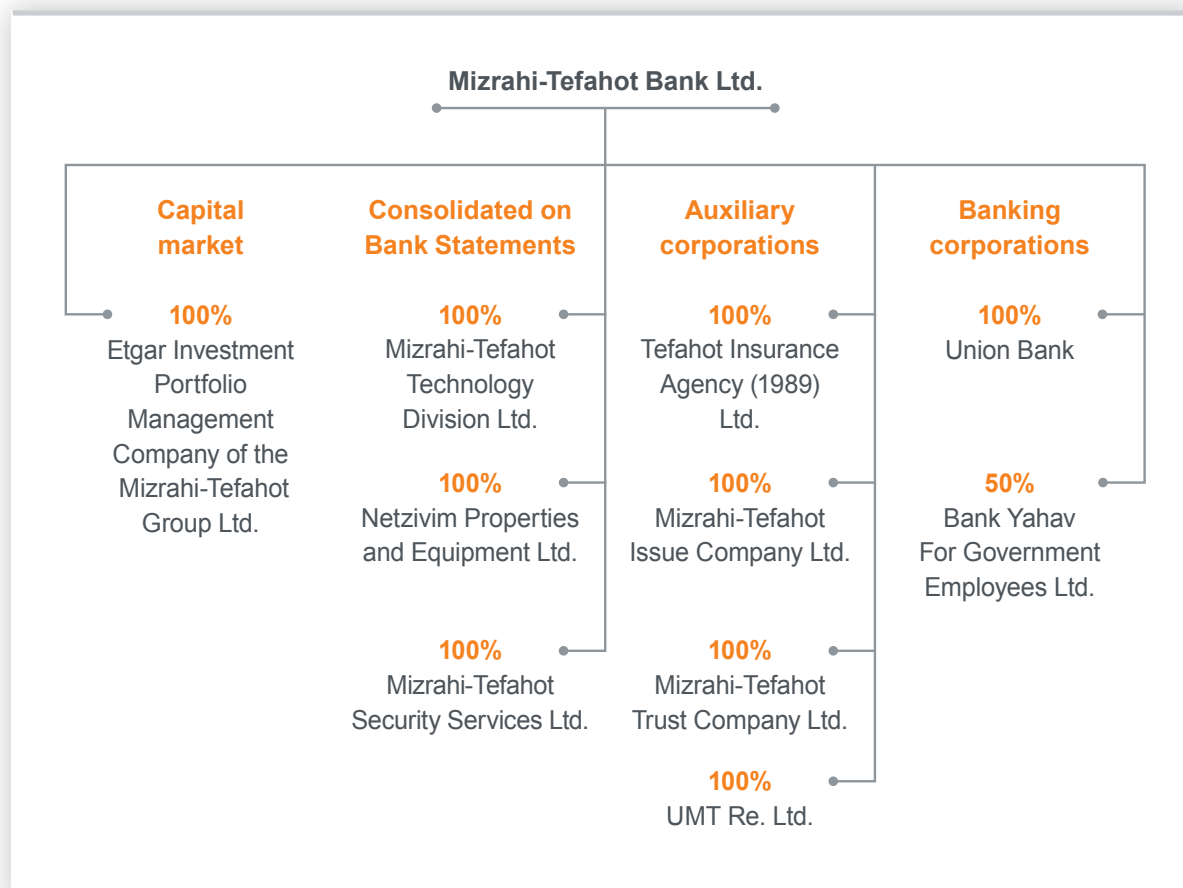
Holding structure and control^{2,3}

As of December 31, 2021, 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.

on the holdings and control structure can be found in the chapter on Controlling Shareholders (in the Corporate Governance chapter) in the Bank's 2021 financial statements.

1. Post-tax profit, after neutralizing credit loss expenses and distributed dividends.
2. Further information about investees and investments therein can be found in Note 15 to the Group's 2021 financial statements.
3. GRI: 102-45.

Holding structure of key Group entities¹



Significant aspects of environment, society and governance (ESG) that are integrated into the Bank's business objectives and ongoing operations

In 2021, the Bank presented a new five-year strategic plan, a plan aimed at the continued success of the Bank, through accelerated growth, both organic and non-organic, while strengthening the technological and operational infrastructure and cultivating the Bank's existing organizational culture. This strategic plan incorporates the human organizational DNA, "moving forward while remaining a human being", and serves as the basis for the annual work plans in the various areas of activity.

The strategic plan for 2021-2025 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 the mortgage market in particular, the provision of personal, compassionate banking services supported by advanced digital technology and more.

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

Business goals are met taking into account social and environmental issues. In that way, among other things, the Bank bases its positioning as a key player in business banking on supportive moves that include the establishment of real investment activities and leading large and complex transactions for the financing of projects in the field of infrastructure, etc.

The following are aspects of environment, society and governance (ESG) that are integrated into the Bank's business objectives:

- **Real investments** – The Bank won a tender by the Innovation Authority under Section 43, the purpose of which is to encourage institutions to make investments in Israeli start-up companies. The examination of real investments involves a quality examination and also takes into account environmental considerations, such as environmental and industrial pollution, impact on global warming (gas emissions, etc.), damage to animals, plants and more. In addition, in the examination process social aspects are included, and the main considerations are working conditions and granting of rights to employees, donations, as well as community support of the company being reviewed. When making an investment decision, the extent to which the companies consider the importance of contributing to the environment and the community is taken into account, and in this way the Bank promotes responsible investments with the Bank's money.
- **Leading large projects that promote a green environment** – The Bank provides credit for the development of new technologies for generating energy, including to customers seeking to construct solar energy generation plants. Among the projects funded by the Bank are projects in the fields of public transportation, renewable energy and more. The Bank accompanies several projects that promote a reduction in the level of emissions and greenhouse gases, thereby promoting the maintaining of cleaner air.
- **The personal service concept** – The Bank has a unique service concept that places the personal banker in the branch at the center of the relationship with the customer, and he is surrounded by a technological envelope of advanced digital channels, which complements the human service. This service concept (and this is also the result of satisfaction surveys conducted by the Bank on an ongoing basis) serves the needs of customers in the best way possible, taking into account the unique characteristics of customers from different sectors and backgrounds in Israeli society. This is because it leaves it up to the customer to decide how to manage his financial affairs: when to operate independently by digital means and when to enlist the help of a personal banker. This way the Bank can route the value propositions to specific customers, through the channels that the customer connects to and prefers. The Bank also offers special support to the senior citizen population in order to facilitate and make their use of digital accessible through personal instruction and brochures distributed on the Bank's website that explain in detail how the various services can be used.
- **A diversity of customers and services** – The Bank sees great importance in addressing a wide range of customers and sectors in Israeli society and works to create products and services that meet the various needs of its customers. This is designed to allow anyone who so wishes to become a Bank customer.
- **Green construction and a standard for the users' well-being** – The bank is promoting the construction of a new building for the Bank headquarters campus in Lod. The planning of the building is with the assistance of an expert environmental consultant in green construction.

The expert is accompanying this project from the outset, from the planning according to current green building standards to the receipt of environmental standard certification upon completion of the construction. The building is designed to be according to the WELL green building standard – a voluntary international standard that promotes the health and well-being of the building's users.

Events and material changes at the Group in 2021

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 information regarding the agreement with Bank Igud's shareholders and the addendum, see the 2021 financial statements, the chapter on Significant Developments in the Management of Business Activity in the report of the Board of Directors and the Management for 2021.

Agreement for the sale of the bank in Switzerland – On January 11, 2021, the United Mizrahi Overseas Holding Co. B.V.(Netherlands) (hereinafter: "Mizrahi International Holdings"), a fully owned subsidiary of the Bank, entered into an agreement with Hyposwiss Private Bank Genève SA (hereinafter: the "Purchaser"), for the sale of all the share of United Mizrahi Bank (Switzerland) Ltd. (hereinafter: "the Bank in Switzerland"), which is owned by Mizrahi International Holdings. For further information regarding the agreement for the sale of the bank in Switzerland, see the chapter on Significant Developments in the Management of Business Activity in the report of the Board of Directors and the Management, in the 2021 financial statements.

Effects of the spread of the Corona virus – During 2021, the Bank took steps to address the needs of customers as a result of the situation. Among other actions taken by the Bank, deferrals of current payments were approved to its mortgage customers who needed it, due to temporary difficulty due to the crisis, and state-guaranteed loans were granted under state-guaranteed funds, as part of the state-sponsored economic aid program.

The business units continue to be in close ongoing contact with the customers to assist the business sector in dealing with the difficulties and challenges arising from the crisis.

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 2021.

End of the DPA and 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. On May 11, 2021, a judgment was given as part of the derivative proceedings, which gave the settlement agreement the validity of a judgment. For more information, see Note 26 to the Bank's 2021 financial statements.

Sale of the Bank Group's land assets

On January 30, 2022, the Bank and subsidiaries of the Bank (hereinafter: the "Sellers") entered into agreements for the sale of the full rights in 24 income-generating real estate properties throughout Israel with various designations (hereinafter: the "Properties"), offices and commerce, including: the Bank Igud Management Building On Ahuzat Bayit Street in Tel Aviv-Yafo, an office building on Lincoln Street in Tel Aviv-Yafo, the main Tel Aviv branch of Bank Igud on Ehad Ha'am Street in Tel Aviv-Yafo and several properties in the "Stock Exchange Complex" in Ramat Gan. For more information, see Note 36 to the Bank's 2021 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 2021, too, the Mizrahi-Tefahot brand was recognized for the eighth 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.

The bank also won the Service Excellence Award from Bravo in the mortgage category.



Merger of Bank Igud

The merger of Bank Igud with and into Mizrahi-Tefahot began in the fourth quarter of 2020. In September 2020, the acquisition of 100% of the issued and paid-up share capital of Bank Igud and its voting rights was completed. In November 2020, the merger agreement was signed. During 2021, additional stages in the merger process were completed, including the signing of a retirement agreement for the Bank Igud employees, mergers of Bank Igud's subsidiaries were completed and approval was received from the Tax Authority.

The basis for the merger of the sixth largest bank in Israel with and into the Bank is that the addition of Bank Igud to the Group enables the Bank Group to make a leap in market share in a variety of areas of activity, while improving the mix of sources and uses and enhancing its competitive capacity. 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. The acquisition transaction enables us to take advantage of the merged bank's economies of scale and achieve savings in operating expenses.¹

The Bank manages the merger project separately from its day-to-day business and in phases in order to enable work plan objectives to be met alongside the merger process. The merger is carried out through joint work teams of Mizrahi-Tefahot Bank and Bank Igud, steering committees for individual issues and integrative management in a steering committee headed by the Bank's CEO. In addition, follow-up is carried out in a designated Board of Directors committee to accompany the merger.

The Group's Chief Risk Officer examines and integrates all the risks of the merger process and the measures taken to reduce and manage the risk. 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. In addition to managing and updating the risk map on an ongoing basis, the Risk Control Division follows-up and conducts an ongoing review of all the controls implemented at Bank Mizrahi-Tefahot and at Bank Igud over the conversion process, a partner to the steering committees. Additionally, our Internal Audit Division performs real-time audits of the merger project.

In terms of compliance aspects – All Bank Igud policy documents have been adapted to the Group's compliance policy and exceptional events are reported to Mizrahi-Tefahot, if such occurs.

As part of the merger plan, at the same time as the transfer of customers and business activity, the plan is for most of the Bank Igud branches to close. In May 2021, Mizrahi-Tefahot mortgage offices were opened Bank Igud branches that will not be closed, but will become Mizrahi-Tefahot branches at the end of the process.

Treatment of all stakeholders as part of the merger process

The Bank deems it of utmost importance to perform the merger processes fairly, transparently and while protecting all aspects of the human rights of the various stakeholders, including customers, employees, suppliers and the environment.

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.

Customers

- **Maintaining the account terms** – The transfer of customers from Bank Igud to Bank Mizrahi-Tefahot is carried out gradually and the terms of the customer's account are maintained during the transfer between the banks.
- **Satisfaction surveys** – During the merger, dedicated satisfaction surveys are conducted to learn about the customers' transition experience and to make improvements if necessary.
- **Information security and protection of customer privacy** – The process of transferring customers from Bank Igud to Bank Mizrahi-Tefahot is accompanied by numerous controls with the aim of ensuring the preservation of existing customer information during the transition between banks and the transition between banking systems. The conversion process is accompanied by controls of the second-line of defense, and also, the controls were tightened against the leaking of information transferred from Bank Igud to Bank Mizrahi Tefahot.
- **Branch layout** – As part of the merger plan, at the same time as the transfer of customers and business activity, most of the Bank Igud branches will close. Bank Igud branches that will not be closed will become Mizrahi-Tefahot branches at the end of the process. All branch customers receive information regarding the closing date of the branch and the alternatives available to them when it closes. Bank Mizrahi-Tefahot and Bank Igud accompany all customers so that the transition is professional and fast.

Employees

- **Retirement agreement** – In March 2021, Bank Igud signed a retirement agreement for Igud employees with the Histadrut, the Igud Workers' Committee and the Directors and signatories organization.
- **Employee loan agreement** – Concurrently with the retirement agreement, the process of loaning Bank Igud employees to Bank Mizrahi-Tefahot began under the employee loan agreement. The loaning of employees is in the position assigned to them in accordance with the branch conversions and the headquarters activities. The employees continue to be employed by Bank Igud under the employment agreement at Bank Igud according to the loan agreement.
- **Training, accompaniment and support for employees** – All employees participating in the merger process receive personal guidance and accompaniment that includes:
 - Optimal absorption processes and integration into the organizational culture.
 - Building the professional capacity regarding the work processes and information systems unique to Bank Mizrahi-Tefahot. Integrated learning – In person and personal mentoring by managers and colleagues in absorption in the unit.

Suppliers

In 2021, the engagements continued with all Bank Igud suppliers. In addition, Bank Igud's agreements with the various suppliers are being studied and agreements are terminated in a respectful manner.

Environment

At many branches, construction adjustments have been made to add work stations for absorbing the Igud workers. In many cases, this contributes to great efficiency in the long run, since many positions are added in existing branches without adding space.

Bank operations during the COVID-19 pandemic

During 2021, the world contended with the COVID-19 pandemic. The pandemic, which spread rapidly throughout the world, required simultaneous contending with extremely severe health and economic repercussions.

Bank Mizrahi-Tefahot maintained business continuity throughout the entire period of the crisis and operated all of its branches throughout the year while making adjustments in order to safeguard the health and safety of its customers and employees and to minimize incidents of infection.

During the first quarter of 2022, the world continued to deal with the Omicron, an additional strain of the Corona virus that causes particularly high morbidity and brings with it, along with morbidity and isolation, also economic concerns for households and businesses. The Bank has addressed, and is still addressing the challenges it faces in a situation of uncertainty in a number of areas, with the intention of addressing the needs that arise with the various stakeholders:

Adaptation of the products and services – The Bank adapted its services and products to the situation by expanding the digital service channels and continued to provide full in-person service in accordance with Ministry of Health directives. 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. Even in the days of the Omicron wave, the Bank has offered its customers a voluntary plan for deferring and spreading out household loans and in addition, an option of reducing the monthly repayment on mortgage payments by 50%. In addition, the Bank has actively and significantly participated in providing loans to businesses, as part of State-guaranteed funds, and at the current time, the Bank allows small businesses to defer the loan principal for a period of 12 months.

Employees – During 2021 the Bank worked fully and in accordance with State guidelines with regard to the green mark, to keep the employees health safe, however the ongoing work routine changed – a large part of the meetings and tutorials moved to various digital platforms along with a return to in-person meetings when possible. The Bank continues to strictly adhere to the rules of hygiene to provide a safe and secure work environment for Bank employees. The Bank maintains constant communication with all employees, maintains continuous contact with employees who are ill or in isolation and provides assistance in as much as possible.

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, the Bank advanced payments to suppliers to the extent possible.

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 stakeholders, which significantly impact Bank operations and the focus of Bank attention in the coming years.

Involvement of management and Board of Directors

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

This year, a steering committee was established at the Bank, headed by the Director of the Human Capital, Resources and Operations Division, consisting of the managers of the various divisions, and its role is to lead policy, activity, control and reporting within the framework of promoting ESG in all Bank activities. Each manager reports from time to time on the matters for which they are responsible. For each topic discussed, there are meeting minutes recorded and implementation is monitored. The committee meets on a quarterly basis and reports to the Bank's management on progress and improvement in the Bank's ESG performance. In addition, reports will be presented on ESG aspects in the Board of Directors' Risk Management Committee twice annually and an annual report to the Board on this subject.

In order to assimilate and implement the corporate social responsibility policy in the Bank on an ongoing and daily basis, a Supervisor of Corporate Responsibility was appointed at the Bank – the Organizational Development and Training Division Manager. 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 stakeholders inside and outside the organization. The plenum of the Bank's Board of Directors approves the Group's corporate responsibility report and the annual work plan on this matter is presented to them.

Implementation through cross-organizational cooperation

Corporate social responsibility policy is deployed across the organization, by a process which involves all Group operations and requires the cooperation of many parties in addition to the ESG Steering Committee. 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.

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.



The Bank invests significant resources in deployment of the corporate social responsibility concept among employees. In 2021, 18,562 hours of training on corporate social responsibility were delivered to employees.

In 2021, several activities took place:



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.



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.



Suppliers Conference

The Bank is a member of the “Maof” Business Advancement Network, which assists small and medium-sized businesses and a local authority in order to produce a conference, the purpose of which is practical assistance and guidance for small and medium-sized businesses to grow through procurement and tenders, both directly and personally with the Bank’s Procurement Managers and generally with large companies and public bodies. In addition, the conference expanded the Bank’s procurement diversity with other small and medium-sized suppliers and strengthened the local business sector alongside the imparting of knowledge regarding responsible management.



2021 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 the employees, the Bank launched the Corporate Social Responsibility Week, which offered diverse activities, among other things, the employees were invited to “TED”-style lectures that discussed ESG aspects both on issues related to the work world, such as green credit, paper savings, products for diverse audiences, and on general topics, such as consumption that is wise and beneficial for the environment.



Community relations

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 main motif in the social strategy is innovation and entrepreneurship to promote a more humane community, and it includes a number of core issues: social-business initiatives, initiatives of children, youth and students, entrepreneurs in the field and education and society. This year as well, the Bank continued to invest heavily in the surrounding community. One of the special projects in which the bank invested in 2021 is the establishment of the “BeHevra Tova” Center – a joint association house with the SFI organization.

Partnership in corporate social responsibility initiatives and ratings

Mizrahi-Tefahot Bank adopts international and Israeli standards regarding Corporate Social Responsibility.



Maala's ESG index

Starting in July 2020, Bank Mizrahi-Tefahot joined the Maala's ESG index of corporate social responsibility in business and was rated at the highest level, "Platinum Plus". The Maala rating is a powerful tool for assessing and inculcating social responsibility in organizations that serves as a main index for assessing corporate social responsibility in Israel. More than 150 companies participate in the rating, which evaluates their performance in relation to such topics as: diverse work environment, involvement in and contribution to the community, environmental quality, ethics, corporate governance, and more.



Voluntary reporting

Bank Mizrahi-Tefahot 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

Out of a commitment to continue to promote corporate responsibility in the financial sector, Bank Mizrahi-Tefahot joined the UN GLOBAL COMPACT initiative in 2015. The Bank supports the ten principles of the initiative and works to promote them. Accordingly, the Bank reports its progress in implementing these principles.

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. 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 Group's social and environmental activities reinforce its commitment to sustainable development as part of its 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 Group focuses.



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, S&P - RobecoSAM, MSCI, Sustainalytics, FTSE, ISS ESG, Vigeo- eiris.

Bloomberg

SUSTAINALYTICS

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ESG RATINGS
A

Key goals for 2022 promoting achievement of SDGs

The table below lists the Bank's goals for its various operating segments, linked to the relevant SDGs¹ (these goals are part of the Bank's goals for 2022, listed at the end of each section of this report).



Environmental



Sign an agreement for the construction of a power plant for electricity generation on the Mizrahi-Tefahot campus.



Perform environmental tests when financing land and real estate ventures for which there is an indication that there are environmental risks. The test threshold was defined in the environmental risks and climate risks policy.



Real investments – Examine the Bank's investments according to the criteria for ESG aspects in the target companies.

Social



Expand the circles of support for bodies active in the field of business-social entrepreneurship.



Produce a questionnaire on corporate responsibility that will be attached to requests for price quotes from suppliers for the purpose of decision making with all the considerations for selecting a supplier.



Encourage the Bank's employees to volunteer in various projects for the community with the support of the Bank.



Examine the employee well-being in terms of work-life balance and concern for mental well-being.



Examine new investments in social bonds

Governance



Further increase awareness of cyber risk among Bank employees.

Strengthening the subject of fairness in courses, courseware and in communication among employees.

Holding monthly meetings of management members with managers in the framework of the Code of Ethics.

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 ninth Corporate Social Responsibility Report¹

This report reviews Group activities in Israel and overseas in areas of corporate social responsibility in 2021. The report was approved by Bank management and by the Board of Directors plenum.

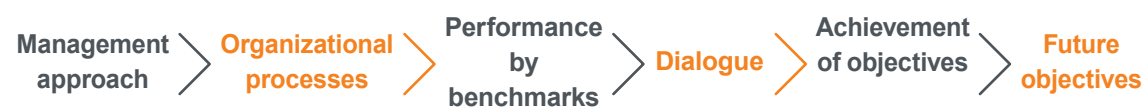
Mizrahi-Tefahot Group has been issuing an annual report of its activities relating to corporate social responsibility since 2012. The group publishes a corporate social responsibility report annually as an expression of its commitment to be active in areas relating to corporate social responsibility 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.

Each report covers a year's worth of activities, as part of a comprehensive program in this area. Similar to previous reports issued by the Group, this report was also compiled in conformity with reporting guidelines of the Global Reporting Initiative (GRI) and it is compliant with the most advanced transparency standard – GRI: SRS in accordance Comprehensive. Accordingly, the report includes all matters identified as material for Group operations: details of the management approach, work processes, performance against required benchmarks, a description of the dialogue with stakeholders on the topic, as well as future performance goals. In some places, a change has been made to how data are measured and presented, therefore some data may not be comparable to previous years. This was stated explicitly in a comment.

This review deals with the performance of Bank Mizrahi-Tefahot, Bank Yahav, Bank Igud and the Group's overseas affiliates in London and in 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, it was decided in some places to detail what was taking place only at Bank Mizrahi-Tefahot. In these places, the term "the Bank" is used. In any event, all Group affiliates' operations overseas are carried out in accordance with principles of Bank policy, and if 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 and from various organizational sources. To this end, the Bank has put in place tools and means for measurement, monitoring and control based on the different activities. Moreover, some data are collected at the end of the reported period (such as financial performance). Information is presented in this report by comparative analysis for the reported period and presents multi-year trends.

Structure of report chapters for reporting on material topics:



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

At the beginning of each topic in the report we present the Group's managerial approach. The detailed Group policy about ESG can be found on the Bank's website. The writing of the report was accompanied by expert ESG and sustainability consultants. In addition, due diligence was performed externally by an independent third party (see the Index chapter in this report). This combination of professional assistance and independent external audit allows the Group to ensure that information presented in this report properly, and in accordance with provisions of the law, reflects Group operations. The Group commits to making intelligent use of the responses and feedback it receives from its interested parties, to learn from them and to continue to test itself in these contexts.

Identifying material issues related to corporate social responsibility¹

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 at this frequency 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. 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.

With that being said, prior to the writing of this report, the Bank validated the significant issues by mapping and review of global reporting initiatives (GRI Standards, SASB) and global and local analyses. The Bank examined the totality of its social and environmental risks and examined whether there are gaps between the global requirements and what is being carried out in the Bank in all ESG aspects. The validation process is carried out by examining the importance of the significant issues from the point of view of the analysis bodies reviewing the Bank. In this framework, an in-depth study of eight bodies was conducted (Bloomberg, Vigeo-eiris, RobecoSAM, MSCI, Sustainalytics, FTSE, ISS ESG and a Maala's index questionnaire).

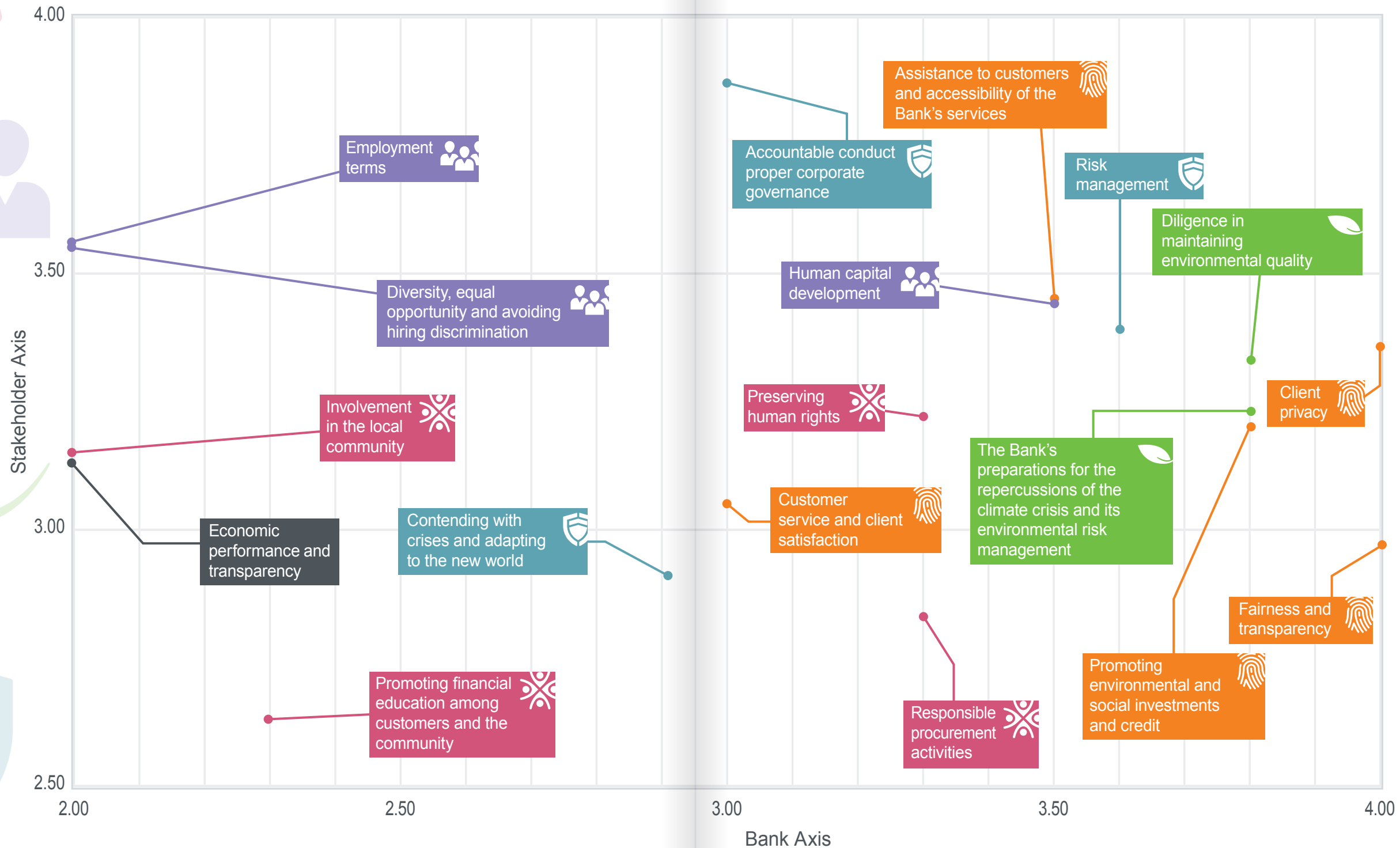
The results of the gap survey were presented to a strategic team to examine ESG risks, with the participation of senior managers, who examined the gaps and built a strategic plan to advance ESG issues both by refining policy documents, controlling, reporting and promoting initiatives in the various areas. The findings of the study helped the Bank expand its reporting on its activities, update its policy for each of the significant issues, examine new initiatives that can be promoted at the Bank and improve its level of transparency. As part of the committee's conclusions, the materiality matrix was revised because some of the issues were given secondary importance compared to the survey in the previous year. Topics include climate crisis assessments, environmental and social risk management, credit promotion and social and environmental investments, and the Bank's environmentalism and environmental management.

Material issues selected for reporting



The rating process produced 18 material issues selected for reporting. These issues were rated highly by Bank management and by the Board of Directors, and rated as important by external stakeholders, listed in the top right quarter of the matrix.

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


Material issues matrix



Reporting limits for material topics¹

| Area | Material topic | Report chapter | GRI standard title | GRI standard number | Reporting limits | SDG goals |
|---|---|-----------------------------------|---------------------------------|---------------------|-------------------------------------|-----------|
|  Environment | The Bank's preparations for the repercussions of the climate crisis and its environmental risk management | Commitment to accountable conduct | Sector Specific Aspect | G4-FS6-8 | Within the organization | 9,13 |
| | Diligence in maintaining environmental quality | Investing in the environment | Materials Energy | 301 | Inside and outside the organization | 13 |
| | | | Emissions | 302 305 | | |
|  Social | Customer service and client satisfaction | Investing in clients | - | - | Inside and outside the organization | - |
| | Fairness and transparency | Investing in clients | Marketing and Labeling | 417 | Inside and outside the organization | - |
| | Promoting environmental and social investments and credit | Investing in clients | Sector Specific Aspect | G4-FS6-8 | Inside and outside the organization | 1,10 |
| | Assistance to customers and accessibility of the Bank's services | Investing in Clients | Sector Specific Aspect | FS13-14 | Inside and outside the organization | 10 |
| | Human capital development | Investing in employees | Training and Education | 404 | Within the organization | - |
| | Diversity, equal opportunity and avoiding hiring discrimination | Investing in employees | Diversity and Equal Opportunity | 405 | Within the organization | 8,10 |
| | | | Non-discrimination | 406 | | |
| | Employment terms | Investing in employees | Employment | 401 | Within the organization | 8 |
| | | | Labor – Management Relations | 402 | | |
| | | | Occupational Health and Safety | 403 | | |

1. GRI: 102-47.

| Area | Material topic | Report chapter | GRI standard title | GRI standard number | Reporting limits | SDG goals |
|--|---|-----------------------------------|----------------------------|---------------------|-------------------------------------|-----------|
|  Social | Involvement in the local community | Investing in the community | Local Communities | 413 | Inside and outside the organization | 1,4,10 |
| | Responsible procurement activities | Investing in the community | Procurement Practices | 204 | Outside the organization | 8 |
| | | | Supplier Social Assessment | 414 | | |
| | Promoting financial education among customers and the community | Investing in the community | Sector Specific Aspect | - | Inside and outside the organization | 1,10 |
| | Preserving human rights | Commitment to accountable conduct | Human Rights Assessment | 412 | Inside and outside the organization | 8 |
|  Governance | Accountable conduct proper corporate governance | Commitment to accountable conduct | Anti-corruption | 205 | Within the organization | 16 |
| | | | Socio-Economic Compliance | 419 | Within the organization | 16 |
| | Risk management | Commitment to accountable conduct | Sector Specific Aspect | 102-15 | Within the organization | 9 |
| | The Bank's preparations for the repercussions of the climate crisis and its environmental risk management | Commitment to accountable conduct | Sector Specific Aspect | G4-FS6-9, 102-15 | Within the organization | 9,13 |
| | Client privacy | Investing in clients | Clients Privacy | 418 | Inside and outside the organization | - |
| | Economic performance and transparency | Introduction | Economic Performance | 201 | Inside and outside the organization | 8,9,13 |
| | | | Indirect economic impacts | 203 | | |

Investing in clients



In 2021, a dedicated area for **senior citizens** was launched on the Bank's website

according to a survey conducted by the Kantar Institution in 2021, Mizrahi-Tefahot leads as the **Number one** mortgage bank in Israel in terms of expertise.

Thousands of participants attending business conferences

1st place in the Bank of Israel's assessment regarding public complaints the fourth year in a row

The Bank encourages **innovation and sustainability** in the Israeli economy by financing startup companies that promote social issues

ILS **3.1** billion Total credit for social and environmental causes

For the second year in a row, Mizrahi-Tefahot is ranked, **first** in the Ministry of Economy's "Friendliness of Business Banks" index

Ranked **1st** in mortgages according to Bank of Israel data

225 Service locations across Israel And all have cashier services

The Bank strengthened the **Business Sector** in the period of the COVID-19 crisis through unique loans

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

It is also committed to listening to client 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:

- **Client experience** – the Bank regards client satisfaction as a benchmark for success, and therefore sees great importance in quality of service, striving to provide optimized, personal service to all clients. To this end, the Bank is committed to fair conduct to the clients, to create a variety of channels for them for obtaining services, and to develop banking products suited to their needs, while ensuring client privacy and attentiveness to client needs.
- **Fairness and transparency towards clients** – 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 clients who are at the center of business activity, is the basis for trust, success and creating shared value.
- **Ensuring client privacy** – The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its clients. 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 client personal information.
- **Promoting Shared value** – The Bank strives to generate social and 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 clients.



Investing in customers during the COVID-19 period

Mizrahi-Tefahot Bank sought to maintain business continuity throughout the period of the crisis and operated all of its branches throughout the year. 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.

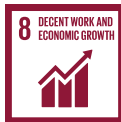
Assistance to business customers – Our business bankers stayed in touch with their customers to provide ongoing assistance and solutions to their changing needs considering the new reality. Immediately at the beginning of the crisis, the State established a fund under its guarantee to assist businesses that were adversely affected by the crisis, and Bank Mizrahi-Tefahot was the leading bank in providing these loans.

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 conducted the workshops on the digital channels (Facebook Live and "Zoom") where lectures were given to the general public on financial issues, mortgages, business support and more.



Client experience



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



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

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

Bank clients are a key pillar of Bank success; hence the Bank attach great importance to ensuring client satisfaction, with a professional response to their needs. The Bank also strives to create an optimal client 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 client, understanding the client and speaking to the client in their own language. Optimal client experience and service quality are achieved in various ways:

- **Products and services to promote the client experience** – adapting products and services to the business environment and to client needs and making them more accessible to clients and to the general public, with understanding of the unique attributes of clients in different segments of Israeli society.
- **Providing solutions for a wide range of clients** – The Bank attaches great importance to approaching diverse clients and segments in Israeli society and strives to create products and services in response to various client needs. This is based on the understanding that different clients have different needs and the need to adapt for each client the products and services most appropriate for them, in order to allow anyone who so wishes to become a Bank client.
- **Dialogue and listening** – conducting a constant, on-going dialogue with clients 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 client feedback.
- **Client satisfaction** – The Bank monitors and controls client satisfaction and response to inquiries and complaints, strictly addresses Client 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 client 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 clients, 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 client 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.

Promoting innovation at Mizrahi-Tefahot

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 has launched an internal organizational program to promote innovation, in which a team of innovation ambassadors has been selected and trained from among the organization's employees and managers, innovative ideas are promoted in a unique "accelerator" process in integrated work teams. Moreover, 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 in the system and entitled those who offered the suggestions to prizes awarded at a festive ceremony with the participation of the Bank CEO. This is a positive tradition very successfully deployed at the Bank, which is an important value in the Bank's organizational culture. In 2021, employees submitted 1,042 improvement suggestions. A ceremony was held in which prizes were awarded for the best proposals.

The employees' and managers' training in the organization also deals with innovation. In 2021 we delivered

12,077 hours of innovation-related training.



Innovation in Bank products and services

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

- **Digital tools for business owners** – In 2021, the digital tools were expanded for business owners to facilitate business management, for example:
 - New payroll interface, with optional payment by file, prior transfers and beneficiary management, including payment by multiple signatories.
 - Foreign currency transfers – Customers can execute foreign currency transfers in Israel and overseas, track previous transfers and view Swift Transfer on the operations website.
 - Check discounting – One can apply for discounting directly on the operations website.
 - Advanced search for transactions and expanded information presented.
 - Production of digitally-signed confirmations.
- **WhatsApp channel** – The Bank has developed another communication channel with interested customers, which allows them to correspond with the banker regarding various issues: opening an account, applying for a mortgage, deposits and investments. Mizrahi-Tefahot is the first bank to offer this service.
- **Deposits** – Last year, we launched two deposit campaigns offering customers a safe investment channel. The campaigns were communicated on the broad media channels – television, radio and digital, as well as in the press while addressing various sectors.
- **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 the status of their pension savings. 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.
- **Account mobility system** – As part of the preparation for the Bank of Israel's directives, the Bank has developed a system that enables a quick transfer for customers who wish to switch banks.

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 clients 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 clients – 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 clients with the knowledge required to select the ideal track for them. The Bank assists clients 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 client circumstances, from several weeks to several months). Furthermore, the Bank's mortgage bankers are professional and experienced and are often members of the local population where the branch operates. These facts allow the Bank to provide clients with optimal service and to assist them in obtaining a mortgage. Even after the loan is extended to clients, the Bank continues to assist them throughout the term of the mortgage by offering other products and services that may provide a solution for other needs they may have.

To maintain the Bank's branding as a leader in this field, surveys are regularly conducted among current and potential clients, in order to better understand the client 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. According to a survey conducted by the Kantar Institution in 2021, 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 clients 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 the following services, inter alia:

- **Digital mortgage** – Mizrahi-Tefahot Bank allows clients 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, together with the possibility of receiving telephone service from specialized bankers for the purpose of submitting an application and for the purpose of dealing with issues during the term of the loan, such as a deferral of payments.
- **Tefahot app** – To facilitate the customer's process for obtaining a mortgage, the Bank has developed the Tefahot Touch app, which helps the customer in the various stages of managing the relationship with the banker, in a way that will make it easier for him from the property search to the execution of the mortgage.
- **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. During the year, the Bank promoted the product in order to increase its awareness among the target audience (for more information, see the Unique Response for Different Population Groups chapter).
- **Mizrahi-Tefahot credit card** – We offer a special credit card to mortgage-holders. Holders of the Tefahot card benefit from a high credit limit (up to NIS 120,000) at preferred interest rates compared to the market interest rates. This product has a significant advantage, in that the client 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 2021, the Bank acted to leverage the Tefahot card by advertising in the various media channels and by addressing its existing customers and adding actual value offers to customers by collaborating with suppliers from various sectors, giving customers significant discounts that save them thousands of shekels.

- **Paying the mortgage file opening fee by installments** – In order to make it easier for clients 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 clients who take out a mortgage.
- **“Mortgage on hold”** – This product allows the client 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 client, giving them control over managing the mortgage and adapting it to their changing needs. To make it easier for customers, during the holiday season, when expenses are higher than usual, the Bank offered its customers a freeze on the mortgage to “take a vacation” from its monthly repayment.
- **“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 designated populations (residents of the periphery, 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 clients who buy a home). In order to deliver this content, a dedicated team of bankers received training 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 client inquiries at the Bank, on any matter. In 2021, 12 lectures and workshops were held on mortgage issues – some of which are intended for senior citizens (pension mortgage) and on the market situation (special lectures on Bank of Israel directives), as well as lectures for the Ultra-Orthodox sector. 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, mortgage advisors 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 client who so wishes may ask to be represented by a mortgage advisor. The Bank has continuous work relations with mortgage advisors, 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.

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 clients 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.

225 Service locations – As of the end of 2021, the Group has 225¹ service locations nationwide, including business centers, branches and affiliates. The expansion of its branch network is in accordance with the 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.

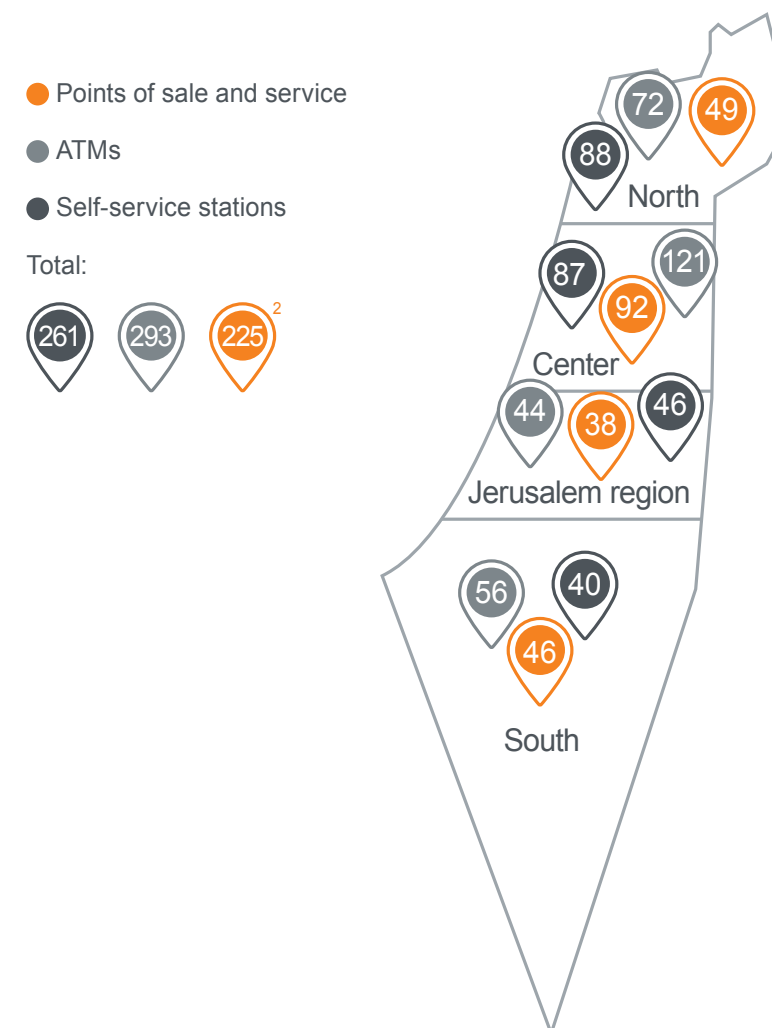
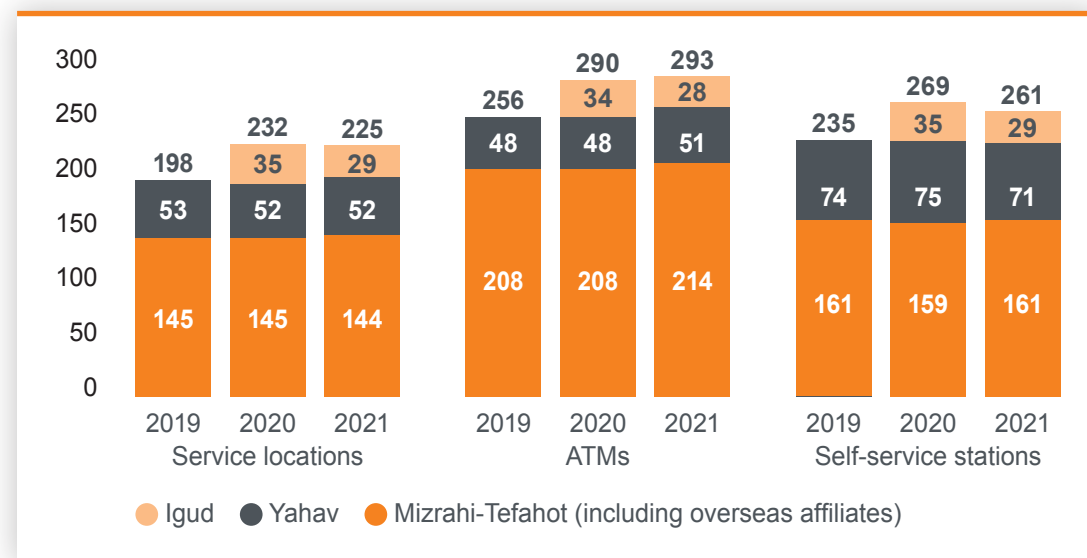
1. This number is due to a the merger of Bank Igud, and after the merger some of the branches will be closed.

All Bank branches offer full cashier service. Most Bank branches also offer financial and retirement savings advice customized for client needs, provided by a qualified advisor. All Yahav branches offer queue-replacement services and some offer full cash services. Checks may be deposited at the service stations at all Bank branches.

261 Self-service stations – As at the end of 2021, clients may use 261 self-service stations, of which 71 at Bank Yahav and 29 at Bank Igud. These stations enable a variety of operations, including depositing cash and obtaining information independently. Most of these stations are available 24 hours a day, even when the branch is closed.

293 ATMs – At the end of 2021, the Group had 293 ATMs, including 51 at Bank Yahav and 28 at Bank Igud. Some ATMs are not adjacent to branches.

Channels for provision of banking service



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

Each client 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 client is required to attend the branch in person, service can be provided at any physical branch of the client’s choice. Furthermore, clients 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.

2. This number is due to the merger of Bank Igud, and after the merger some of the branches will be closed.

Diverse service channels

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

At the end of 2021, Bank clients receive banking services through diverse key channels, under the unique “Hybrid Banking” method – which optimally integrates personal and digital banking, offering clients direct access to their personal banker at the branch through various online channels. In this context, the Bank has also expanded the channels of communication with customers through WhatsApp (in the first stage with new customers – inquirers). This unique, innovative service concept puts to use technological advances in the banking world, to create an immediate, direct link between the client and their personal banker at the branch and is also applied to mortgages.

Use of advanced systems

In order to provide clients 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 client and communication with them is centrally documented, 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 client 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 clients 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.

On the website, operations can be performed without a representative using a computerized phone service 24 hours a day. The site is also available in Arabic and English and provides services to diverse populations. In 2021, a dedicated area was launched that lists the information and services offered by the Bank for senior citizens. It is also possible to receive an update on the Bank’s website regarding the progress of the mortgage application process at any given moment by email, text message and through the Tefahot GPS service.

The services provided on the Bank’s website:

- **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. In 2021, a site that lists the benefits for customers who hold Tefahot cards was added (a card for mortgage customers at the Bank).
- **“Let’s Meet” on the Mizrahi-Tefahot website** – The Bank organizes a wide range of activities and lectures that take place in branches throughout the country. In these meetings, leading lecturers in their field come to the branches with diverse and enriching content on many topics. All activities are open to the general public, with pre-registration, free of charge (and not just to the Bank’s customers). During the COVID-19 period lectures and activities are offered on the various digital channels.

- **Operations website** – The website where the Bank’s customers can manage all their financial activities. The site provides a solution for both private and business customers. In addition, customers can correspond with the personal banker, receive information about their accounts, perform operations in the various banking areas, issue certificates, submit applications and more. In 2021, the option of making immediate transfers, developing infrastructure to support open banking and switching banks were added to the site.
- **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. Clients with a checking account and a mortgage at the Bank can view their entire finances on a single website. In 2021, many options were added to the site, including: digital mortgage management operations and processes, such as changing the billing date, early settlement, updating information, issuing certificates and requesting recycling.
- **Capital market website** – The website provides extensive, current information about financial assets. On the website, operations can be performed independently with maximum efficiency, along with the option of contacting a banker or consultant. The website is a unique, innovative venue, customized for needs of retail clients as well as professional clients – who trade on the capital market, and also offers a range of innovative tools which support client activity in the capital market. In 2021, improvements were added in the capital market arena for easy and convenient management of foreign and Israeli securities trading.
- **Business segment** – A section on the website that offers diverse content on various topics that address the need of business companies. In addition, the Bank develops digital tools for the benefit of the business segment, which aim to help manage their business account. During 2021, the Bank, in collaboration with the Globes newspaper, launched a unique center for medium-sized businesses - MM (over NIS 50 million) that provides businesses with tools and content customized for them.
- **Apps** – Mizrahi-Tefahot Bank has developed a range of diverse apps designed to allow clients quick and convenient access to all financial products and services offered by the Group, at their convenience:
 - **Mizrahi-Tefahot app** – The app allows the customer to manage the 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 or use the a computer. This app can be used to correspond with a banker or investment advisor. The app sports a new, elegant interface and smart navigation menus which are personalized and offer clients 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. During 2021, with the development of digital wallets and the introduction of Apple Pay and Google Pay, for its customers, the Bank developed the ability to join wallets directly from the Bank app. In addition, a service was launched that allows those interested to open an account using a cell phone without coming to the branch in a simple and user friendly manner while receiving personal service from a banker.

- o **“Tefahot Touch” app** – The most advanced mortgage app in Israel, which accompanies customers together with the Bank’s mortgage experts from the moment they apply for a mortgage until they receive the loan. The complex process of obtaining a mortgage becomes simpler and more convenient using the app, without losing the personal touch. Some of the steps required for taking out a mortgage, which until now had to be carried out at the branch, can now easily be done through Tefahot Touch. In addition, the app is another channel for customers to connect with the Bank’s mortgage experts.
- o **Capital market app** – This app rounds up the trading experience and provides maximum convenience to our clients who are active in the capital market. The app is dedicated to the capital market, which allows clients 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 client’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.



Convenient and quick access to the Bank’s services
with the help of applications (apps):

The Mizrahi-Tefahot app for managing the account from a mobile phone

The “Tefahot Touch” app – The mortgage app accompanies customers from the mortgage application and until the loan is received.

The Capital Market app – Completes the trading experience for customers active in the capital market.

Providing solutions for a wide range of clients

Mizrahi-Tefahot Bank strives to promote a diverse range of clients of different demographics, providing a customized solution for the needs of each one, acting for the success of all Bank clients 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 client.

Speaking your language

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

- Clients 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 client is asked to leave their contact information to get a call back.

- The bank uniquely combines a wide distribution of branches where you can receive service from bankers who speak the following languages: Arabic, French, Russian, Amharic, Spanish and English, and the investment center has a dedicated investment service for customers in these languages. Moreover, the center supports international private banking clients, 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 service 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 clients 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 clients 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.

During 2021, the business customer base increased both as a result of an increase in the number of new customers at the Bank and as a result of the merger with Bank Igud.

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 client’s best interest, the Bank has developed direct banking tools and customized products, that have added value for business clients:

- **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. From 2020, with the eruption of the COVID-19 crisis, and also during 2021, the Bank granted loans 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 clients. Due to the Bank's desire to meet customer needs, that have been growing in recent years, the cooperation and business relationships with dozens of international banks and insurers have been significantly increased to allow Bank customers to conduct import/export business in many countries around the world, including in emerging markets. Clients, 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. The system has undergone a significant upgrade and in late 2021, its new version was activated. During 2021, the Bank offered virtual conferences to publicize its activities to its customers.
- **Mizrahi Tefahot College for Small Businesses** – The Bank offers its business clients custom training courses provided by the College for Small Businesses, in co-operation with the Israeli Management Center (MIL), as published from time to time and in business meetings with clients. In 2021, the Bank delivered a series of business courses on digital marketing and finance. This year, about 100 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, 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. During 2021, the Bank held dedicated conferences on this topic.
- **Businesses "Card" 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 clients. This year the club had several dedicated promotions in order to help businesses get through the year more smoothly and easily, such as "Isracard Business" – a personal business consultation meeting to provide them with tools and support for sales of products and services, and regular promotions were also published in selected chains.
- **Strengthening business customers** – As part of Mizrahi-Tefahot's routine support for business owners and especially upon the outbreak of the crisis, we designed special "business get-togethers" with leading businesspeople. During 2021, a series of ten lectures were given to the business community on business subjects. Participation in these lectures was open to the general public free of charge and included about 1,000 participants. In addition, personal business consulting meetings were held – a dedicated benefit for members of the Business Club. Another lecture for business customers was given in collaboration with the "Public Trust" organization.
- **Establishment of the medium-sized business community in Israel** – The Bank, in collaboration with BDO and Globes, led the establishment of the medium-sized business community in Israel. The community is intended to serve as a meeting point for medium-sized

businesses, to create connections and provide tools and knowledge with the aim of promoting business growth in this sector. Several conferences were held in this context: a digital launch event which focused on the growth potential in the year of the end of Corona and the business opportunities of medium-sized businesses; A conference on "How to choose a suitable growth channel" and a conference on "Digital Transformation for Business". The conferences were attended by about 550 people.

- **Conferences and meetings** – In addition to on-going contact with clients, the different regions and branches conduct meetings and conferences for business clients in the areas of real estate, high-tech and foreign trade. The conferences are customized for the business sector and are intended to enrich relevant worlds of content alongside exposure to the Bank's products. During 2021, about 2,600 customers participated in the Bank's various conferences.
 - **"Round Table" Conferences** – For the branches' large business customers, five conferences were held this year, including conferences designated for businesswomen.
 - **Conference in collaboration with the Green Building Council** – A collaboration with the Green Building Council, in which business customers of the Bank from the areas of real estate, architecture and construction were invited to a conference on innovation in green building in Israel. The conference was held on Zoom with the participation of about 100 business customers.
 - **Local meetings and conferences** – There were local meetings and conferences about investments, real investments, mortgages for real estate entities, along with a conference in the Bank's trading room for customers of the Commercial Banking Division and customers of the Finance Division.
 - **Globes Conference** – A conference with the participation of industry representatives, industry leaders, government representatives and government officials and a significant portion of the sector's customers. The conference was addressed by the Business Division Director and the Construction and Real Estate Sector Director.
 - **Real Estate Summit Conference** – Practical academic seminar for professional updates at the core of the issues that concern real estate professionals. The conference was attended by about 2,000 professionals. The Bank CEO spoke at the opening of the conference on the real estate market, the Mortgage Sector Manager lectured on the mortgage market and the Construction and Real Estate Sector Manager participated in a panel on urban renewal.
 - **High-tech Conferences** – The Founder Foundations: Launching in the US conference in collaboration with the law firm of Gross & Co. that was organized by Mizrahi-Tefahot USA. The conference presented the legal, accounting, and banking aspects of Israeli companies who launch operations in the US. Experts in this field gave lectures at the conference on behalf of the Bank.
 - **Foreign Trade Conferences** – Seven virtual customer conferences were attended by more than 500 participants. The conferences dealt with international trade issues with an emphasis on creative financing solutions during the COVID-19 period.

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 clients and for individual clients employed in this sector. As part of the core of the strategic plan, the Bank expands its activity among business clients in the high-tech sector (including start-up companies), through the High-tech Department in the Business Banking Division, as well as through 13 branches nationwide specialized in serving high-tech clients. 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 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 these companies. The Bank is active and provides financing to start-ups in various areas of activity, including companies promoting ventures that support disadvantaged populations. We are also the first bank in the Israeli banking system to provide financing to medical cannabis companies. This is part of our overall strategy of expanding the Bank's activities to support technologies that help improve people's standard of living and quality of life.

In 2021, the Bank set up a Real Investment Unit, a unit dedicated to handling real investments in companies, start-ups and funds. This is part of the Bank's win in the tender as part of the Israeli government's national economic plan for dealing with the economic crisis and to promote growth. The Innovation Authority will provide protection for Israeli institutional investors' investments in Israeli high-tech companies and winning this tender enables us to invest in more companies at various degrees of risk.

A unique solution for diverse demographics

The Bank defined Arab sector, the Ultra-Orthodox Jewish sector and senior citizens as population groups on which the Bank wishes to focus over time and to deepen the relationship. This is based on the understanding that these populations have social and cultural characteristics, as well as unique financial needs, that require a custom response for their true integration into Israeli society.

Arab society

To better understand the needs of clients and to bolster the connection with them, Mizrahi-Tefahot Bank conducts meetings on various subjects throughout the year with customers from the Arab sector. Furthermore, in 2021 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 dedicated "Let's Meet" programs were broadcast.

In addition, the Bank is expanding its mortgage product market in the Arab society, while adapting the products to their unique needs. During 2021, the Bank launched "Rural Mortgage" – which addresses the unique needs of apartment buyers in Arab society. For this purpose, the Bank also expanded the distribution of mortgage bankers in branches in Arab localities and carried out a few advertising moves designated for this purpose.

As of the end of 2021, the Bank has branches in the following Arab villages: Kfar Yassif, Nazareth, Shefaram, Sachnin, Baqa Al Gharbiya, Um El Fahem, Kfar Kassem and Taibeh, and a remote ATM in the Arara Council.

Ultra-orthodox Jewish society

The Bank intensifies its ties with the Jewish Orthodox community by expanding activity in the existing ones. The Bank specifically addresses the Orthodox Jewish society through specific media, by adapting the language of the marketing messages. 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 has developed responses to the unique needs of the sector: dowry loans, determination of income considering scholarships received from studies at the "Kollel", adjustment of the payment schedule to current and future ability, pension mortgage and in addition, the bank creates collaborations to finance designated residential complexes.

The Bank also continued to include activities focused on the Jewish Orthodox sector in its "Let us meet at Mizrahi-Tefahot" program, with content and speakers customized for the needs of this population. In 2021, dedicated mortgage workshops were held for the Ultra-Orthodox society, which were delivered on "Zoom" and three "Let's Meet" lectures on topics adapted to the sector, which were promoted in the media channels that address the sector.

Senior citizens

As part of the plan to expand activity among senior citizens, the Bank uses multiple channels:

- **Pension advice services** – The Bank offers a pension advisory service, provided by licensed pension advisors, which is customized for needs of customers who are senior citizens, at no additional cost.
- **"Sixties Get-together" activity** – A series of meetings and lectures designed for senior citizens. 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 these demographics. During 2021, we refreshed some of our content targeting senior citizens. During 2021, 17 designated activities were held for senior citizens, of which seven lectures in conjunction with the Adler Institute and three lectures on the "pension mortgage". 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 citizen customers on using digital channels offered by the Bank. Customers who are interested can receive personal training on digital activities at the Bank's branches.

- **Pension mortgage** – In 2020, the Bank developed a product that provides a solution for the retiring public: a new unique financing plan with maximum flexibility called "Pension Mortgage", which enables financing of current financial plans or financing of a large one-time expense and at the same time, the borrowers keep the property they own. This is a product that allows you to take out a loan for a long period of up to 30 years, in exchange for the mortgage of an existing property without the need for financial support from the children. The loan is offered in several ways: a fixed or flexible supplement to income or

receipt of a loan in a lump sum – according to the unique needs of the borrowers.

The repayment methods are varied and adapted to the needs of senior citizens. During 2021, the Bank expanded the number of branches that provide this product solution and promoted awareness of the product in the various media channels.

- **Voluntary Convention** – In January 2021, the Voluntary Convention for the Promotion of Solidarity entered into effect and was joined by Bank Mizrahi-Tefahot. The Convention, which was initiated by the Ministry of Social Equality, the Supervisor of Banks, the Association of Banks in Israel and the banking system. The objective of the treaty is to help senior citizens access banking services. As part of the compliance with the Convention, the Bank gives telephone priority to long-standing customers aged 70 and over.

Promoting disadvantaged populations and help clients 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 clients 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.
- **Clients in crisis** – The Bank provides focused, individualized support designed to help clients overcome financial adversity, while maintaining respectful and patient service.

Promoting under-privileged populations

- **Assistance for abused women** – The Bank complies with the voluntary convention 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. During 2021, Bank Mizrahi-Tefahot received 13 applications from women victims of abuse that were handled by the designated contact person. Bank Yahav received 26 applications: 22 from help centers and four from shelters for women.
- **Retaining interest for Holocaust survivors who receive reparations** – A plan for retaining a uniform, attractive interest rate for clients (Holocaust survivors who receive reparations) and allowing such deposits to be renewed indefinitely.
- **Commissioner of Insolvency's voucher payment system** – The Bank won the tender to provide voucher payment services to individuals or businesses in insolvency proceedings. As part of the service, the Bank allows debtors who have been required to pay a monthly payment as part of the insolvency proceedings to pay the vouchers at the cashiers of some of its branches.
- **Deferral of mortgage payments** – Assistance for customers in times of need, such as the deferral of their mortgage payments before holidays, a time when household expenses rise and it sometimes becomes difficult to pay off the mortgage.



Assistance for clients in crisis

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

The Bank invests significant effort in reaching an arrangement with customers in debt with which they are able to comply and employs a regulated and lengthy procedure for the treatment of customers before transferring them to the treatment of the Special Customers sector. First, the branch holds conversations and meetings with customers in order to get them to repay the debt without requiring legal action. After the branch has exhausted its attempts to get the customer to repay the debt, and with debts of up to NIS 200 thousand, the account will be transferred for treatment at the National Collection Center in order to make further attempts to settle the debt.

In order to promote agreements with debtors, representatives of the Special client Sector and attorneys representing the Bank meet with clients, conduct joint campaigns with the Enforcement and Collection Authority and review applications for agreements from both clients and relief organizations. The Bank has an ongoing relationship with aid organizations, including the "Paamonim" organization and the "Yedid" association, which accompany customers in debt. During the year, the Special Customer Sector representatives held meetings with associations and organizations that lend to debtors and as needed, several meetings were held in order to help the customers reach beneficial arrangements that they could comply with.

During 2021, the Bank initiated a series of support and assistance measures for its customers, with an emphasis on the mortgage sector, where soft collection was made using a unique outline for

deferring payments – allowing customers to pay a partial payment each month for up to 24 months and allowing customers to decide on a percentage of the payments (100%/50%/25%), and in that way enable them to close or reduce the debt during this period. This situation has enabled many customers to leave the debt cycle and at the same time get through the COVID-19 period in the best possible way. In addition, the Bank allows customers who have taken loans from the COVID-19 Fund to defer payments or reschedule payments, in accordance with rules set by the Ministry of Finance. As part of the 2022 work plans, the Bank plans to continue to improve the handling of customers in debt, thereby helping them meet their debt payments and avoid legal treatment.

Throughout the entire COVID-19 period, the Bank and its subsidiaries take an even more considerate approach 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 including 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. The Bank continued with a sensitive and considerate policy towards its debtor customers even when the instructions and directives of the Government and the Bank of Israel were no longer binding. Since the beginning of the crisis, the Bank has made creative and beneficial agreements with its customers in order to help them meet their obligations and to avoid taking legal proceedings. When there were restrictions on having face-to-face meetings with clients, meetings were held by digital means and if necessary, several meetings were held. This is in order to reach an optimal arrangement that is suited to the customer's capabilities.

In 2022, the Bank will continue with the inclusive and sensitive policy it adopted during the crisis period and will continue to hold meetings with both its debtor customers and with the aid organizations, in order to reach beneficial agreements with customers that will lead to debt repayment to the Bank according to their capabilities.

National Collection Center

As a rule, a client in debt or in arrears, is approached by the Bank's National Collection Center, even before being transferred to the Special client Sector for processing. Bankers at the Collection Center are extensively trained in aiding clients 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 clients to the regular repayment schedule.

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

As for mortgages, of all cases of payments in arrears sent to the Collection Center in 2021, only 2.4% were transferred for legal action. All the other cases handled by the Collection Center settled 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 the arrangements. In general, and during the COVID-19 period in particular, the Bank makes every effort to avoid evictions, and strives to reach agreements with borrowers even during the legal treatment stages



Promoting accessibility for persons with disabilities

Mizrahi-Tefahot Group believes in providing equal service to all clients, while adapting these for individual needs of each and every client, including for persons with disabilities. To this end, the Group 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 Group client.

The Group ensures the implementation of the Equal Rights for Persons with Disabilities Act, and places emphasis on ensuring that buildings, infrastructure and environment are made accessible, and that the service provided to the public is made accessible, to allow persons with disabilities to conveniently use such service. The subject of accessibility is managed 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 Group acts to make branches, ATMs, service stations and its website and app accessible for clients, so as to allow persons with disabilities to also conveniently use these. As of the end of 2021, approx. 99% of the branches of Bank Mizrahi-Tefahot and Bank Igud and 100% of Bank Yahav's branches are accessible for people with disabilities, both regarding the building and in terms of auxiliary 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. 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.

- **Making banking services accessible** – The Group acts to make banking services accessible, in conformity with the Equal Rights to Disabled Persons Act. Correct to year-end 2021, all of the ATMs of Mizrahi-Tefahot Bank, Band Igud and Bank Yahav are accessible by people with disabilities.
- **Accessibility by phone** – The Bank offers accessible service to clients who find it hard to obtain service by phone, such as clients 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.
- **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 2021, 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. The Bank's websites have been accessible since 2015 in accordance with the recommendations of the Israeli Standard (IS 5568) for the accessibility of content on the Internet at AA level and with the international WCAG2.0 document. The accessibility of the Bank's sites has been checked and approved by professional accessibility entities and by people with disabilities who have been able to browse and receive services on the site. In addition, periodic inspections are carried out to ensure that accessibility is maintained. All of the Group's accessibility arrangements – physical, service and online – are published on the Bank's website.
- **Training employees to promote accessible service** – The Group banks conduct annual training for their employees regarding accessibility in order to refine the Bank's accessibility services and provide proper service to all customers, including those with disabilities. In 2021, all Group employees completed E-learning on providing accessible service, and new hires received training as part of their induction course. Branch accessibility officers also undergo specific training on the topic.
- **Accessibility surveys** – From time to time, as part of a comprehensive survey of maintenance in the Group's branches and in accordance with work procedures and a formulated work plan, the maintenance inspectors conduct visibility surveys in the branches, which also include aspects of accessibility. These surveys did not raise significant gaps this year. In addition, in each new property leased by the Bank, adjustments are made immediately as required for accessibility through an external accessibility consultant.

During 2021, the Group received 2 justified complaints regarding accessibility issues that were handled as required and in accordance with the Group's procedures.



Promoting dialogue and listening – our way of understanding the needs of our clients¹

According to the Bank, personal, human banking means, first and foremost, seeing the client 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 clients are maintained and reinforced.

Bank initiatives to promote dialogue in 2021:

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 2021, approx. 33,000 customers and potential customers participated in customer surveys.

Orienting ourselves to the online client – In recent years, use of the Internet, social networks and blogs as a means of communication between clients 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:

1. GRI: 102-43.

- **To better understand how clients view us** – A real-time reference to statements in various social networks that regarding Group activity, helps gain insights about current or potential clients 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 client on the social network, after conducting a professional debrief, can significantly improve the client'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 client 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.



Enhancing client satisfaction

In order to assess client satisfaction and to maintain high client satisfaction, the Bank uses focus groups and conducts regular surveys, including satisfaction surveys, image surveys, interest surveys, client experience surveys with regard to the contract process and so forth. These studies are transferred and presented to a range of relevant entities in the Bank, from the professional units to the Bank's management level. Based on the findings of the surveys and focus groups, the Bank forms strategic plans, establishes action plans and adjusts its conduct, both at the internal-organizational level and with customers.

Satisfaction surveys

Bank Mizrahi-Tefahot leads the Ministry of Economy's Banking for Small and Medium-Sized Businesses' Index for the second year in a row. In November 2021, the Ministry of Economy published the "Friendliness of Business Banks Index for the First Half of 2021". This index is calculated based on hard data obtained from the various banks, the amount of the Bank's credit to small and medium-sized businesses from total business credit, the relationship between the interest rate and the credit risk and the Bank's profitability rate from non-interest revenues, as well as data from surveys conducted among business owners and financial advisors.

In a satisfaction survey conducted by the Agency for Small Businesses among small and medium-sized businesses that needed credit during the crisis, Mizrahi Tefahot leads in the rate of approved credit requests. In addition, in a survey conducted among financial consultants working with Maof and among accountants and tax consultants working with small and medium-sized businesses, Mizrahi-Tefahot received the highest score. This is due to leading in the following indices: Overall level of treatment, level of attention to various requests, accessibility to officials with authority, availability of personnel and waiting time.

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

One way for the Bank to benefit its clients 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 2021, 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.

In 2021, the Bank launched the "Tefahot Club", which allows mortgage customers to receive benefits from various businesses through the Tefahot card, which gives relief to the customer and savings of thousands of shekels in home expansion and renovation.

Measurement and handling of client inquiries

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 November 2021, the Bank of Israel published its 2020 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 fourth 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.
- Rate of justified complaints from all the complaints decided in the Banking Supervision Unit of the Bank of Israel – Bank Mizrahi-Tefahot is ranked first in the low rate of complaints that were found to be justified regarding its activities.
- 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.



Mizrahi-Tefahot is a leader in the quality of its handling of public inquiries and complaints

In 2021, the Bank of Israel published a survey of public inquiries by the Supervisor of Banks for the promotion of a fair organizational culture in the Israeli banking system.

Mizrahi-Tefahot leads in the three indices examined by the Bank of Israel and the results reflect customer satisfaction with the Bank's treatment, proper conduct and the Bank's willingness to act for the benefit of customers.

Client inquiries are an opportunity to reinforce and improve the relationship between the client and the Bank, while increasing trust and satisfaction. The Bank views client 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. 2021 was characterized by an increase in the number of inquiries, in part due to customers' distress resulting from the COVID-19 events. 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 fair personalized solutions to our customers, which helped them get through the period of recovery from the crisis, 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 emphasis on maximum sensitivity, particularly the needs and requests of customers that arose as a result of the crisis. Due to the merger of Bank Igud into Mizrahi-Tefahot, Igud customers who felt the need for handling following the conversion process contacted the Public Inquiries Unit. The inquiries raised recurring issues for the purpose of implementing lessons learned and dealing with the customer inquiries.

The customers' inquiries are received directly in the Public Inquiries Unit and through various entities in the Bank, the Bank of Israel and other external entities. The Bank website provides the client 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 its 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 accordance with the work procedures defined in the Bank, any complaint received by the Bank will be answered and it will be explained as much as possible, will address the allegations raised in the complaint and will be supported by references as appropriate.



As part of the response, the Bank clarifies to the customer that he has the right to object to the Bank's decision on his complaint to the Supervisor of Banks, if the matter is within his area of responsibility. If, as part of the complaint investigation process, it has been determined that the complainant is entitled to monetary relief or relief of equivalent value, the reasoning regarding the manner of determining the remedy is detailed in the response.

Public complaints may reveal to the Bank the materialization of a cross-organizational failure event or the existence of failures in compliance with the Bank's procedures. As part of his activities, the Commissioner, in conjunction with the relevant professional entities at the Bank, will continue to act to deal with the failures that led to the complaint, with the aim of preventing its recurrence, and will set an approximate schedule for the correction.

Once every six months, the Commissioner will review the status of the handling of complaints and bring them for discussion in the reports submitted to the management.

According to the defined work procedures, 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 handled during the year on the Bank website.

In 2021, we delivered

81,374 training hours on fairness with clients.

The following are data regarding all inquiries received at Bank Mizrahi-Tefahot, Bank Yahav and Bank Igud in 2021 that were handled in the Public Inquiries Unit:

- In 2021, we addressed 4,586 complaints.
- 69% of the inquiries received were complaints and 31% were requests.

| | Requests | Complaints |
|-----------------|--------------|--------------|
| Mizrahi-Tefahot | 1,334 | 2,983 |
| Igud | 435 | 554 |
| Yahav | 269 | 1,049 |
| Total | 2,038 | 4,586 |

Complaints were received on the following subjects¹:

| Topic | Mizrahi-Tefahot | | Bank Yahav | | Bank Igud | |
|---|----------------------------------|--|----------------------------------|--|----------------------------------|--|
| | Percentage of complaints in 2021 | Percentage of justified complaints in 2021 | Percentage of complaints in 2021 | Percentage of justified complaints in 2021 | Percentage of complaints in 2021 | Percentage of justified complaints in 2021 |
| Methods of Payment | 16% | 16% | 32% | 9% | 27% | 25% |
| Housing loans | 25% | 15% | - | - | 9% | 18% |
| Quality of service | 19% | 12% | 24% | 8% | 10% | 11% |
| Current accounts (including overdraft accounts) | 15% | 23% | 7% | 4% | 17% | 19% |
| Loans (non-housing) | 9% | 8% | 17% | 6% | 13% | 5% |
| Other activity of the corporation | 9% | 13% | 7% | 6% | 6% | 19% |
| Deposits and savings | 2% | 17% | 3% | 19% | 1% | 29% |
| Foreign currency | 2% | 20% | 4% | 7% | 6% | 9% |
| Securities information | 1% | 16% | 3% | 24% | 5% | 14% |
| Other | 1% | 8% | 2% | 5% | 3% | 32% |
| Dormant account | 1% | 4% | 1% | - | 1% | 0% |
| | 0% | 50% | 1% | - | - | - |

Findings with regard to complaints in 2021

- **Complaints found to be justified** - During 2021, the rate of justified complaints was approx. 15% in Bank Mizrahi-Tefahot, approx. 8% in Bank Yahav and approx. 17% in Bank Igud (all other complaints were found to be either unjustified, or the handling was completed without taking a position or the subject of the complaint was not under the unit's authority). All justified complaints and deficiencies found are monitored until the end of treatment. As stated, 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.

1. Investigation subjects classified in accordance with Bank of Israel Directive 308A.
 2. 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 client relief and resolve the issue
 3. Complaints relating to the branch failing to approve credit, benefits in commissions or debt settlement.

Fairness and transparency towards clients

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.

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 clients 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 clients, ensuring full transparency regarding to information which the Bank is required to provide to clients 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 clients, 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 clients 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 clients 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.

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 clients and to existing clients – strictly in adherence to statutory requirements and in compliance with mandatory full disclosure, respecting the demographics in the Israeli population.

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 client.

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

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.

Fairness in product and services

Bank products and services are designed to answer client needs. To this end, all client-facing employees receive training about products offered by the Bank, becoming familiar with client attributes and standards for service and sales. Employees are provided with tools that would allow them to discuss with clients their financial needs, to ask the right questions and to propose appropriate solutions. When planning and approving a new financial product (deposit or credit), the product and its various components are examined in terms of fairness to the consumer.

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 client 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 clients 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 client to make the best decisions for them.

The Bank makes sure that agreements with clients 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 clients. These audits include sampling of client agreements. In the event that there are agreements in which an update is required, including the issue of due diligence and fees, the issue is reflected in the audit report.

The publication of marketing messages about products and services, as well as providing updates to existing clients, 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 clients 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 clients, and therefore a general explanatory sheet is attached regarding its essence, together with a reminder of personal banking services, noting the name of the client’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.

In 2021, 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.



Promoting Shared value

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

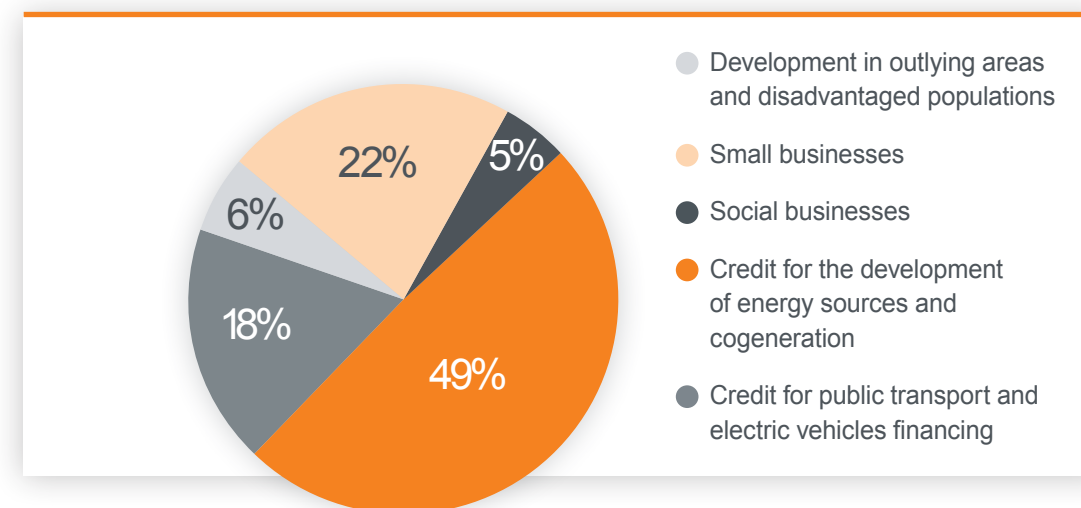


Development of environmental and social products

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 credits for development, construction or launching of environmental products**– The Bank is committed to promoting environmental issues and therefore assists by providing credits for development of new technologies for generating, including to clients seeking to construct solar energy generation plants.
- **Providing credits 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.

The total social and environmental credit granted by the bank in 2021 is ILS 3,012 million



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 risk¹.

As part of our management of environmental risks when providing credit, the Bank mapped sectors with significant potential for environmental risks, including various sectors engaged in industry, mining and quarrying. The Bank incorporates environmental considerations in the provision of credit both in projects for which it organizes the financing and in the provision of ongoing credit to companies. This risk assessment is performed in companies with a significant scope of activity and significant potential for environmental risk. In addition, when assessing the value of land for security, the Appraisal Section assesses environmental risks that are taken into account when providing credit, in the context of environmental pollution and their implications for property value, with emphasis on properties with potential for soil and groundwater pollution. In this context, a work process was built to handle the assets. Total credit approved in 2021 for environmental projects amounted to approx. ILS 2,025 million.

Credit for the development of green energy sources and cogeneration – During 2021, we approved credit for the green energy sector – solar renewable energy. Use of such energy reduces environmental pollution.

Credit for public transport clusters – During 2021, credit was approved for public transportation.

Credit for electric vehicles financing – The Bank provides credit for the financing of electric vehicles. Starting in 2021, there is a financing arrangement for the purchase of electric vehicles from Tesla.

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

Social lending²

The Bank and its extensions are acting in several plains to promote social products to their customers. In 2021, the Bank provided the amount of approx. ILS 1,087 million to the promotion of social causes, as follows:



1. For more information on the integration of environmental and social considerations, see the chapter on Corporate Governance later in this report and the Corporate Responsibility Policy on the Bank's website.
2. GRI: 102-48.

- **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.
- **Credit to high-tech companies promoting social issues** – As part of the core of the strategic plan, the Bank expands its activity among business clients in the high-tech sector (including start-up companies), through the High-tech Department of the Business Banking Division, as well as through 13 branches nationwide specialized in serving high-tech clients. The Bank is active and provides financing to start-ups in various areas of activity, including agro-tech and companies promoting ventures that support disadvantaged populations. We are also the first bank in the Israeli banking system to provide financing to medical cannabis companies.
- **Financing of social bonds** – In 2019, the Bank became an anchor investor in social bonds 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 bonds 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. The bonds purchased by the Bank are used to invest in a project to enhance high-school math studies at a high level (4 and 5 units) and to enhance Hebrew language studies at seven high schools in Rahat (approx. 1,200 students). The project duration is six years in three classes, with each class provided with three years of active intervention. The bonds were issued by a designated company – “Social Finance Israel Ltd.” – The Mathematics Project in Rahat Ltd. (Public Benefit Company).
- **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 won in the new tender conducted by the Government and started providing loans in this context from May 2016. The Bank's share of credit provided is 60% of the financial partnership with institutional investors which provides the loans.
- **The COVID-19 Fund** – In 2020, a state-guaranteed fund was established to assist businesses, with the aim of assisting them with cash flow difficulties created due to the Corona pandemic. Bank Mizrahi-Tefahot was the central bank that provided credit to businesses in this fund during the 2020-2021.
- **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.
- **Social investments by US branch** – In 2021, Mizrahi-Tefahot USA made social investments, as required by the Community Reinvestment Act (CRA), in dedicated mutual funds that provide mortgages to disadvantaged populations and loans to small businesses in the US.

ESG investments

In the Bank's investment policy, ESG aspects are taken into consideration and there is a preference for investing in companies that have an affinity for this area or that emphasize these issues. The real investment team conducts a quality examination (without quantification) and takes into account environmental considerations such as environmental and industrial pollution, impact on global warming (greenhouse gas emissions, etc.), damage to animals, plants and more. In addition, the examination is done considering social aspects, and the main considerations are working conditions and the granting of rights to employees, donations, and also the company's support of the community.

When making an investment decision, preference will be given to companies that see the importance of contributing to the environment and the community, and investments in companies that significantly harm the environment and the community will be considered in pricing.

In 2021, the Bank established activities regarding real investments in accordance with the law, including activity permitted for a banking corporation as stipulated in the Banking Law (Licensing). Detection and examination of long-term real investments and their execution is carried out through the Real Investment Committee. Priority is given to investing in industries consistent with the Bank's credit risk appetite.

The Bank won a tender by the Innovation Authority under Section 43, the purpose of which is to encourage institutions to make investments in Israeli start-up companies.

Integrating ESG aspects into investment advice

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 consulting department, which is responsible for disseminating investment recommendations to the branch investment consultants, disseminates recommendations from time to time that integrate ESG aspects. During this year, Bank Mizrahi-Tefahot promoted environmental and social investments with proper governance, with the help of financial products it offered to its customers, i.e. an ETF on this sector, taking into account the ESG scores. Coupled with:

- **Professional training** – This year, the counseling department held designated conference calls to provide tools to the Bank's consultants in the content worlds of responsible investments and ESG investments. Emails were also sent to consultants with the latest developments in the field.
- **Maala's ESG index** – The index was added to the table of parameters in the analysis reviews. The Maala rating examines the degree of commitment and the socio-environmental impact of companies and organizations in Israel.
- **External Investment Houses** – ESG parameters were included in lectures given by external investment houses and in conference calls with the consultants.
- **Investment recommendations properties** – Recommendations regarding 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.).

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 clients and the public with tools for proper financial conduct, tools for economic empowerment and proper budget 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.

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 general public** – Provision of basic concepts in the financial world, including long-term savings products for various population groups and at diverse ages for improving economic well-being.
- **Digital literacy** – Activity to empower and learn digital tools, designed for senior citizens.









In 2021, 19 lectures were held on various financial topics (mortgages, deposits, pension advice and the capital market). These lectures were open to the public, free of charge and broadcast on digital channels. There were 1,380 participants (from the Bank's customers and customers of other banks).



For further information on the Bank's activities and initiatives for wise economic management, see the chapter on Investors in the Community.



Achievement of 2021 goals

| Specified goal | Response to SDG | Status |
|--|---|--------|
| 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. |  | Done |
| 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 clients at central locations. |  | Done |
| Conferences and meetings with business customers from various sectors, including on subjects relating to foreign trade, according to the changes in global trade.) | | Done |
| Train the Bank’s financial counselors about ESG. |   | Done |
| Training on environmental risk delivered to relevant employees at the Business Division. |  | Done |
| 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. |  | 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 |
| Expand the activities targeting households in the Arab society by opening mortgage units at branches in the Arab society. | | Done |
| 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. | | Done |

Goals for 2022

| Specified goal | Response to SDG |
|---|---|
| Continued activity in the Arab sector in order to provide this public with solutions customized for its unique characteristics when carrying out mortgages. |  |
| Expansion of activity among senior citizens while creating collaborations with assisted living homes and increasing the number of bankers and branches specializing in providing credit solutions to this population. | |
| Activities in the Ultra-Orthodox community – Learning the needs and adapting the Bank’s services regarding mortgages, including collaborations to finance designated residential complexes. | |
| Continued provision of the option to defer payments for customers in need when needed (mortgage). | |
| Making the soft collection issues accessible for handling directly on the website. | |
| Examining new investments in social bonds. | |
| 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. |  |

Investing in the Community



• ILS **17.2** million
Total investment in social community activities In 2021

• **20,200**
hours of volunteer work invested by Group employees as part of activity in the community

• ILS **400** thousand
Total purchasing from social NGOs in 2021 by the Bank

• **250**
of the Bank's employees participated in lectures to become acquainted with diverse populations in Israeli society

• **54%**
of the employees' volunteer hours were during work hours

• **68%**
of suppliers are micro and small businesses

• **97%** are local suppliers

• Of which **19%** are from outlying areas

• Approx. **15** thousand people participated in meetings in the context of all "Let's Meet" activities

• **1,700** people participated in "Sixties Get-Together" activities



Impact on Israeli society through involvement and volunteer work



As a business entity whose business relies on the community in which it operates, the Bank is committed to be involved with and to invest in the community. The Bank is working to realize its community involvement in a manner that expresses its strength, engages the Bank's employees in active volunteer activity and leverages its physical, financial and human abilities and resources. These matters are handled at the Bank by the "Mizrahi-Tefahot Community" unit, which is part 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 play an active role in volunteer activities, which they regard as a key value, investing their time and skills. The values of giving and connecting with the community have become part of the DNA of each Mizrahi-Tefahot branch and unit.

Mizrahi-Tefahot's social strategy in the community reflects the Bank's strategy: "to move forward and remain a human being" and to be an innovative and unique bank from a human aspect. The central motif in our social strategy is innovative initiatives to promote a more compassionate society that encompass several core topics:



Social-business initiatives



Initiatives by children, teens and students



Initiatives in the community



Education and society

- **Social-business initiatives** – Considering the Bank's financial expertise and profound knowledge of the business world, the Bank harnessed the knowledge and experience of its managers and employees to strengthen the capabilities in the social sector and therefore, it invested in supporting social-business ventures and **initiatives promoting wise financial management**.

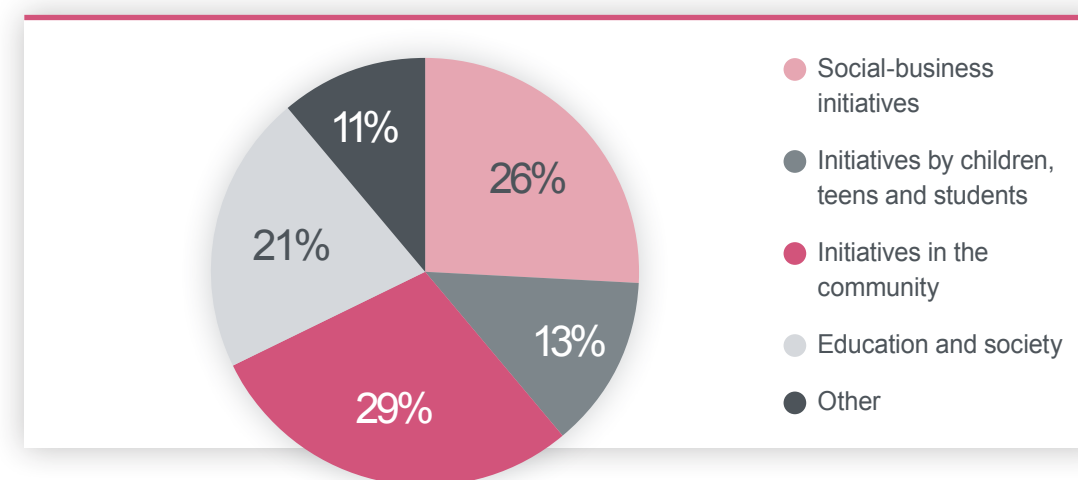
- **Initiatives by children, teens and students** – Considering that the Bank is a market leader with an innovative, forward-looking approach, it wants to focus its investments in areas that will have a significant favorable impact on Israeli society. Therefore, the Bank invests in initiatives by children, teens and students from the social and geographic periphery.
- **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 bring residents in the vicinity of Bank branches to meet Bank employees for empowerment and enrichment. The Bank is also involved in funding and social activity, as part of their involvement in neighboring communities around Bank branches.

Operations during the COVID-19 pandemic

Since the outbreak of the Corona crisis, the Bank has continued to work for the community and the environment and has even devoted dedicated resources for dealing with populations that have been hit the hardest by the crisis. In addition, the various activities were also adapted to the restrictions that characterize this period.

During the COVID-19 period, the Bank's employees continued to volunteer in accordance with the restrictions, and the volunteering took place in a virtual face-to-face manner, as well as in the format of "adoption units" or one-time peak days. The various projects were adapted so that they could be carried out in a versatile activity format, such as the Light Fair that went from in-person to digital, a lecture series for employees on social issues given using Zoom, etc. The need to build a flexible work plan, while creating a variety of activities that can be carried out by various means (remotely and in-person) and creating a number of operational alternatives for each activity, will characterize the Bank's activities in the community next year as well.

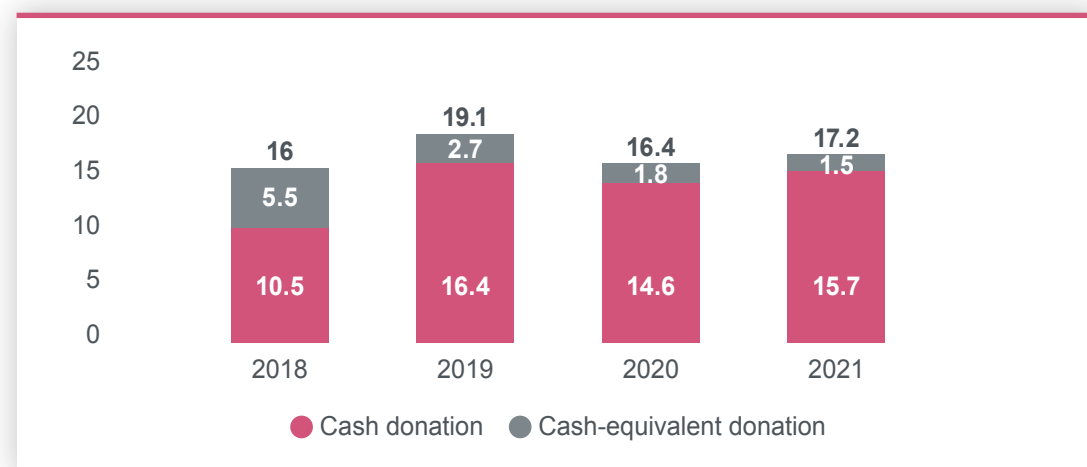
Investment in the community by activity type for 2021



The Group's social investments during 2021 totaled ILS 17.2 million, compared to ILS 16.4 million in 2020.

This investment consists of total cash donations of ILS 15.7 million and cash equivalent donations of ILS 1.5 million.

Social investment by the Group over the years (ILS in millions)



Business-social initiatives

As one of Israel's five largest banks, which influences the local economy and society, Mizrahi-Tefahot Bank attributes considerable importance to the promotion of financial initiatives among the Israeli public and encourages its managers and employees to share their professional expertise with the community. Two of the key topics that the Bank focuses on in this field: 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 conduct** – Promotion of initiatives to encourage wise economic conduct in these populations: children and youth, senior citizens, social bodies in their infancy, underprivileged populations, the Arab sector and more.

Social-business initiatives

As part of our community activities, the 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 2021, some 100 businesses and NGOs applied, of which four 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. To help these ventures operate wisely, lectures were given during the year to selected ventures and to ventures selected in previous years. The lecturers were mentors from the bank who specialized in legal and marketing fields.

- **“Amanina”** – We created cooperation with the “Amanina” NGO, 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

A virtual fair held before the Hannukah holiday on the website of the &JOY Studio, (a social business selling gifts that employs people with disabilities) in conjunction with additional NPOs. All proceeds from sales at the fair were transferred to NPOs and social businesses.

- **Purchasing of gifts from NGOs** – The Bank customarily purchases holiday and special-occasion gifts for its employees from social businesses and NGOs. In 2021, we purchased gifts totaling ILS 160 thousand from social businesses and NGOs. Gifts for employees were purchased from Local businesses (“Made in Israel”). Whenever possible, we buy from suppliers and factories in the periphery. Our employees also purchase gifts from various social businesses and NGOs for the various holidays. In 2021, our employees' purchases from social businesses and NGOs totalled about ILS 240 thousand.



“BeHevra Tova” Center

Together with the Midot-SFI organization, the Bank initiated and established the “BeHevra Tova” Center for the promotion of social businesses and organizations. The Center is intended to encourage social innovation, creating infrastructure for the professional development of bodies operating in the social sphere and making an impact in society. The Center will host training sessions and workshops as well as provide individual counseling and support.



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 2021, “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. 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.
- **Financial training for “Sherut Leumi” volunteers** – the Bank's cooperation with Sherut Leumi (Alternative civilian service) as part of the “Building a Future” program. The purpose of the program is to provide tools for wise economic conduct to young people and adults in preparation for civilian life upon completion of service. As part of the program, 45 Sherut Leumi staff members were trained by the Bank's representatives, who provided financial education content to 2,000 students and volunteers in 25 localities throughout the country.
- **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. Bank employees are also invited to volunteer as advisors nation-wide. Their training is financed by the Bank, as a donation to the NGO. In 2021, the “Pa'amonim” NGO received a donation from the Bank in the “Partners of Choice” project, which was intended for a series of online lectures for the general public on the subject of dealing with the consequences of the Corona crisis.
- **Reinforce financial education for students** – 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 2021, 200 students attended workshops on proper economic conduct offered by the center.

Initiatives by children, teens and students

Mizrahi-Tefahot Bank is a market leader with an innovative, forward-looking approach, and therefore focuses on initiatives where investing 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 2021:

- **“ZAZIM”** – youth movements and organizations 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 430 proposals submitted in 2021, the Bank selected 61 projects to support. Furthermore, as part of community involvement at the Bank and to encourage family members of Bank employees to take part in community involvement, the Bank personally invited children of employees to take part in the ZAZIM project.
- **“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 2021, this activity took place at 44 towns nationwide, with 1,500 participants from various parts of Israeli society, including youth at risk, youth with disabilities, Druze, Muslim and youth from underprivileged town
- **Unistream** – The Bank is a member of the Unistream NGO for the adoption of two of the NGO's youth entrepreneurship groups in the “SUN” program in Jerusalem and Lod. The Bank sponsored the NGO's annual record event, and senior executives at the Bank serve as judges in the “Entrepreneur of the Year” competition and the “Social Impact” award, which take place each summer.



The Spacelab Project

The Bank, in collaboration with the Ramon Foundation, supports the Spacelab Project, which sends experiments by Israeli students into space. The program operates in two high schools in the city of Lod, giving students tools for developing scientific capabilities and additional skills, as well as enabling students to consult with specialists from academia and the space industry.



“Initiatives in the community” – employee involvement

The Bank encourages social involvement initiatives among our employees, their families 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:

- Employee involvement in projects as part of our strategic plan: financial training, mentoring for social businesses, purchases of NGOs’ products, volunteering to advance social causes, etc.
- Employee volunteering initiatives that reflect the Bank’s core value of compassion and constitute a motivational factor for employees to take part in the various volunteering tracks.

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 social distancing guidelines, it was difficult to conduct physical volunteering activities also during 2021 and the activities took place in a personal, family and virtual format.

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 and centralized activities for under-privileged populations in various regions in Israel. Currently there are 70 adoptive units and branches at the Bank.



Peak Volunteering Days

In 2021, volunteer days were held all Bank HQ units and branch offices. Each district conducted a unique volunteer activity in the geographical area and field that suited it.



- **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 2021, some of the volunteering activities took place remotely or in small capsules, and some of the activities were concentrated on volunteer days. Thousands of Bank employees and their families take part in these activities.
 - Thousands of our employees borrowed books from “rebook” libraries.
 - About 80 Bank employees and their families volunteered at various NGOs during the summer months.
 - Managers of the Bank volunteered to be mentors for NGOs that ran into hardship.
 - Hundreds of the Bank’s employees participated in peak day volunteering at various NGOs throughout the country.
- **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 into Arabic. In 2021 the kit was updated.
- **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 providing financial assistance in conjunction with the connection with Pa’amonim. 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 and the “Volunteer Family” to encourage family volunteering in the summer.

● **20,200** hours of volunteer work by Group employees as part of activity in the community.

● **30%** of the Bank’s employees volunteered for various activities during 2021

● **30%** of volunteering employees at the Group regularly volunteer

Bank employees volunteered an average of **4 hours** (per employee) in 2021

● In 2021 **54%** of the Group’s total volunteer hours were during work hours

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, the Bank is active in various communities close to its activity centers, and is also involved in financing and social activity as part of its activity among neighboring communities:

Community activity in major cities where the Bank operates

The Bank HQ offices located in the cities of Lod and Ramat Gan have a large concentration of employees, so it is important for the Bank to actively participate in many local 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

- **“Adopt a Battalion”** – Starting in 2021, the Bank has adopted the Tzabar Battalion in the Givati Brigade as part of the “Adopt a Battalion” project. In addition to the financial contribution, the Bank maintains an ongoing relationship with the battalion, including participation in seminars for recently discharged soldiers, sports days, the purchase of gift certificates for lone soldiers and those in need on the holidays, pictures from the children of the Bank’s employees on the holidays, etc.
- **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 2021, the Bank awarded 74 scholarships to outstanding students in different educational institutions.



Lecture Series: “You and I Will Change the World”

The Community Relations Unit initiated a series of lectures over Zoom on the topic of unique populations in Israeli society. The lectures were given by lecturers from the world of social activism and held close to significant dates in the social calendar, such as Autism Awareness Day, Blind Day, and the International Day for Tolerance.



“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 its identity as a compassionate bank acting to bring the 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. Naturally, Bank employees, their families and friends are also invited to attend these meetings.

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.

During 2021, 137 activities were held on the various digital channels, with the exception of five meetings for businesses held outdoors. These meetings were attended by 15,000 participants.

Meetings customized for different target audiences

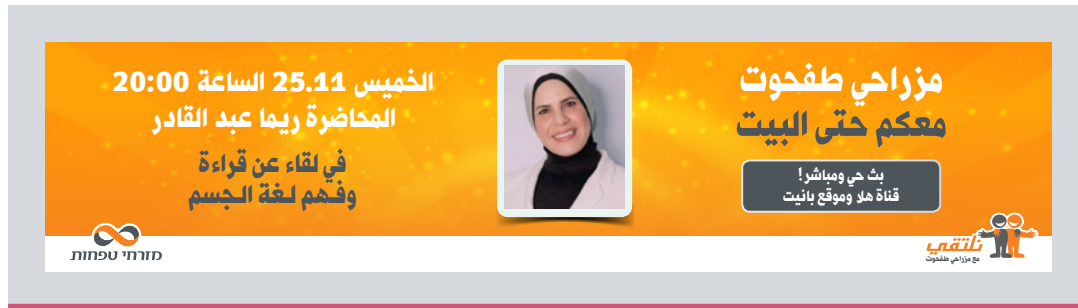
As part of the “Let’s Meet” activities, the Bank offers sessions with content adapted for target audiences in various demographics, in response to their individual needs. These include:

- **“Sixties Get-together” activity** – A series of meetings and lectures designed for senior citizens. During 2021, the Bank held 17 activities for senior citizens on the digital platform (some in collaboration with the Adler Institute and some on the pension mortgage). 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. 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. Adjustments were made for switching to digital platforms so that during 2021, nine activities were held on the relevant digital channels for this sector. In the Ultra-Orthodox sector, three dedicated lectures were broadcast on Zoom.

“Let’s Meet” activities In 2021

In 2021, 137 activities were held in the framework of “Let’s meet at Mizrahi-Tefahot” with about 15 thousand participants. The meetings are customized for different target audiences: Business customers, senior citizens, the Ultra-Orthodox Jewish sector and the Arab sector





- **Helping our business customers** – As part of Mizrahi-Tefahot Bank’s support of business owners generally, and especially during 2020, we held special activities with leading business entities. During 2021, the Bank conducted synergistic activities between “Let’s Meet” and the “Mizrahi-Tefahot Business Club”, which included a lecture series for businesses and personal counseling meetings, and a lecture was held in collaboration with the “Civic Trust” organization. Approximately 1,000 people participated in these activities. In addition, an extraordinary activity was held in which we invited selected business clients to the screening of the Euro Games in a special atmosphere. The activity included five dedicated screenings, in which about 800 participants participated.

Community involvement at Yahav Bank

As part of Yahav’s Bank involvement with the community, it works to develop long-range relations with social organizations and partners and focuses mainly on the empowerment of at-risk youth or youth with disabilities. In this spirit, the Bank works to reduce disparities and promote equal opportunities. Due to the continuation of the COVID-19 crisis, 2021 was characterized by the provision of financial donations to recognized bodies in the field of education and youth empowerment and also to supporting other NGOs that focused on food distribution and assistance to the needy in the Corona period.

Assistance to underprivileged populations in cooperation with the various NGOs:

- Empowering youth from foster families in cooperation with the “HaMifal” NGO for training of Israeli children.
- Financing for summer camp for children with Type-1 diabetes from under-privileged families and for AKIM children.
- Financing for basketball teams for at-risk youth, in cooperation with HaPoel Yahav Jerusalem.
- Assistance in establishing the “Dream Kindergarten” for children with cancer in cooperation with the “Larger than Life” NGO.
- 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 NGOs “Leket Israel”, “Latet”, the NPOs “Nevet” and “Shuvu Achim,” and more.

- “Adopt a Battalion” project – Adoption of the 402nd Artillery Battalion for three years, during which the Bank supports the soldiers’ welfare basket and joint activities will take place between the Bank’s employees and the soldiers.

Employee involvement in the community

Due to the COVID-19 crisis, volunteering in the community by Yahav’s Bank employees was limited to the minimum needed and most of their involvement was in the following projects:

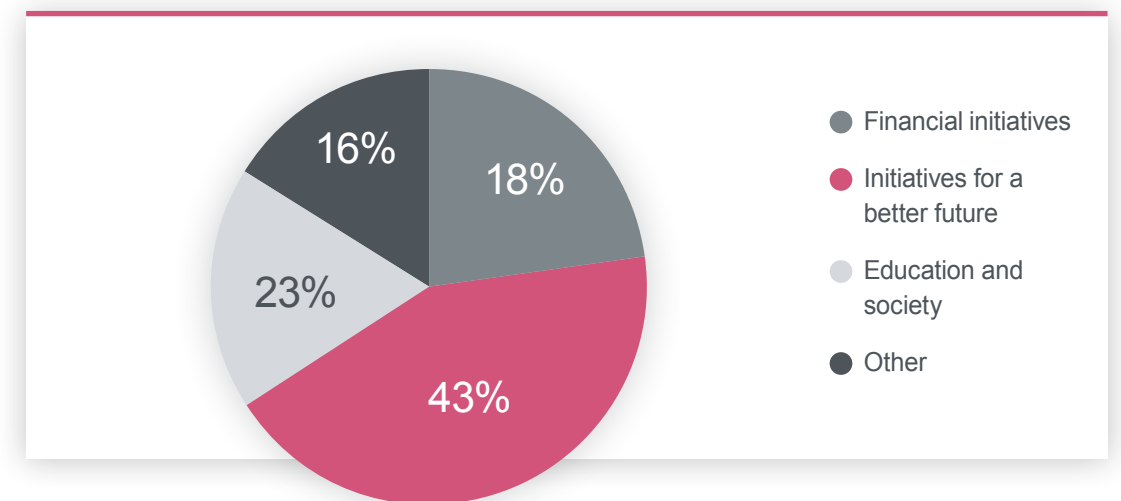
- Distributing gift baskets to hospital medical teams, to old age homes, to rehabilitation centers for drug addicts and prostitutes, and more.
- Joint activities with the residents of AKIM Jerusalem.
- Joint activity with the soldiers of the 402nd Battalion as part of “Adopt a Battalion” on Hanukkah.
- Joint activity of branch employees with the residents of the Eden Ramla Residence.

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 2021, 94% of our employees in the USA volunteered for 42 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 2021, the contribution amounted to ILS 210,500.

Composition of operating segments for overseas affiliates



Involvement with cooperation, dialogue and feedback¹

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 Spacelab program.
- **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. In this project, now in its twelve 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.
- **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. 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.
- **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”.

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 NGOs 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 conversations and visits which review, inter alia, their satisfaction with the volunteer work and with their relationship with the Bank unit. The data collected in 2021 indicates that satisfaction of social organizations where Bank employees volunteer remains very high, with demand to expand operations with additional volunteering employees.

1. GRI: 102-43.

- **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 its outcomes 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 participate 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” NGO; 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. This year, a calendar was produced in collaboration with the social business “Snap” – the social center for photography, which provides professional training and employment integration for people with special needs.
- **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



Mizrahi-Tefahot Group has significant impact on Israel's economy and attaches great importance to orderly and responsible supply chain management. The Group integrates corporate responsibility criteria in the procurement policy and in the supply chain management, with the understanding that suppliers also have a significant impact on the Company and the environment. Engaging with businesses and companies operating in accordance with corporate responsibility values enables the Bank to increase its circle of influence on the ESG aspects in its supply chain. Procurement is managed at the Bank by the Logistics Department of the Human Capital, Resources and Operations Division.

Responsible supply chain management

In conformity with Group policy and its responsible supply chain concept, the Group prefers to do business with local suppliers, promote small and micro businesses and supplier diversity from peripheral areas. The Bank sees an advantage in choosing small and medium-sized suppliers in view of their flexibility and ability to provide a quick and professional response to the Bank's needs. In addition, the Bank insists on contacting Israeli suppliers, and when purchasing for branches, the Bank selects local suppliers from the same geographical area.

The Group receives services from about 3,475 active suppliers (about 660 of the suppliers are of Bank Yahav and 580 of Bank Igud), out of which, 710 are new suppliers and 97% are local Israeli suppliers. 19% of the suppliers are from regions defined as "outlying regions" according to the Central Bureau of Statistics¹ and about 68% are small and micro businesses², 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).

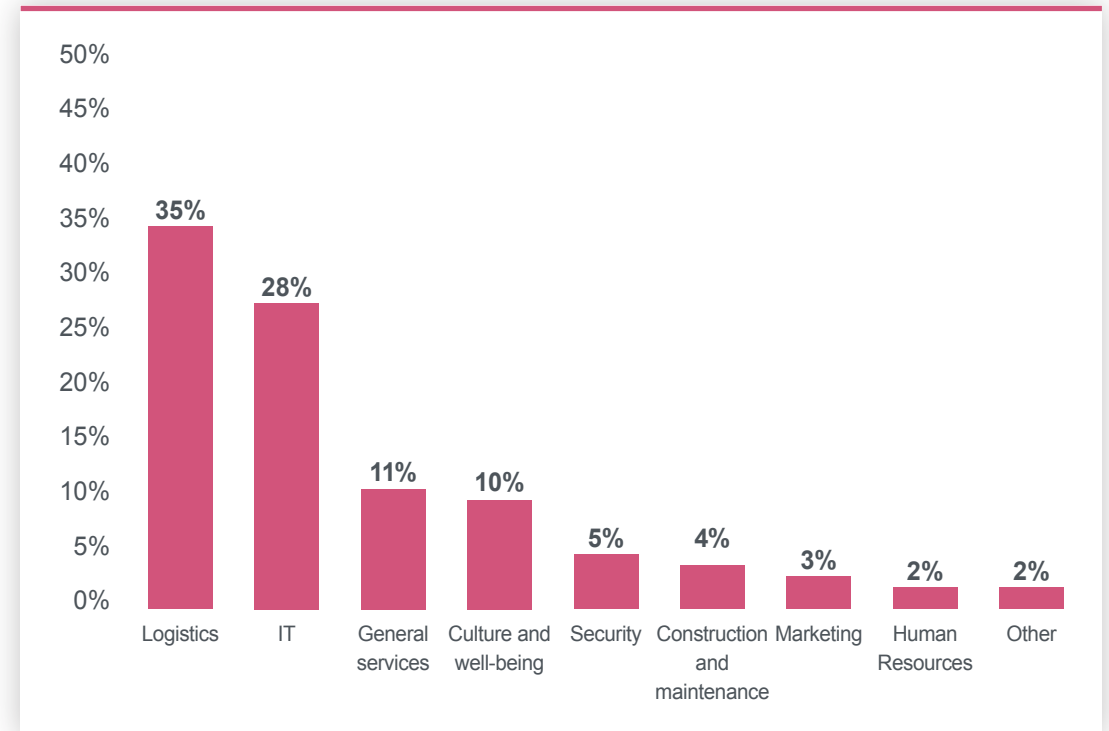
The Bank has an agreed payment policy with suppliers and the Bank ensures timely payment to suppliers, as agreed and committed to ahead of time.

In 2021, purchase orders opened to the Groups suppliers amounted to approx. ILS 2 billion.

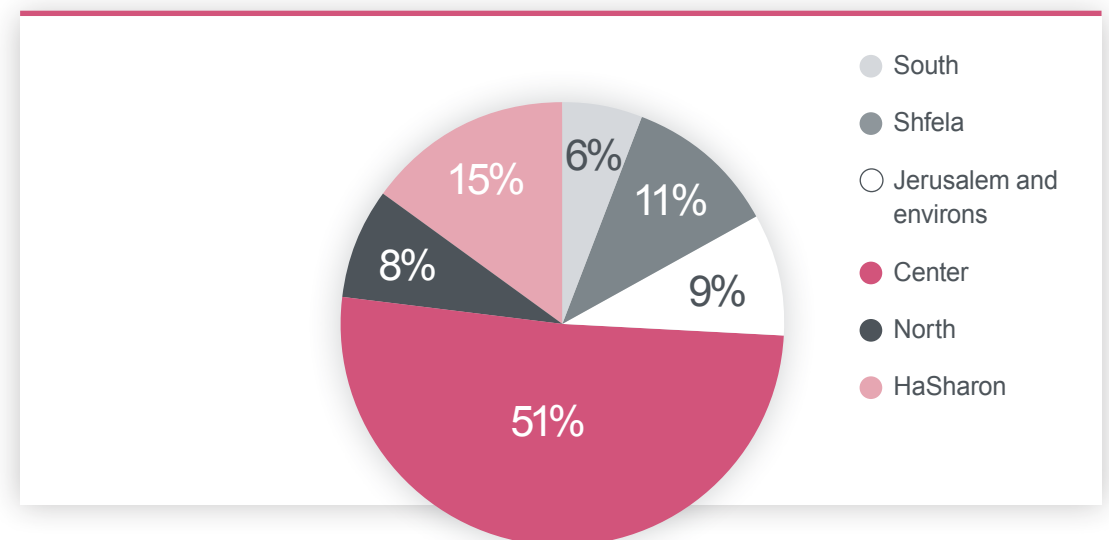


1. Clusters 1 - 5 according to the Central Bureau of Statistics' socioeconomic index for 2017.
2. According to the definition commonly used in Israel, as per Government Resolution no. 2190.

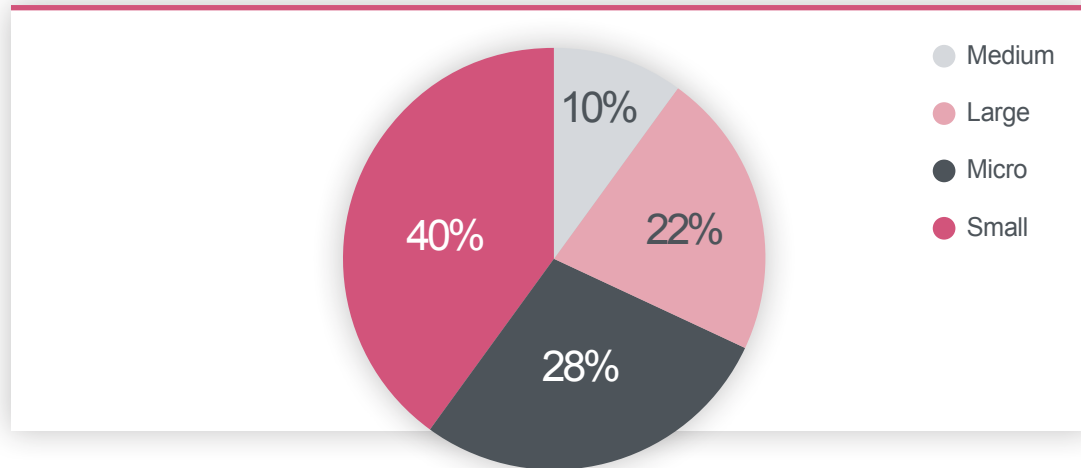
Procurement at Mizrahi-Tefahot Group



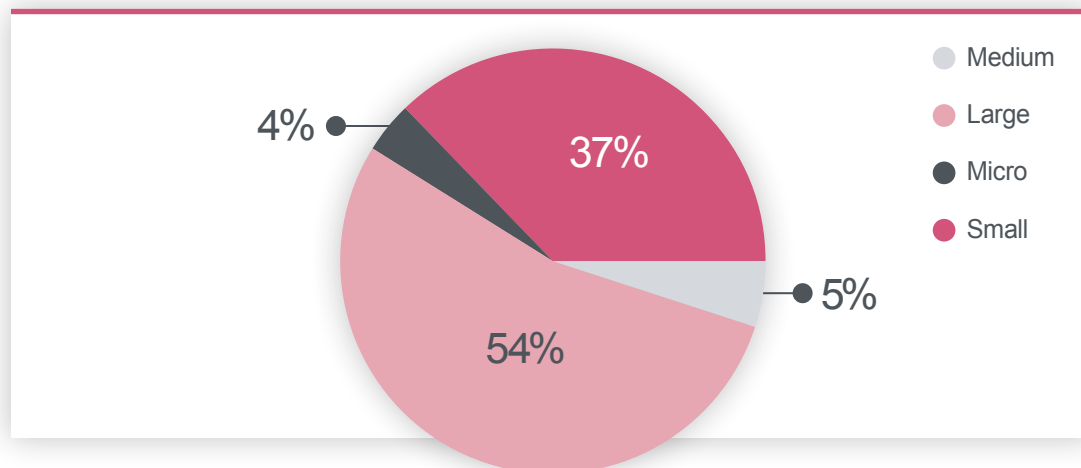
Composition of suppliers by geographic location



Composition of Group suppliers by business size



Payments to Group suppliers by business size



Responsible supply chain¹

Responsible supply chain management is applied as follows: Promoting local purchasing, prioritizing suppliers and supplier control

Promoting local purchasing

Out of responsibility for strengthening the Israeli economy, the Bank implements a policy of preferring local suppliers (made in Israel), so that the absolute majority (97%) of all suppliers in the Group are local suppliers.

1. GRI: 102-43.

Prioritizing suppliers

Small and medium businesses

Being accountable to Israeli society, the Bank maintains a policy that prioritizes suppliers who are small and medium 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. 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.



“Business Opportunities” Conference for suppliers

In 2021, the Bank held a conference for small and medium-sized business owners in cooperation with Maof (the Small and Medium Business Administration of the Ministry of Economy and Industry) and a local authority. The Bank initiated the conference with the aim of expanding and diversifying its pool of suppliers, strengthening the local business sector and helping small and medium-sized businesses to grow. In addition, the conference was intended to impart knowledge on the subject of responsible management. 120 business owners participated in the conference.



Prioritizing responsible suppliers

- **Preserving human rights and compliance with the law** – 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.
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.
- **Prioritization of suppliers from an ESG point of view** – Being a large and commercial entity, the Bank considers its impact on the economy of paramount importance in terms of society and the environment. Therefore, the Bank is interested in engaging with suppliers who also recognize the importance of their impact on the environment and society. Accordingly, the Bank examines various parameters when it comes to engaging with suppliers, such as: contribution to the community, giving priority to procurement of equipment with a high energy efficiency rating.
- **Code of Ethics** – the Bank prioritizes suppliers who operate based on an internal Code of Ethics, and in addition, the Bank's agreements with suppliers require their commitment to operate in accordance with the Bank's Code of Ethics. These values are detailed in the engagement agreements.

Supplier control

- **Control over suppliers for lawful employment** – The Bank's Logistics Division Manager and Procurement Manager visit the Bank's major suppliers in accordance with the criteria defined by the Bank. Any supplier that fails to meet the criteria is liable to have their contract terminated.
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. In 2021, no visits were made to major suppliers, as the guidelines for dealing with the Corona pandemic did not allow this, however, the Bank is in constant ongoing contact with the regular suppliers by alternative means (such as telephone or video calls).
- **Control of outsourced employees' employment terms** – According to the law, the Group 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. Employees can use an anonymous, discreet mechanism to report violations and non-compliance by their employers. As of the end of 2021, all Bank suppliers in these areas were compliant with statutory provisions tested. However, the engagement with a

cleaning supplier was terminated due to a continued lack of cooperation in the audit process.

- **Control of suppliers 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.
- **Control of suppliers regarding 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.
- **Safety** – The Bank constantly acts to control and guide the suppliers' employees 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.





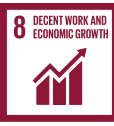


In 2022, a Corporate Responsibility questionnaire will be attached to requests for significant price quotes. The response received from the suppliers will be taken into account as part of the set of considerations for selecting the winning supplier.

Risk management among suppliers









The Bank has a policy in place for managing suppliers and for outsourcing (outsourcing is managed in conformity with the Bank of Israel Proper Conduct of Banking Business Directive 359A, which entered into effect in 2020). This policy stipulates, among other things, aspects of corporate governance for supplier risk management, including the definition of the role of Risk Manager and the responsibilities and authorities of the 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 2021 goals

| Specified goal | Response to SDG | Status |
|--|---|--------|
| 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 |
| 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). |  | Done |
| Activities to increase our employees’ awareness of the importance of diversity and equal treatment of diverse populations. |   | Done |
| Expanding activities to encourage family volunteering. |  | Done |

Goals for 2022

| Specified goal | Response to SDG |
|---|---|
| Update assessments for the Bank’s financial education “Money Road” – adapt the format for elementary schools and translate the renewed assessments into Arabic. |   |
| Continue the “Let’s meet at Mizrahi-Tefahot” activities and create enrichment activities on general topics, including activities adapted to the various sectors: Arab society, Ultra-Orthodox society, senior citizens and financial-banking lectures on various topics that are appropriate for business activity. |  |
| Expand the circles of support for bodies active in the field of business-social entrepreneurship (entrepreneurship competition, “In Good Company” center). |   |
| Expand the impact of scholarships awarded by the Bank to students from underprivileged populations through volunteer hours that will contribute to the community. |  |
| A visit to three major regular suppliers. |  |
| Produce a questionnaire on corporate responsibility that will be attached to requests for price quotes from suppliers for the purpose of decision making with all the considerations for selecting a supplier. | |
| Encourage the Bank’s employees to volunteer in various projects for the community with the support of the Bank (for example, “Gedolim Bemadim”, “Zikaron Basalon”, peak days, etc.). |  |

Investing in employees



• **51%**
female managers
of all Group managers

• **7,646**
Employees
were employed in the
Group in 2021

• **97%**
of the vacancies in
management positions
in 2021 were filled by
internal promotions
of Bank employees and
managers

• **294,000**
training hours delivered to
all Group employees in 2021

• **77%**
of Bank employees with
a university degree

• **15%**
of Bank employees
are people from
among underemployed
populations

• **42%**
of the Bank's management
are womens

• **41**
hours of training on
average per employee in
the Group

• **12.8** years
average seniority at
the Group

Responsible work environment



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 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 place of employment. The Bank's human resource management strategy is managed on two levels: one level is the treatment of the individual from the absorption stage until his retirement from the organization, and the second level is the development of the various aspects of the human resource.

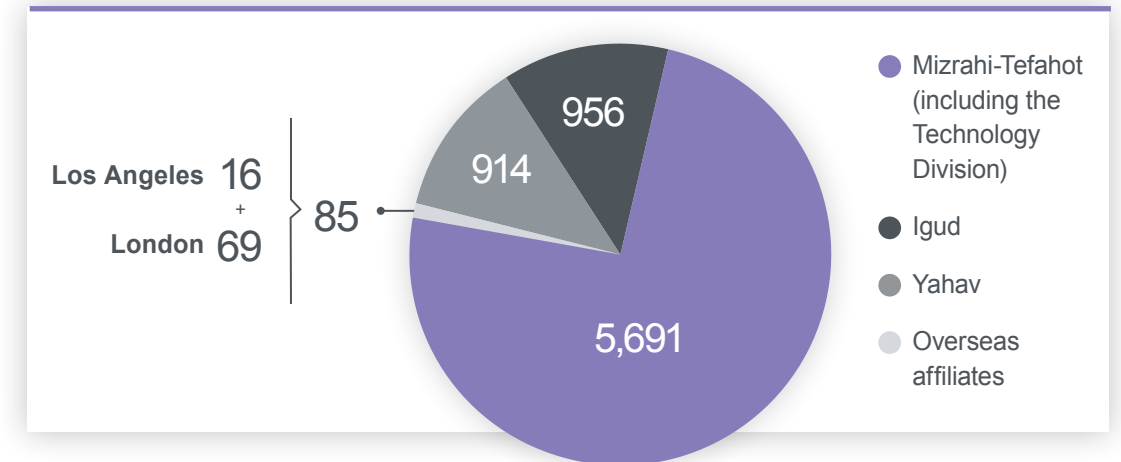
The Human Capital, Resources and Operations Division, which is responsible for human resource management, uses innovative tools for human capital management by analyzing data for all the Bank's manpower needs, including the workforce strategy, measuring the recruitment process, performance evaluation and more. Data analysis is reported to the management on an ongoing basis.

Mizrahi-Tefahot employees

The Mizrahi-Tefahot Group continues to grow and be a leader of business excellence and considers its employees as the main factor in its success. The Group is committed to developing its employees professionally and personally and providing them with a proper and responsible work environment.

The number of employees of Mizrahi-Tefahot Group at year-end 2021 is 7,646 employees and managers.

Total employees of the group (at year-end 2021)

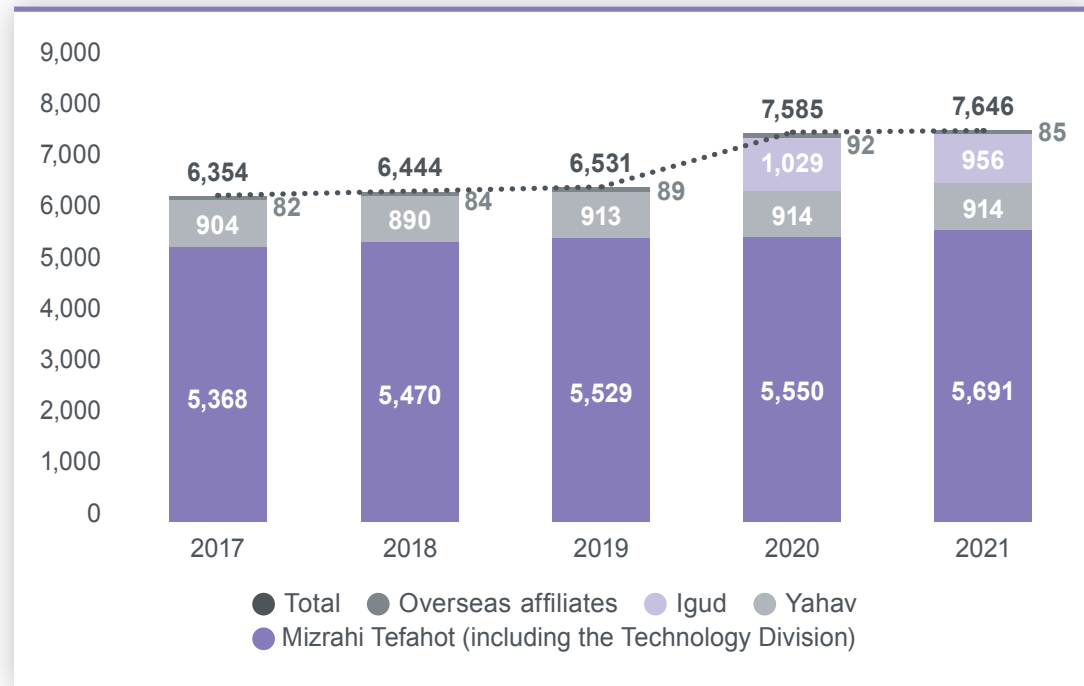


Composition of Group employees by rank and gender

| | 2019 ¹ | | | 2020 | | | 2021 | | |
|---------------------|-------------------|-------|-------|--------|-------|-------|--------|-------|-------|
| | Female | Male | Total | Female | Male | Total | Female | Male | Total |
| Managers | 633 | 647 | 1,280 | 788 | 750 | 1,538 | 786 | 742 | 1,528 |
| Employees | 3,556 | 1,695 | 5,251 | 4,063 | 1,984 | 6,047 | 4,120 | 1,998 | 6,118 |
| Headquarters | 1,301 | 1,060 | 2,361 | 1,554 | 1,175 | 2,729 | 1,717 | 1,276 | 2,993 |
| Branches | 2,888 | 1,282 | 4,170 | 3,297 | 1,559 | 4,856 | 3,189 | 1,464 | 4,653 |
| Total | 4,189 | 2,342 | 6,531 | 4,851 | 2,734 | 7,585 | 4,906 | 2,740 | 7,646 |

1. 2019 does not include Bank Igud. The data includes Bank Igud starting 2020.

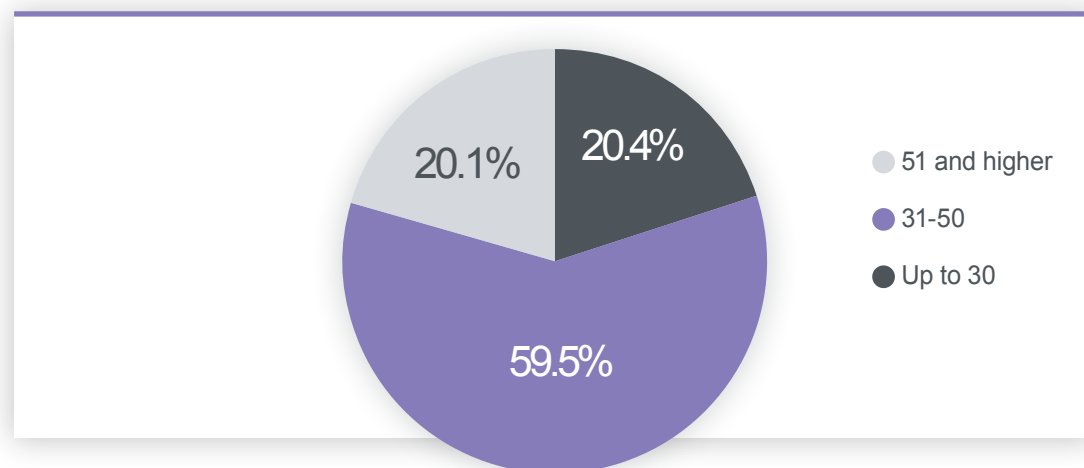
Group employees over the years



93% 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 all Group employees is 40.9.

Group employees in 2021 by age bracket (in %):



Composition of Group employees over the years by age:

| | Age group | 2020 | | | 2021 | | |
|-------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Female | Male | Total | Female | Male | Total |
| Non-managerial position | Up to 30 | 940 | 307 | 1,247 | 1,160 | 383 | 1,543 |
| | 31-50 | 2,416 | 1,283 | 3,699 | 2,318 | 1,249 | 3,567 |
| | 51 and higher | 707 | 394 | 1,101 | 642 | 366 | 1,008 |
| | Total | 4,063 | 1,984 | 6,047 | 4,120 | 1,998 | 6,118 |
| Group managers | Up to 30 | 6 | 3 | 9 | 9 | 8 | 17 |
| | 31-50 | 537 | 418 | 955 | 550 | 432 | 982 |
| | 51 and higher | 245 | 329 | 574 | 227 | 302 | 529 |
| | Total | 788 | 750 | 1,538 | 786 | 742 | 1,528 |
| Total employees | Up to 30 | 946 | 310 | 1,256 | 1,169 | 391 | 1,560 |
| | 31-50 | 2,953 | 1,701 | 4,654 | 2,868 | 1,681 | 4,549 |
| | 51 and higher | 952 | 723 | 1,675 | 869 | 668 | 1,537 |
| | Total | 4,851 | 2,734 | 7,585 | 4,906 | 2,740 | 7,646 |



Geographic diversity

Mizrahi-Tefahot Group employees in Israel and Overseas by geography, in 2021:

| | Residential region in Israel and abroad | Number of employees | Percentage of total employees |
|--------------------------------------|---|---------------------|-------------------------------|
| Israel | South | 791 | 10.3% |
| | Jerusalem region | 1,345 | 17.6% |
| | North | 761 | 10% |
| | Shfela | 1,528 | 20% |
| | Sharon | 992 | 13% |
| | Tel Aviv metro area | 2,144 | 28% |
| Total in Israel | | 7,561 | 98.9% |
| UK | London | 69 | 0.9% |
| USA | Los Angeles | 16 | 0.2% |
| Total – overseas affiliates | | 85 | 1.1% |
| Total – Mizrahi-Tefahot Group | | 7,646 | 100% |

41% reside in HaSharon and Central regions, 20% in the Shfela region, 17.6% in Jerusalem and environs, 10.3% in the Southern region, and 10% in the Northern region. 1.1% of Group employees are employed by overseas affiliates (85 employees and managers) – in London 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 90% of management at the London branch; and 100% of management at the Los Angeles branch.

Education

In 2021, the share of Bank Mizrahi-Tefahot employees (excluding the Technology Division) who hold a university degree was 77% and 10% were university students. In 2021, 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 the operation of projects for a limited time while employing a small number of employees. In 2021, the Bank received services rendered by 19 external contractors.

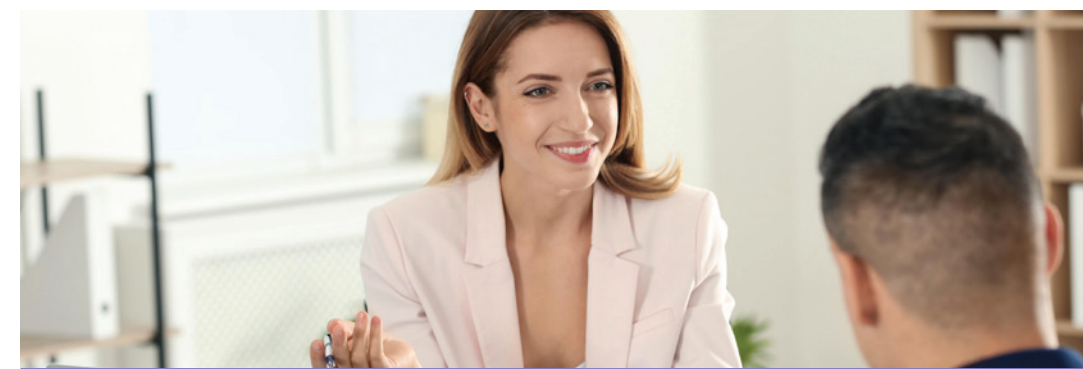
Employee turnover

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 (Data in this table excludes Igud and banking center employees)¹.

| | Age group | 2020 | | 2021 | |
|---------------------------|---------------|---|---|---|---|
| | | 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 | 78 | 38 | 157 | 85 |
| | 31-50 | 71 | 87 | 95 | 100 |
| | 51 and higher | 8 | 16 | 6 | 7 |
| Total men | | 157 | 141 | 258 | 192 |
| Female | Up to 30 | 126 | 100 | 277 | 159 |
| | 31-50 | 73 | 121 | 94 | 115 |
| | 51 and higher | 2 | 17 | 7 | 3 |
| Total women | | 201 | 238 | 378 | 277 |
| Total up to 30 | | 204 | 138 | 434 | 244 |
| Total 31 – 50 | | 144 | 208 | 189 | 215 |
| Total 51 and older | | 10 | 33 | 13 | 10 |
| Total | | 358 | 379 | 636 | 496 |

In 2021, 273 employees and managers who ended their employment at the Bank resigned, 236 of whom were temporary employees. Bank did not continue the employment of another 88 temporary employees. No permanent employees or managers were fired. All of the rest either retired after reaching the statutory retirement age or within the framework of voluntary early retirement plans. In 2021, the rate of departure in the Group (not including Bank Igud and the banking centers) is 6.7% (employees who resigned / fired) and 9% including employees who retired or died. The total departure rate of the Mizrahi-Tefahot Group for 2021, including the banking centers and Bank Igud, is 9.9% (employees who resigned / fired), and 12.6% including employees who retired or died.

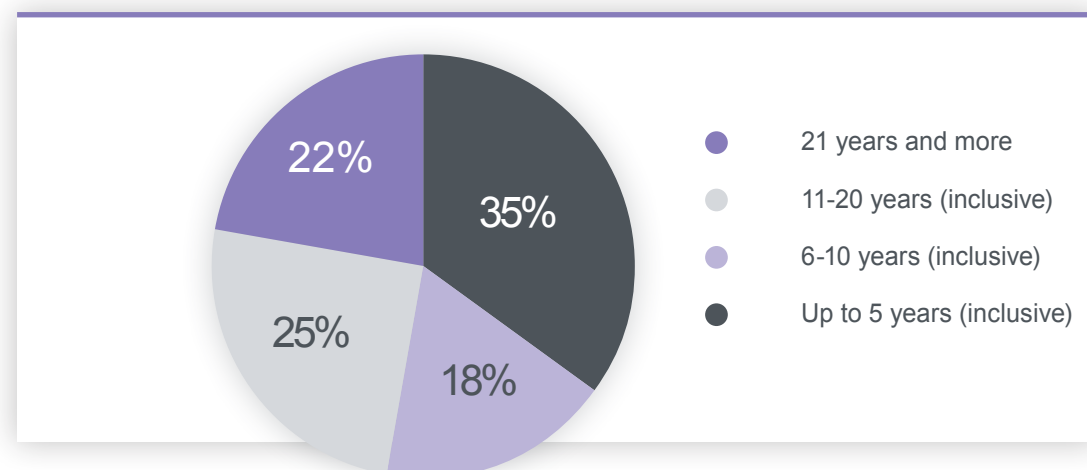


1. The employees at the banking center are students and due to the merger, the Bank Igud employees were not included

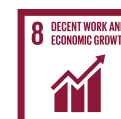
Seniority

35% of employees are new employees at the Group (up to five years), along with employees who have been with the Bank for over 21 years and constitute 22% of the work force. The integration of veteran and experienced employees, alongside new and young ones, allows for preservation of knowledge, organizational memory and professionalism over many years, along with new ideas, growth and development. Average seniority at the Group is 12.8 years

Composition of Group employee seniority as of 2021



Promoting a fair work environment and employment conditions



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.

As part of the Bank's commitment to its employees, a special policy document was created with the main principles dealing with the treatment of the human resource. These principles include the Bank's commitment to promoting a fair work environment and employment conditions, safeguarding workers' rights, a commitment to comply with all labor laws in the countries in which the Bank operates and even providing better working conditions than required by labor laws. In addition, the policy document deals with all work relations with managers and employees that are handled collectively and with maintaining continuous dialogues with its employees and their representatives. Moreover, the Bank commits to only employing employees of working age according to the law in the countries of operation and it does not adopt practices of forced employment.

Right 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.

The employment agreements include all aspects of the employment of the Bank's managers and employees and they relate to all the employment conditions customary in the Bank, including the subject of work hours, employee remuneration and equal opportunities.

Collective labor agreements apply to 93% of Mizrahi-Tefahot Bank's employees, to 88% of the employees of the Technology Division, to 88% of Bank Yahav's employees and to 76% of Bank Igud's employees. All other Bank employees are employed in conformity with individual employment contracts¹.

The main management-employee relations event in the field of during 2021 took place when Bank Igud signed a retirement agreement for Igud employees with the Histadrut, the Igud Workers' Committee and the Directors and signatories organization and began the process of lending an Igud employee to Bank Mizrahi-Tefahot, as part of the employee lending agreement.

Promoting employment security

The Group strives to promote employment security among its employees. Inter alia, the Bank applies a policy whereby each 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 2021, 70% of Group employees were tenured. Moreover, the collective bargaining agreement provides a solution in cases of downsizing due to streamlining.

1. GRI: 102-41.

Composition of Group employees by employment agreement:

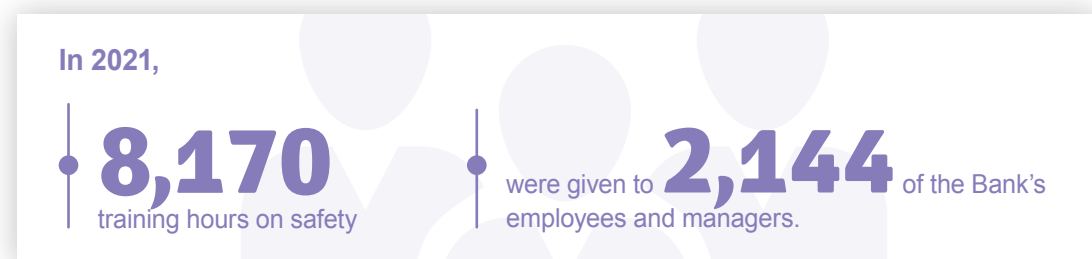
| Employment agreement | 2019 | | | 2020 | | | 2021 | | |
|--|--------|-------|-------|--------|-------|-------|--------|-------|-------|
| | Female | Male | Total | Female | Male | Total | Female | Male | Total |
| Fixed | 2,918 | 1,633 | 4,551 | 3,457 | 1,907 | 5,364 | 3,439 | 1,875 | 5,314 |
| Provisional | 1,057 | 404 | 1,461 | 1,152 | 495 | 1,647 | 1,230 | 524 | 1,754 |
| Employees subject to individual contract | 214 | 305 | 519 | 242 | 332 | 574 | 236 | 342 | 578 |

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.

Due to the Corona crisis and out of concern for the employees, the Bank takes a series of measures aimed at protecting the health of employees and maintaining the rules of hygiene and a protected and safe environment. In order to avoid infection, the Bank maintains social distancing and limits the number of persons in each space according to Ministry of Health directives. 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.

The maintaining of our employees' safety is also reflected in road safety. As part of the work plan regarding transportation safety, the Bank provides instruction to employees who use a Bank car or a leased car about the car's safety systems and about careful driving. The safety status of the Bank's vehicles is mapped on an ongoing basis by the Transportation Safety Officer, who sends periodic emails with updates regarding winter driving, driving during vacations and more. Moreover, the Bank sends an annual postcard to employees whose children are of legal driving age, with emphasis on accompanying new drivers regarding driving safely and adapting the driving to conditions around you.



Work-related accidents – In 2021 there were 19 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 2021, four employees of the Bank died but there were no deaths in the workplace or resulting from work-related accidents.

Absence data (in days) in 2021:

| | | Paid leave | Military reserve service | Absence days due to sickness | Absence rate due to sick days (in %) |
|-----------------|--------|------------|--------------------------|------------------------------|--------------------------------------|
| Mizrahi-Tefahot | Female | 56,990 | 95 | 63,543 | 7% |
| | Male | 32,618 | 1,773 | 24,249 | 4.7% |
| | Total | 82,215 | 1,868 | 87,792 | 6.2% |
| Bank Yahav | Female | 11,098 | - | 10,511 | 6.5% |
| | Male | 4,526 | 90 | 3,198 | 4.9% |
| | סה"כ | 15,624 | 90 | 13,709 | 6.0% |
| Bank Igud | Female | 14,935 | 11 | 10,265 | 6.7% |
| | Male | 8,733 | 204 | 3,692 | 4.3% |
| | Total | 23,668 | 215 | 13,957 | 5.8% |

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 2021, 38 workshops and conferences were on the subject with the participation of approx. 350 employees.

Protecting employee privacy

As part of the employment security provided to employees, the Bank also maintains the privacy of information on the employees that exists in the various systems. Therefore, the information in the personal files of the employees is segregated and the authorizations thereto are according to the need and the level of authorization defined for the position.

Ensuring employment conditions

The Bank works to maintain respectful working conditions for its 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 regarding taking parental leave, work hours and other labor laws.

The Bank also provides increased social benefits, for example, the convalescence 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 2021, 607 women and 4 men happily left on parental leave, of whom 260 women and three men returned to their positions during the year.

Parental leave data¹

| | 2020 | | | 2021 | | |
|--|--------|------|------------|--------|------|------------|
| | Female | Male | Total | Female | Male | Total |
| Going on parental leave | 507 | 5 | 512 | 607 | 4 | 611 |
| Of which, number of employees who resumed work after completing parental leave | 204 | 5 | 209 | 260 | 4 | 264 |
| Of which, those who took parental leave during the year and stayed out on parental leave/unpaid leave after the end of the calendar year. | 279 | 0 | 279 | 299 | 0 | 299 |
| Of which, those who took parental leave during the year and chose not to resume their work | 24 | 0 | 24 | 48 | 0 | 48 |
| 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 | 406 | 3 | 409 | 334 | 1 | 335 |

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. Employees who are required to transfer to another position due to organizational changes are notified long in advance, and if training is required - the Bank provides the training to the employee. Upon termination, the advance notice period takes

1. The data do not include extensions abroad.

into consideration the employee's needs and system constraints – but no less than required by law. In addition, each unit's Human Resources Manager works to proactively locate employees for the various positions and maintains a database through which he examines options for staffing future positions. Managers periodically hold personal conversations with employees in which they discuss their aspirations for development in their work at the Bank. Depending on the employee's desires and skills, the Unit Manager and the Human Resources Manager can recommend a development path for him through existing training at the Training Center. In addition, during the annual feedback conversation that the manager conducts for the employee, great emphasis is placed on the development track at the Bank.

Employee remuneration

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

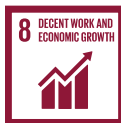
- **Pay promotion** – Once a year, in accordance with the recommendation of management, the Board of Directors decides on promotion or pay increase across the organization, based on performance in the past year. This is done in conformity with the various collective bargaining agreements, for employees 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.
- **Options to managers** – The granting of options to officers and managers in the Bank Group (including department/branch managers and above) 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 the employees' actual contribution to achieving the Bank's targets. The Bank's Board of Directors may approve an employee stock option plan from time to time, under which the Bank may grant stock options to managers of the Bank (including to the CEO and to officers) and of subsidiaries.
- **Special bonus** – In 2021, the Bank granted its employees a special bonus in view of the employees efforts and support for meeting goals in a complex period.
- **Outstanding employees** – The Bank recognizes outstanding employees with special attention. Outstanding employees are invited to an award ceremony in the presence of the CEO, in which they are honored for their achievements and contribution to the Bank. 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.



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 based on their religion, nationality, race, ethnicity, sex, age, gender identity, place of residence or any other characteristic, and it works on an ongoing basis to promote equality in this work environment through equality in recruitment, equality in employment, equal pay and the 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 advertises on the Glatt Jobs website, a site 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 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 2021, other teams were 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 2021 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. Furthermore, the Bank has appointed an officer responsible for employment of persons with disabilities.

The Bank maintains work relations 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.

As a further step in advancing the issue, the Bank established an Executive Forum for Employees with Disabilities. In recent years, Mizrahi-Tefahot Bank has made considerable efforts to recruit and hire employees with disabilities for a wide variety of roles in the Bank, and 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 to provide them with managerial tools that will enable them to optimally manage their employees. 25 managers from various units in the Bank are participating in the forum. 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.

Bank Yahav is a member of “The Valuable 500” project, which promotes accessibility and the hiring of people with disabilities by major companies worldwide.

Employee diversity

Bank Mizrahi-Tefahot treats each and every employee equally and non-discriminatingly and therefore there is no record or classification of the employees by groups on the basis of ethnicity or sector. However, according to an analysis of ancillary data, in the analysis of the data and according to the statement by the employees themselves, the following is an estimate of the data on employees from underemployed groups in the Bank. It is important to note that it is likely that other employees from these and other groups that were not included in these data.

In 2021, **15%** of all Bank employees are employees from underemployed groups, including employees from Arab society, Ultra-Orthodox society, and employees with disabilities.

- 18%** of Ultra-Orthodox sector employees are managers.
- 13.5%** of Arab sector employees are managers.
- 7.2%** of all branch managers at the Bank are from the Arab sector.
- 13%** of all employees absorbed by Mizrahi-Tefahot Bank in 2021 were employees from Arab society, Ultra-Orthodox society and elderly employees.
- 10%** of all employees absorbed at the Bank in 2021 are from the Ultra-Orthodox society.
- The call centers have dedicated teams for Ultra-Orthodox society, and of this, **19%** of all those absorbed at the call centers are Ultra-Orthodox.

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. 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, 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.

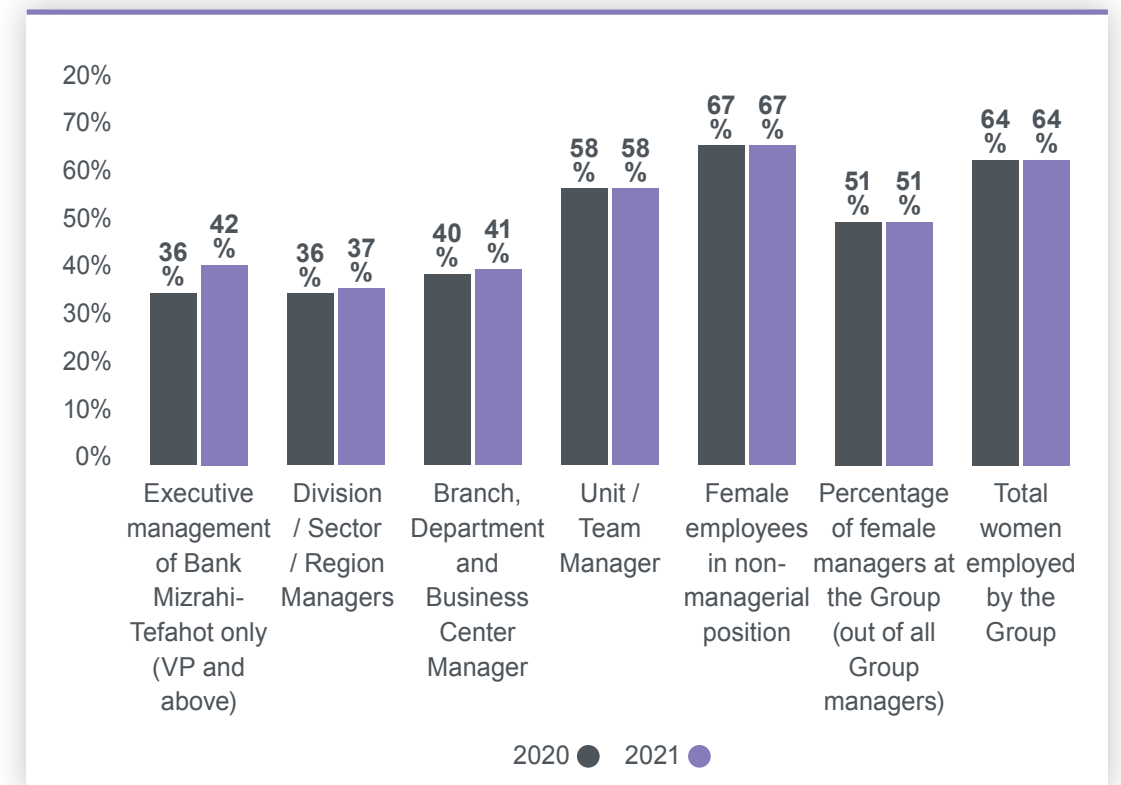
In 2021, no complaints of discrimination were received from employees nor from job applicants.

Promoting gender equality

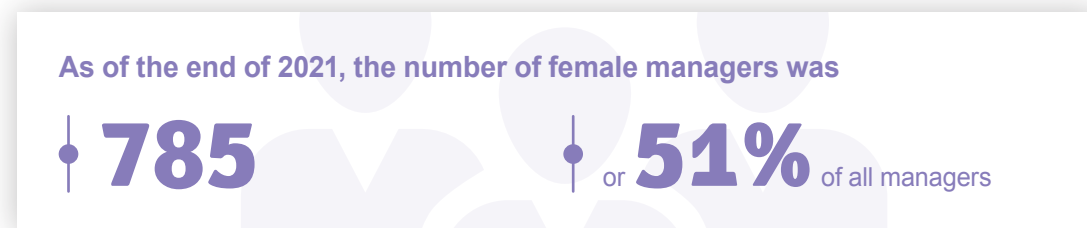
The Bank attaches great importance to promoting gender equality in the work place. The Bank has an equal opportunity employment policy, with employees hired and promoted based solely on their skills and on needs of the Bank.

| | 2021 | | | Percentage of female employees at this rank |
|--|--------------|--------------|--------------|---|
| | Female | Male | Total | |
| Executive management of Bank Mizrahi-Tefahot only (VP and above) | 5 | 7 | 12 | 42% |
| Division / Sector / Region Manager | 42 | 72 | 114 | 37% |
| Branch managers / department managers / business center managers | 180 | 260 | 440 | 41% |
| Team managers / area managers | 558 | 404 | 962 | 58% |
| Group managers | 785 | 743 | 1,528 | 51% |
| Non-managerial position | 4,120 | 1,998 | 6,118 | 67% |
| Total employees | 4,905 | 2,741 | 7,646 | 64% |

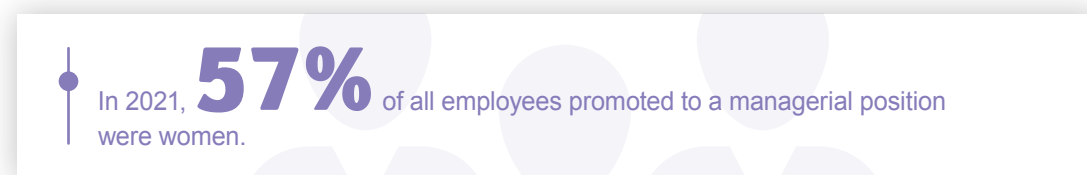
Percentage of female employees in group, by rank



As of 2021, the Group had 4,905 female employees, or 64% of all Group employees, compared to 4,851 female employees at the end of 2020, or 64% of all Group employees.



As of the end of 2021, the number of female managers was 785, or 51% of all managers, compared with 788 female managers at the end of 2020, or 51% of all managers at that time. The rate of women managers in income-generating divisions (Retail, Business and Finance) is 48%.



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.

Salary ratio between women and men in the Bank, for 2021

| Rank | Salary ratio |
|--|--------------|
| Executives | 0% |
| Senior management | 5.3% |
| Branch and department managers | 3.77% |
| Employees ¹ | 11.82% |
| Employee in similar roles (up to 3 years' seniority) | 0% |

1. Includes the echelons of team and area managers.

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 of 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.

Equality in pay promotion

Group employees receive pay promotions based on equal criteria and on their skills, considering 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. As part of the measures ensuring a respectful organizational culture for all employees, and particularly in superior-subordinate relations, and out of a desire to prevent abuse, the Bank conducts training for all its managers on the subject. In addition, a Supervisor for the Prevention of Abuse has been defined and is the contact person for inquiries on the subject. Each inquiry and complaint is clarified in accordance with the procedures, and depending on the circumstances of each and every case a decision is made regarding how to act and what steps to take. Currently, an anti-abuse procedure was written, which also details how to handle such an incident. As part of the procedure, there is a process for clarifying a complaint. All new managers participate in a workshop on preventing abuse as part of the Bank's first management course. Every year, communication on the issue is sent to all Bank employees. The communication provides the Supervisor's contact information. In 2021, 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 2021, 1,487 hours of training were given on the prevention of sexual harassment and workplace abuse to employees and managers of the Group.



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, 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 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

The social activity in the areas of culture and sports was adapted to the Corona period and focused mainly on Zoom enrichment lectures to the Bank's employees and their families.



Enrichment meetings for families

Many families have participated in Zoom enrichment meetings. Among other things, there was a lecture on dealing with the Corona pandemic, a meeting on the importance of making wills and more. Hundreds of employees participated in workshops for the whole family. During the summer, the Bank organized a spectrum of benefits and offers for special activities, in accordance with the restrictions.

Promoting a healthy lifestyle

- **Enrichment lectures and 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. Among other things, there was a "Go get Tested" workshop to raise awareness of breast cancer. Moreover, During 2021, all employees were invited to participate in lectures on a wide variety of topics (parenting, cooking, lifestyle and more) in order to enrich our employees' knowledge in a range of topics. The six lectures and workshops that took place this year were attended by 1,450 employees.
- **Fun team-building days** – The Bank makes sure that all employees go on fun days and team-building activities, which are an opportunity to "break" out of the routine, relax and re-charge. The team-building days were held in accordance with Ministry of Health 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.
- **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 2021, due to the Corona pandemic, the Bank only partially participated in the league activities, but the teams continued to train during the year in accordance with the guidelines of the Ministry of Health and the Green Pass.
- **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. 30% of the eligible employees take advantage of this benefit.
- **Awareness of diseases and pandemics** – The Bank was diligent about safeguarding its employees' health throughout the Covid-19 pandemic, encouraged them to get vaccinated.
- **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.



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

- **Work week**– The work week at the Bank, for a full time position, is only 39 hours long, compared to 42 hours as stipulated by law.
- **Additional paid leave** – Employees are granted annual paid leave as required by law and based on seniority, and even longer:
 - Paid leave during Hol HaMoed are only partially deducted from the remaining paid leave days.
 - Non-Jewish employees may take five days off every year, paid by the Bank, during their religious holidays. These days are in addition to holidays according to the Jewish calendar, which are not business days at the Bank.
 - The Bank offers additional paid leave to employees upon their wedding, their child's birth, Bar-Mitzva (or Bat-Mitzva) and wedding.
 - Regular employees at the Bank who study for a post-graduate degree while working are credited with paid leave upon graduation.
- **Support for caregivers** – employees who care for a sick family member – As a rule, the Bank is considerate of employees and is flexible in crisis situations, when employees are required to care for a sick family member.
- **Vacation pay** – Bank employees are eligible to receive vacation pay, at a rate higher than required by law.
- **Vacation voucher** – Once every year, employees receive a voucher with a specified value, for booking a vacation in Israel or overseas, at their choice.

Caring for employees approaching retirement

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

Employees retiring at the legal retirement age are eligible to a pension from the pension fund. Contributions to this fund on behalf of Bank employees are made in conformity with the law. Employees retiring before the legal retirement age (early retirement) – Employees confirmed for early retirement have two tracks available to them: the early retirement track and the increased severance pay track. Retiring employees in these tracks are also eligible for Bank assistance in financing training courses and a meeting with a retirement advisor to maximize their benefits. Employees who are nearing retirement or retire early are entitled to a retirement plan that includes personal guidance, a preparation workshop for retirement and counseling from the person in charge of retirement at the Bank, eligibility for cash refunds for tax/pension counseling and professional training as the employee chooses. 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.

Retirement data for 2021 in the Group (not including foreign branches and Bank Igud¹)

| | Female | Male | Total |
|--|-----------|-----------|------------|
| Employees taking retirement | 17 | 33 | 50 |
| Employees taking voluntary retirement (in conformity with voluntary retirement program) | 64 | 43 | 107 |
| Total | 81 | 76 | 157 |



Benefits for employees of Bank Yahav and Bank Igud

Bank Yahav and Bank Igud are also diligent about providing benefits to their employees: entitlement to a continuing education fund, summer camps, scholarships, daycare centers, newspaper subscription, convalescence pay, annual bonus, benefits from the welfare and clothing fund, as well as benefits and bonuses for holidays and special occasions, such as a bonus in appreciation of years of employment at the bank, holiday gifts, gifts for personal special occasions and more. The banks also offer increased benefits to employees who retire before the statutory retirement age. 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 advisor².

1. In this framework, 45 employees retired from Bank Igud: two according to their age and 43 resigned voluntarily.
 2. In 2021, subsequent to Bank Igud's merger with Mizrahi-Tefahot Bank, a severance agreement was signed between Bank Igud's Management and its employees' committee, which defined a severance package containing increased severance pay and various benefits to be granted to exiting 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. The Bank 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.

Career development and employee promotion paths – As part of the Bank's policy, which advocates the promotion of employees, their cultivation over time and the staffing of positions and internal promotion from among the Bank's employees, the Bank offers career development paths for employees and managers.

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, with each Bank employee (branch/HQ) being assigned a customized training path that consists of training activities appropriate for their position.

Since the outbreak of the Corona pandemic, a training center was set up to accommodate the restrictions on gatherings that have changed from time to time. There were online tutorials of various courses, Zoom enrichment lectures, conferences for managers in various areas and more. For this purpose, all content has been adapted for distance learning, including shortening the duration of lessons, adding digital learning and self-learning. With the reduction of the restrictions on gatherings, all learning was adapted to hybrid learning, which includes a combination of online distance learning, in-person learning and digital independent learning.

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. 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 2021, despite the 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 personal tutoring online directly to employees at their work stations, once the needs are identified and the study topics are defined with the manager.
- **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 entering a new position, computer-based kits for individual learning are distributed, kits for instruction at team meetings and more.
- **The “BINA” learning system** – Enables transparency for employees 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, 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, Excel, Negotiation Management Skills and more. During 2021, about 250 employees participated in these 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 2021, we delivered

5 presentations. More than 100 managers and employees participated in each meeting. Additionally, podcasts were disseminated to managers to enhance their managerial skills.

- **Employee training outside the organization** – In addition to the courses that are taught within the organization, from time to time employees are sent to external training courses in order to expand their professional knowledge. Bank employees took part in external professional conferences, such as conferences for CPAs and for attorneys and so forth.
- **Academic education** – The Bank encourages employees to complete and expand their academic education and contributed towards tuition costs for 100 employees in the last four years, of which 46 employees received financing to complete their BA degree. 26% of the employees who received financing for their studies were promoted to managerial positions in the Bank.
- **Personal support and advice**– Branch / department managers receive, upon starting in a managerial position, personal support and advice and attend individual consulting meetings as part of select training courses. Counseling and mentoring is provided both on an ongoing basis and in the context of specific events, such as the Igud merger or remote management in the Corona period.
- **Employee training in the subsidiaries** – Bank Yahav and bank Igud creates an annual training plan for all employees, based on the Bank's work plan and needs. This plan is disseminated to all employees. Foreign branches have training plans adapted to the Bank's values and to regulatory requirements in their operating area.
- **Training on vehicle safety and maintenance** – For the safety of employees and to reduce air pollution as a result of travel, driver training and mapping of the safety status of the Bank's vehicles, including vehicle maintenance, are performed on a regular basis. In 2021, there were two professional driver trainings for about 130 employees, along with ongoing individual trainings for drivers and members of management. A tutorial was also distributed by the Bank to all car leasing owners at the end of which a test was held. In addition, training materials are distributed to all drivers at the Bank.

During 2021,

● **42,960**
days were devoted to training,

the cost invested in training for Mizrahi-Tefahot Bank employees amounted to

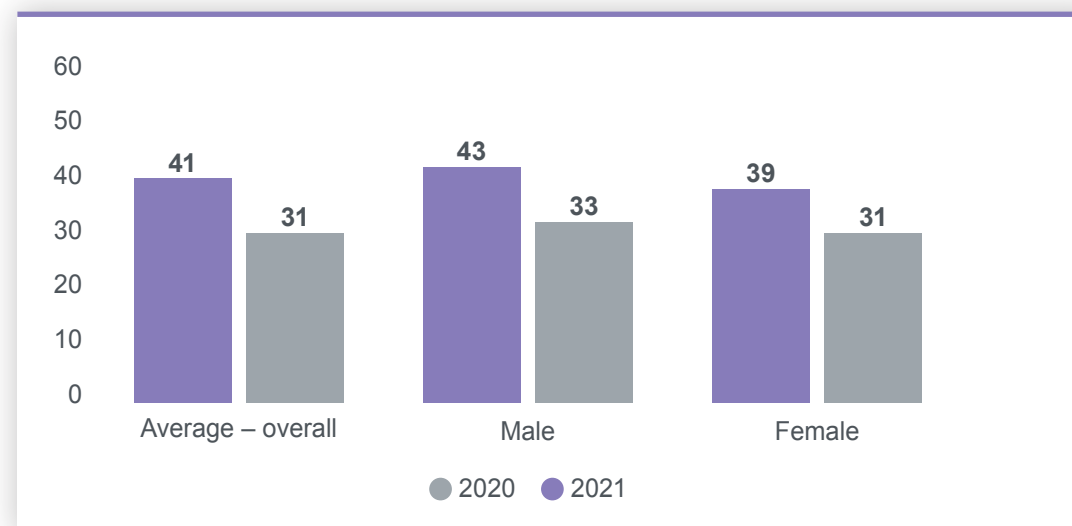
● **57.4**
ILS million

During 2021, 42,960 days were devoted to training,¹ notwithstanding the COVID-19 pandemic and the change in the work mode.

In 2021, the cost invested in training for Mizrahi-Tefahot Bank employees amounted to ILS 54.7 million

1. 1 training day = 9 academic hours

Average hours of training per employee by echelon in 2021



| | 2020 | | | 2021 | | |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Male | Female | Total | Male | Female | Total |
| Managers | 31 | 28 | 29 | 35 | 33 | 34 |
| Employees | 34 | 30 | 31 | 47 | 40 | 42 |
| Headquarters | 28 | 21 | 23 | 28 | 21 | 23 |
| Branches | 37 | 36 | 34 | 54 | 48 | 50 |
| Total average | 33 | 31 | 31 | 43 | 39 | 41 |



Review of training program effectiveness

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

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

- **Feedback** – 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 training 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 2021 showed a high level of effectiveness and satisfaction by the participants regarding the quality of training materials and their relevance. Feedback is given regularly to the Igud employees who are absorbed, both at the end of the course and afterwards, in order to test effectiveness, relevance and professional ability. Feedback is provided by filling out forms and phone conversations.
- **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. These summaries include verbal examples of feedback and statistics. Depending upon the feedback and conclusions, the actions to be taken are formulated with reference to the issues raised. At the end of each meeting, a summary document is distributed that includes a list of tasks and those responsible for carrying them out, and each meeting opens with a review of the status of implementation of the decisions made at previous meetings.
- **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 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 2021, 97% of the managers appointed were promoted from among the Bank's employees, 57% of whom are women. New managers and their families are invited several times a year to an event, 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, seminars on management skills and an executive gym.
- **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). The effectiveness of the courses and learning can be seen in the percentage of managers promoted over the years, 78% of the branch managers and 43% of the department managers are graduates of management reserve courses. 59% of the Bank's senior executives participated in the "Target" program, which is designed to train executives for senior management positions.
- **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.



Dialogue with employees¹

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.
- **Meetings of senior executives and employees** – During banking and management courses, executives deliver presentations to employees and present the division they head.
- **Employee survey** – Every year, Mizrahi-Tefahot Bank allows BDI to conduct an independent survey of employee satisfaction. 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, acquaintance with units and processes at the Bank and so forth. In 2021, four issues of "Among Us Online" were published.
- **Communication with new employees** – The bank portal has a dedicated area for new employees with aspects and milestones that accompany the employee professionally and personally. A 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, in this area there is a reference to additional areas in the Bank portal that help the employee become acquainted with the Bank so that his absorption will be quick and pleasant.
- **"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. 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. In the past year, a number of roundtables were held on the subject of the merger with Bank Igud, with




1. GRI: 102-43.

employees and managers from Bank Mizrahi-Tefahot and from Bank Igud in order to examine and improve the absorption process of Bank Igud employees and their professional capacity.


- **"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.
- **Providing feedback to employees** – The Group ensures that employees receive regular feedback about their performance. During 2021, 100% of Mizrahi-Tefahot employees received feedback in a personal conversation or meeting. 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 and allows employees to provide feedback on what is going on at the bank.



Achievement of 2021 goals

| Specified goal | Response to SDG | Status |
|---|---|--|
| Continue activity to recruit and hire employees with disabilities and assistance for managers of those employees. |  | Done |
| Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches. | | Done |
| Improving intra-organizational communications through the holdings of meetings and discussions between representatives of the Human Resources Division and managers and employees. | | Performed according to Corona restrictions |
| Improving intra-organizational communications by enhancing employees' knowledge through online lectures and 'TED'-style lectures on banking subjects and on organization-wide topics. | | Done |
| 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. |  | Done |
| Expansion of the variety of workshops and imparting of knowledge and skills beyond what is required in the position. | | Done |
| An officer was appointed and an internal procedure was published on the subject of preventing workplace bullying. |  | Partially done The procedure will be published and approved in early 2022 |

Goals for 2022

| Specified goal | Response to SDG |
|--|--|
| Examination of employee well-being from the aspects of work-life balance and mental well-being, and forming of conclusions and recommendations for advancing the issue. |   |
| Strengthening of internal organizational communication by enriching employees' knowledge through online lectures that will introduce employees to content worlds outside of the banking world. |  |
| Establishment of a website for professional enrichment through digital courses. | |
| Examination of the future employee profile required in each division in view of expected changes in the future labor market and their effects on future profession. | |
| Expand recruitment of employees from under-employed demographics. |  |
| Continue activity to recruit and hire employees with disabilities and assistance for managers of those employees. |  |

Investing in the environment



Emissions saved due to environmental initiatives of the Bank (tonnes of CO₂)

614

46 thousand hours
via digital platforms

Reduction of energy consumption

by **3.2%**

compared to 2020

9% decrease

in indirect emissions
as a result of reductions in flights, paper consumption and electronic waste

Reduction of

33 tons in the amount of paper

A decrease of 4.5% compared to 2020

A decrease of

7.85%

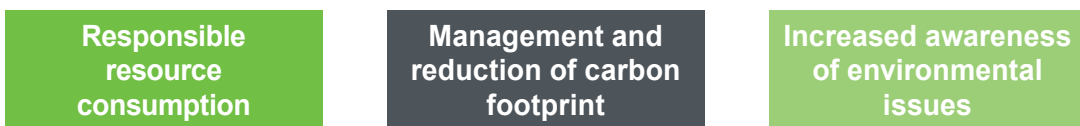
in the intensity of the Group's carbon footprint compared to 2020 (in tons of emissions per sq.m.)

Group responsibility for the environment



Mizrahi-Tefahot Group recognizes the impact of its operations on the environment and on the Earth's climate, both directly due to resource consumption by the Group and indirectly – through the Bank's value chain. The Group strives to minimize the negative impact of its operations, to protect and improve the environment in which the Group operates. To this end, the Group works to reduce material consumption, promote energy efficiency and manage environmental risks. These matters are managed 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 strategy on environmental activity focuses on three major areas:



Responsible resource consumption – improved energy efficiency

Due to the nature of the group's activity in office buildings energy consumption is among the its most significant environmental impacts. 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

| | | 2018 | 2019 | 2020 ¹ | 2021 |
|------------------|--|-------------------|-------------------|-------------------|-------------------|
| Power (KWh) | Total power consumption per m ² | 262 ² | 248 ² | 235 | 221.5 |
| | Total power consumption per employee | 5,116 | 4,744 | 4,701 | 4,427 |
| | Total power consumption | 32,535,599 | 30,983,930 | 35,656,592 | 33,846,527 |
| Fuel (liters) | Total gasoline consumption | 675,060 | 715,235 | 697,703 | 710,442 |
| | Total diesel consumption | 119,631 | 131,881 | 134,769 | 162,068 |
| | Total fuel consumption | 794,691 | 847,116 | 832,472 | 872,510 |
| Energy (GJ) | Total power consumption | 117,128 | 111,542 | 128,364 | 121,847 |
| | Total gasoline consumption | 23,031 | 24,402 | 23,804 | 24,239 |
| | Total diesel consumption | 4,615 | 5,088 | 5,199 | 6,252 |
| | Total energy consumption | 144,774 | 141,032 | 157,367 | 152,338 |
| Energy intensity | Total energy intensity per m ² (GJ/m ²) | 1.16 | 1.13 ¹ | 1.03 | 0.99 |
| | Total energy intensity per employee (GJ/employee) | 22.76 | 21.59 | 20.75 | 19.92 |

*KWh – kilowatt-hour

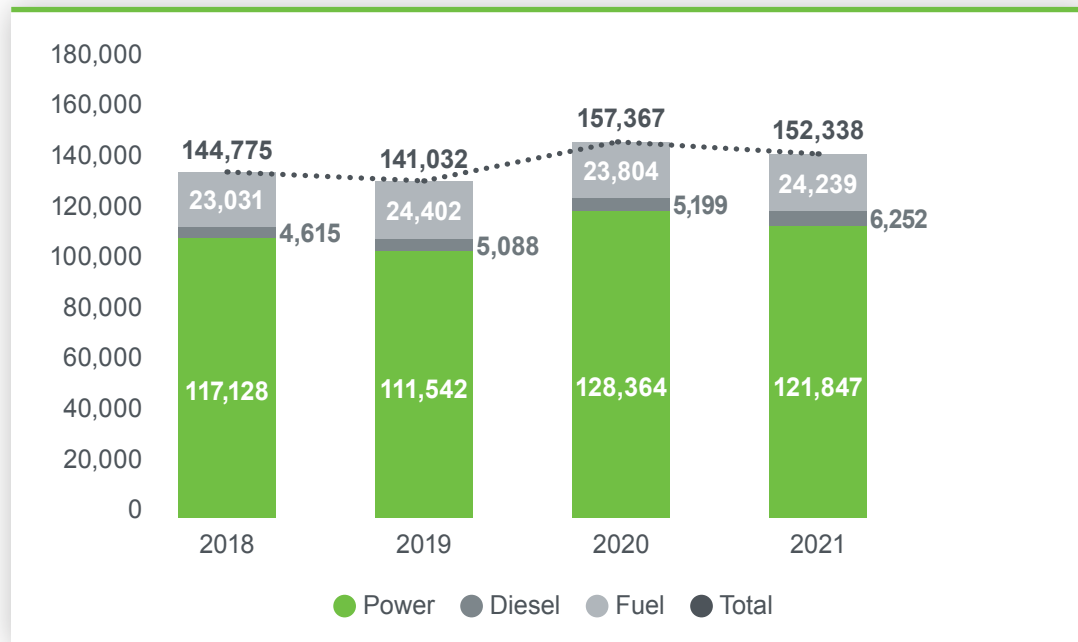
**GJ – Giga Joule – unit for measuring energy

In 2020, Bank Igud merged into the Mizrahi-Tefahot Group, due to which the energy consumption of the entire group increased between 2019 and 2020. The data presented in 2020 and 2021 include the Bank Igud data. Therefore, it can be seen that in 2021 there is a decrease in the volume of the Group's electricity consumption due to the energy efficiency processes in the Group in recent years, such as: the use of LED lighting, replacement of air conditioning systems and chillers. On the other hand, there was an increase in the Group's total fuel consumption, mainly due to the removal of restrictions on movement and crowds that were in effect during the first COVID-19 closures and due to the return to in person meetings and conferences and visits to the various Bank units. In addition, the Group's diesel consumption increased due to the increase in the activity of the Cash Center, which expanded the range of services to customers with the help of courier vehicles that consume diesel. Despite all of the above, and despite the Group's increase in work areas and in the number of employees, the Group's total energy consumption decreased compared to the previous year, and the energy intensity (GJ) per square meter and per employee has continued to decline in the last four years.

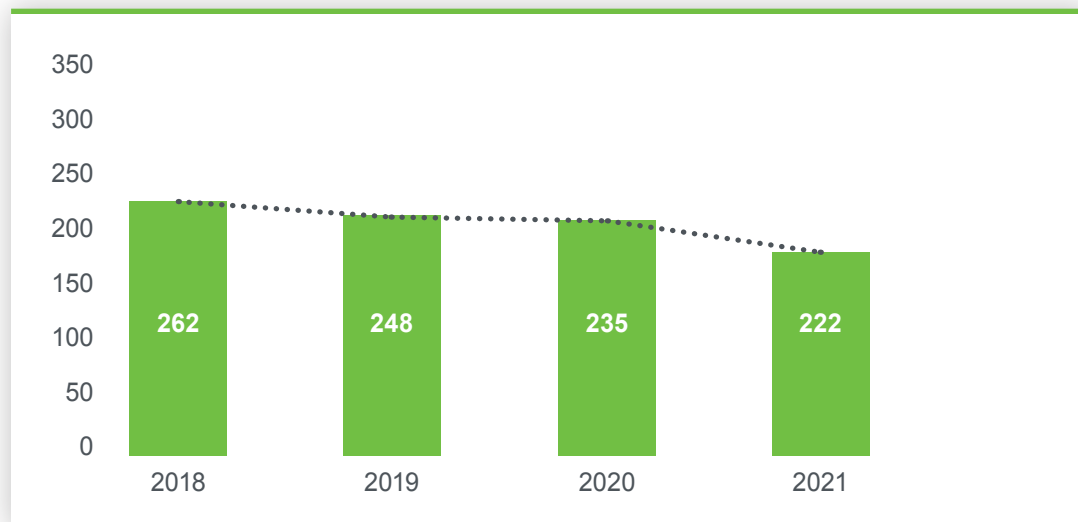
1. In 2020, Bank Igud joined the Mizrahi-Tefahot Group.
2. GRI: 102-48.



Total energy consumption (GJ)¹



Energy intensity (KWh per m²)²



1. In 2020, Bank Igud joined the Mizrahi-Tefahot Group.
2. GRI: 102-48.

Improved energy efficiency measures for power consumption

- **Monthly check of electricity consumption** – Each month, the bank analyzes the electricity consumption costs by building, and in the event of a deviation it acts (with the assistance of consultants) in order to locate the cause and deal with it.
- **Use of LED lighting** – In 2021, the replacement of lighting fixtures in all branches for LED lighting was completed.
- **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.
- **Electricity consumption savings at the Bank's HQ in Lod** – The savings were 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 specifically for each area, according to the relevant requirements. 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 Technology and Logistics Center.
- **Installation of diesel circulation system in generators** – This system was installed in order to prevent 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 2021, systems were replaced at a number of branches.
- **Efficient space utilization** – The Bank regularly reviews the efficient utilization of all its assets. If the need arises for additional work stations, the 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 results in savings in power consumption as well.
In 2021, space reductions at several branches were approved, unrelated to the Bank Igud merger, and dozens of workstations were added in existing branches without adding space, in favor of merging Igud branches. Despite the COVID-19 pandemic, 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 2021, the Bank's total spaces are similar to those in 2020. This is further evidence of the bank's successful use of space.

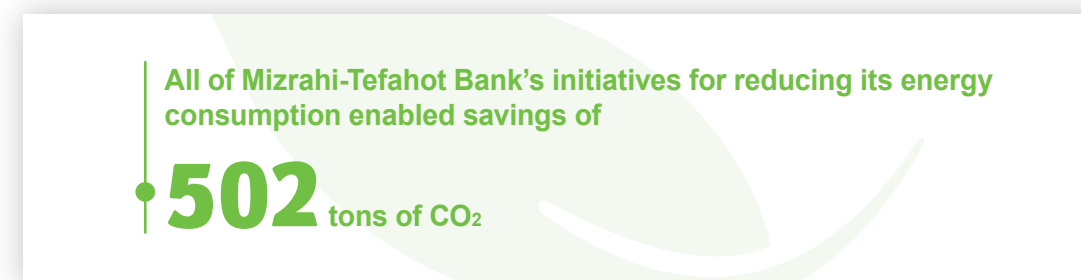
- **Review of alternative energy at the Technology-Logistics Center** – In 2019, we approved construction of a power plant at the Technology-Logistics Center, operated by natural gas, to generate power to be used by this facility, as well as "co-generation", or use of excess heat emitted by the system 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 (Technology-Logistics Center 5).
- **Promoting green construction and the WELL standard** – 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. The expert is accompanying this project from the outset, from the planning according to current green building standards to the receipt of environmental standard certification upon completion of the construction. The expert green construction consultant is also accompanying the Bank in promoting a decision regarding the implementation of the WELL standard with certification at the GOLD level at the Technology-Logistics Center 5 campus after its construction is completed.

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.

- **Hybrid vehicles** – In 2021, the Bank defined a new policy to encourage employees and managers to choose hybrid vehicles when leasing. For this purpose, the entitlement amount for the vehicle value was increased in each level so that the employees could choose a hybrid vehicle.
- **We're becoming more digital** – 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 2021, approx. 46,463 thousand conversation hours were held on the various platforms. Additionally, calls were held on additional platforms that were not measured, according to the customers' or suppliers' needs, for meetings not involving sensitive business information (various internet platforms that are not characterized by high data security).

- **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 2020–2021, 400 employees made daily use of the organized shuttle service, representing an increase compared to previous years. Furthermore, in periods of 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 Technology-Logistics Center)



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 | 218,000 | 784.8 | 108 |
| HVAC system renovation | 17,000 | 61.2 | 8 |
| Total | 235,000 | 846 | 116 |

| Initiatives to reduce fuel consumption | Estimated fuel consumption saved | | Estimated carbon footprint savings |
|---|----------------------------------|-----------------|------------------------------------|
| | Liters | Giga Joule (GJ) | |
| Transition to video conferencing ¹ | 107,600 | 3,671 | 252 |
| Transition to digital training sessions | 57,561 | 1,964 | 134.6 |
| Total | 165,161 | 5,635 | 386 |

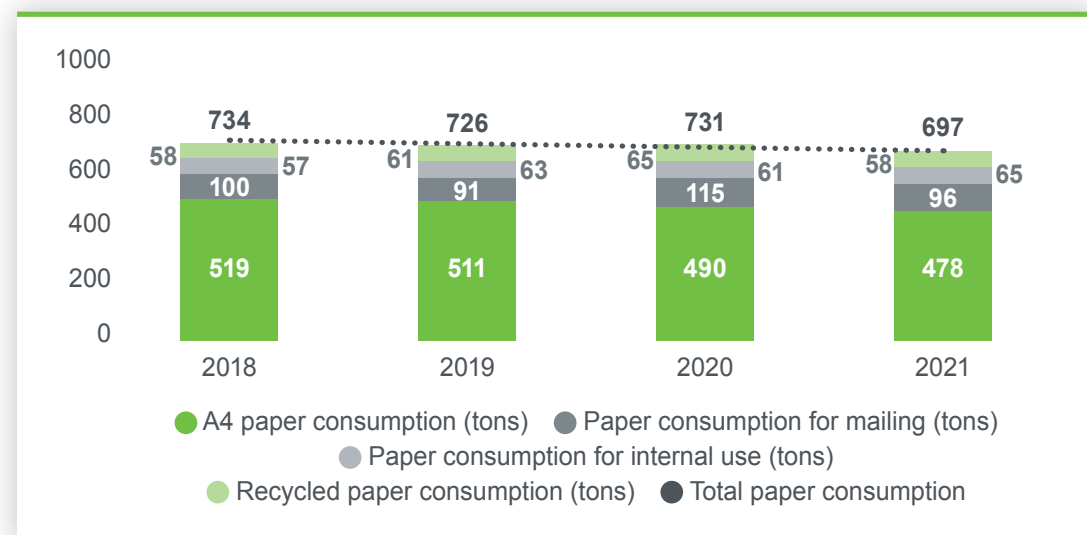
1. This figure relates to some of the digital platforms that the Bank uses, which are linked to a monitoring system enabling us to measure the number of users of the systems and to accurately assess the volume of savings.

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

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|------|
| Total paper consumption (tons) | 744 | 734 | 726 | 731 | 698 |
| Ratio of recycled paper consumed out of total paper consumption | 7.4% | 7.9% | 8.5% | 8.9% | 8.4% |

Paper consumption by the Group, 2021-2018



In 2021, the Group reduced its paper usage by 33 tons. This is a decrease of approx. 4.5% compared to 2020 (compared to the Group's data, including Bank Igud). 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. In addition, a remote signature project has been expanded to incorporate various mortgage, commercial and financial documents so that customers can sign these documents using their mobile device. The Bank continues to work to reduce paper consumption and is currently conducting a pilot for a "Digital Mortgage Portfolio" project that will significantly reduce the amount of printouts when providing a mortgage. The pilot is active in some of the branches and is already showing a significant reduction in printouts. Also, during 2022 the "Remote Signature" project will expand its activities to many additional services.

Along with efforts to reduce consumption, the Group acts to include purchasing of recycled paper. In 2021, this purchasing constituted 4.8% of total paper consumption by the Group. 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.

As part of promoting Bank activities to ensure environmental protection among clients as well,

The bank works to reduce paper consumption among its customers as well and encourages them to receive their mail by e-mail. Currently, 52% of Bank clients receive mailing by email messages.

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, 52% 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.

Measures to reduce paper consumption at the Bank resulted in savings of 23.6 million pages, equivalent to 112¹ tons of CO₂.

| 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" | 2.7 million | 13.7 | 13 |
| Mailing by email messages | 20.9 million | 104.3 | 99 |
| Total | 23.6 million | 118 | 112 |

Waste recycling and processing

Waste treatment at the Group focuses on separating waste into three types: Paper, electronic waste 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 2021 |
|---|---------------------------|---|--------------------------|--------------------------|--------------------------|---|----------------|
| Paper waste | Sent for recycling (tons) | KMM | 432 | 501 | 400 | 486 | 795 |
| Handling of electronic waste | Scrap (tons) | Ecommunity Company (as of 2021 – Shuru Company) | 35 | 66 | 46 | 48 | 11 |
| Processing of ink jet and toner cartridges² | Scrap (units) | KMM and Cahila | 14,851 | 12,472 | 9,711 | 10,889 | 10,033 |

1. This data was calculated based on a pack containing 500 A4 pages weighing 2.5 kg.
2. These data do not include Bank Igud.

The Group sends 100% of its paper and electronic waste to be recycled. The amount of electronic waste sent for recycling each year varies depending on projects related to the replacement of electronic equipment according to the needs of the Bank.

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

The Group is compliant with directives of the Ministry of Environmental Protection with regard to disposal of normal and hazardous waste¹.

In 2021, the Bank began a project to eradicate material that was in old archive containers that had not been eradicated for six years due to legal requirements. Once approved, the Bank began carrying out the eradication project during the last quarter of 2021. The project will continue well into early 2021. Therefore, in the years 2021-2022, large amounts of waste paper was transferred for recycling.


Water consumption

Water consumption at Mizrahi-Tefahot Group is primarily for office use. The volume of the Group's water consumption for 2021 was about 93,553 m³. The water consumption intensity of the Group was 12.23 m³ per employee. Decrease of 22% compared to the previous year.

If there is an anomaly in the water consumption at branches (usually a notification is received from the local authority), representatives of the maintenance center are immediately sent to locate and fix the leak. In headquarters buildings there is a building control system which switches off the water taps at night and alerts by means of a text message directly to the authorities in charge of cases of detection of abnormal consumption (i.e. leakage), who deal with these calls immediately.



1. 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.


In 2021, there was a decrease of 22% in water consumption in the Bank Group compared with the previous year.

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 (Scope 1), indirect emissions as a result of power consumption at the Bank (Scope 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 (Scope 3).

Measurement of greenhouse gas emissions is carried out in accordance with the Greenhouse Gas Methodology (GHG¹) methodology, using calculation adjustments specified by the Ministry of Environmental Protection.

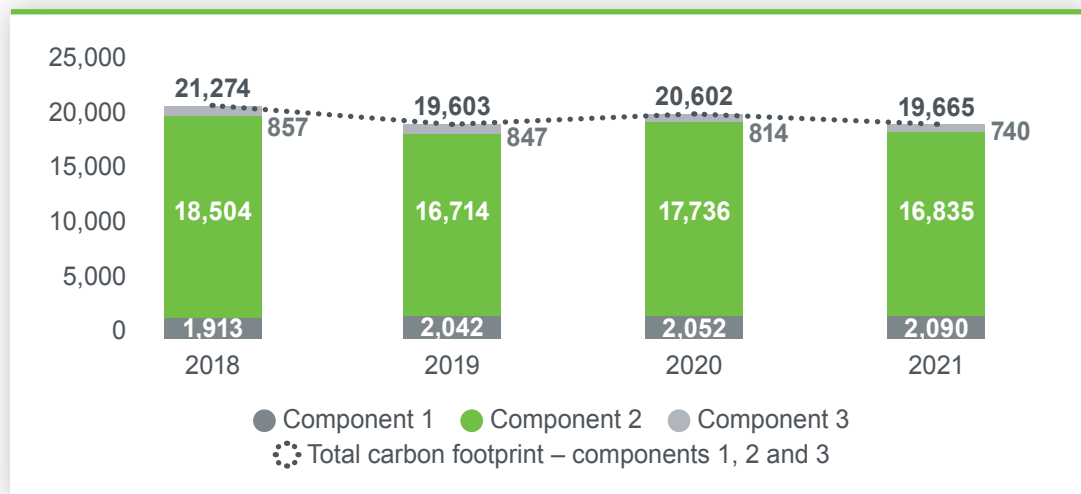
This year too, Mizrahi-Tefahot Group is continuing to report its greenhouse gas emissions to the Ministry of Environmental Protection's voluntary reporting system. The Group reports its greenhouse gas emissions according to an agreed methodology.

Mizrahi-Tefahot Group's carbon footprint (CO₂e)²

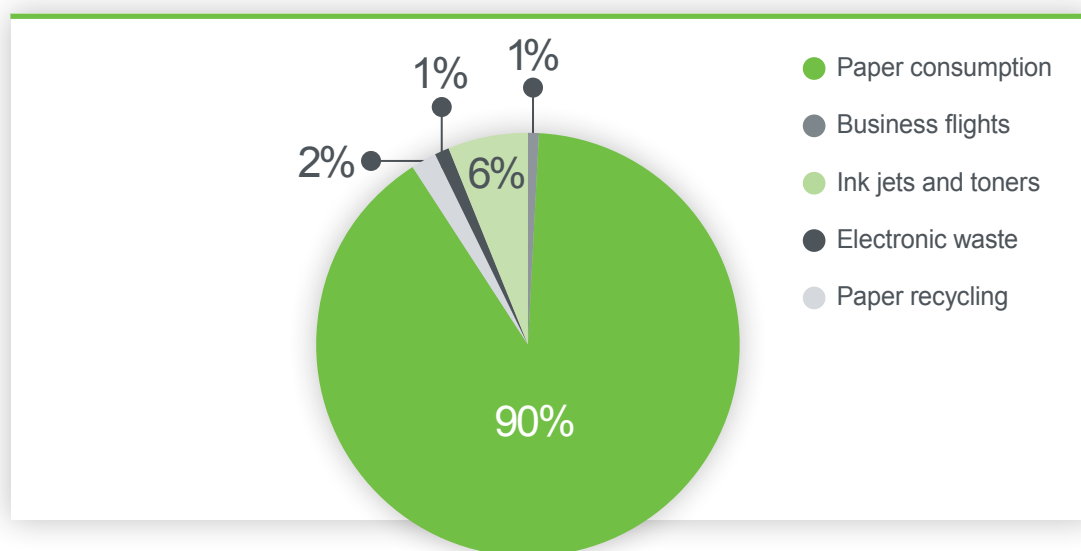
| | 2017 | 2018 | 2019 | 2020 ³ | 2021 |
|--|---------------|-------------------------|-------------------------|-------------------|---------------|
| Scope 1 – direct emissions due to fuel consumption | 1,917 | 1,913 | 2,042 | 2,052 | 2,090 |
| Scope 2 – indirect emissions due to power consumption | 20,185 | 18,504 | 16,714 | 17,736 | 16,835 |
| Scope 3⁴ – Other indirect emissions in the supply chain | 661 | 857 | 847 | 814 | 740 |
| Total carbon footprint (CO₂e) – scopes 1, 2 and 3 | 22,763 | 21,274 | 19,603 | 20,602 | 19,665 |
| Carbon footprint intensity (CO₂e tons per employee) – scopes 1, 2 and 3 | 3.6 | 3.3 | 3.0 | 2.7 | 2.57 |
| Carbon footprint intensity (CO₂e tons per m²) – scopes 1, 2 and 3 | 0.18 | 0.17³ | 0.16⁴ | 0.14 | 0.129 |

1. <http://www.ghgprotocol.org/>
 2. The Group's carbon footprint data include Mizrahi-Tefahot Bank and major subsidiaries. Bank Igud is included starting 2020.
 3. In 2020, Bank Igud joined the Mizrahi-Tefahot Group.
 4. The emissions in scope 3 exclude emissions resulting from the Bank's financial assets and emissions involved in paper transportation and waste transportation to waste treatment facilities.

Group carbon footprint over the years (CO₂eq tons)¹

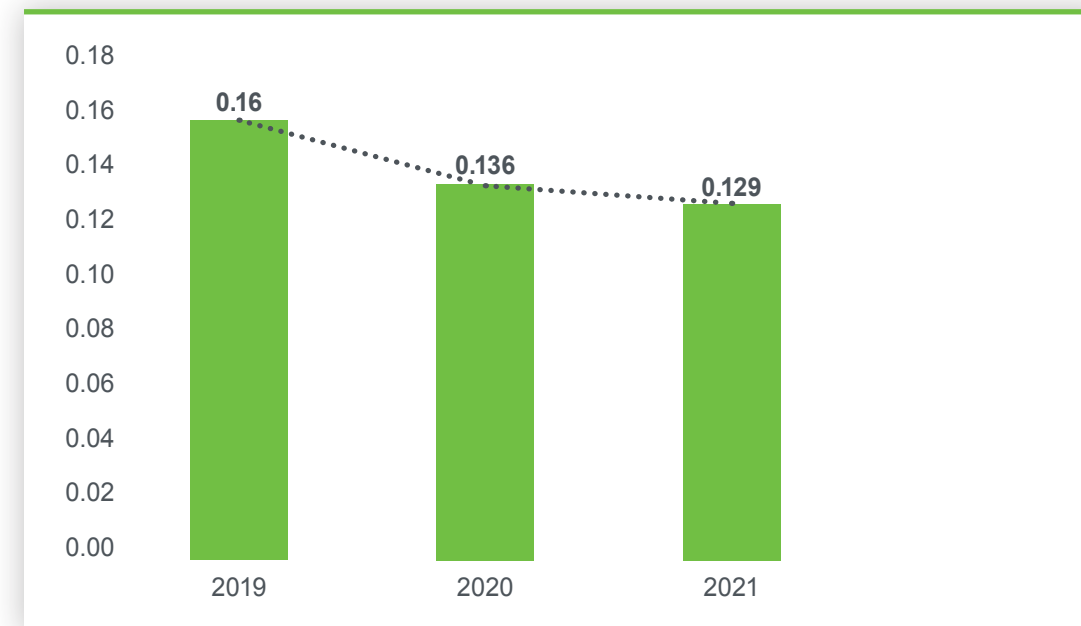


Emission source – scope 3 (including Bank Igud)



1. In 2020, Bank Igud joined the Mizrahi-Tefahot Group.

Carbon footprint intensity (tons CO₂eq per m²)



The data show that the downward trend in the intensity of the carbon footprint continues per square meter and per employee, thanks to the energy efficiency measures taken by the Bank.

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** – Containers were placed on the Bank's premises for batteries and electronic waste.

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

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 on the products, see the Customers chapter in this report).



Dialogue on environmental issues¹

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.
- **Environmental organizations** – The Bank maintains a dialogue with organizations and NGOs on environmental issues, where ideas are discussed for activities in which the Bank could contribute to environmental protection.

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. This is an annual report.

1. GRI: 102-43.

Achievement of 2021 goals

| Specified goal | Response to SDG | Status |
|--|---|---|
| Completion of the project to switch to LED lighting at branches at in the Technology-Logistics Center. |  | Partially done Completed at the branches, it will be re-examined at the Technology-Logistics Center in view of the change in existing technologies |
| Reduction of fuel consumption by expanding the technological capabilities for remote work and online learning. | | Partially done |
| Replacement of old air-conditioning systems in two branches. |  | Done |
| Reduction of paper consumption by 3%. | | Done |

Goals for 2022

| Specified goal | Response to SDG |
|--|---|
| Promotion of the planning and construction of the Technology-Logistics Center campus at a WELL standard and green standards. |  |
| Continued promotion of consumption reduction initiatives such as the replacement of lighting and air conditioning systems. | |
| Establishment of strategic teams for construction and implementation of efficiency plans to reduce paper consumption (including a reduction in the use of disposable tableware), and a reduction in the use of fuel. |  |
| Within five years, at least 80% of the vehicles will be electric or plug-in (hybrid). | |
| Determination of a policy regarding the efficient use of electric vehicles (such as driving distances, charging areas, ability to install a charging station at the employee's home, etc.). | |
| About 10% of new vehicle orders for senior executives will be electric or plug-in (hybrid). |  |
| Sign an agreement for the construction of a power plant for electricity generation on the Mizrahi-Tefahot campus. | |
| Planning and a tender for the installation of photovoltaic cells at the Technology-Logistics Center campus. | |
| Raising employees' awareness for reducing energy consumption and dumping waste of various kinds in designated places. |  |

Commitment to accountable conduct



• **8,266**

Training hours were held on policy issues and procedures related to

human rights

aspects to the Group employees

The Bank works intensively to implement ESG issues in the organization, in 2021

• about **21,000**

hours of training were held on environmental, social and governance topics

In order to raise awareness of the observance of

• **information security rules and the protection of privacy,**

"phishing exercises" were conducted for employees

During 2021, we provided

• **129,000**

hours of instruction on Compliance & Regulation

In 2021, we delivered

• **111,000**

training hours on risk management

All Bank employees have signed on to the

• **Code of Ethics**



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

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 social responsibility.

Board members

As of December 31, 2021, the Group Board of Directors consisted of 10 Board members – 8 male and 2 female. The Board of Directors includes 8 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, in conformity with the Corporate Act. All external Board members are also independent Board members. It should be noted that the above data do not include Mr. Yoav Asher Nachshon, who served on the Board of Directors until December 21, 2021.

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 six members with significant experience with risk management. Among the directors there are also those with technological and digital experience and knowledge. The Technology and Digital Innovation Committee of the Board of Directors consists of six long standing members with experience in that area.

Eight of the directors have professional qualifications, in conformity with provisions of the Companies Regulations, and are classified as directors with accounting and financial expertise for the purpose of Companies Regulations.

All Board members do not report to the CEO, directly nor indirectly. Nine directors are over age 50, and there is no age limit for membership on the Bank's 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 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 2021 on the Israel Securities Authority's Magna website.

The Board of Directors has an annual training program and Board members are invited, from time to time, to attend external professional training. The advanced training program for 2021 included training on a wide range of topics, including two training sessions on ESG topics that focused on the financing of renewable energy projects and on the issue of environmental risks. Training was also held on technological, strategic, financial and regulatory issues. The training sessions were conducted by internal and external lecturers.

Below are members of the Bank Board of Directors who served in office during 2021:

| | |
|---|------------------|
| Moshe Vidman, Chairman | Jonathan Kaplan |
| Esther Gilaz-Ran | Gilad Rabinowitz |
| Ron Gazit | Ilan Kremer |
| Avi Zeldman | Eli Elroy |
| Hannah Fayer | Yosef Plus |
| Yoav Asher Nachshon (ended his term of office on December 21, 2021) | |

- On February 27, 2021, Mr. Yosef Plus began serving as a member of the Credit Committee.
- On February 27, 2021, Mr. Gilad Rabinowitz began serving as a member of the Risk Management Committee.
- On August 23, 2021, the Bank's General Meeting approved the renewed appointment of Ms. Hannah Fayer as an external director of the Bank according to the Companies Law (who also meets the qualification criteria for an external director under Directive 301) for an additional three-year term of office.
- On December 21, 2021, the Bank's General Meeting approved the renewed appointment of Mr. Gilad Rabinowitz as an external director of the Bank according to the Companies Law (who also meets the qualification criteria for an external director under Directive 301) for an additional three-year term of office.
- On December 21, 2021, Mr. Jonathan Kaplan began serving as a member of the Technology and Innovation Committee.
- On December 21, 2021, Mr. Ron Gazit began serving as a member of the Credit Committee.



Independence of the Board of Directors and appointment of directors

According to Directive 301, the Bank's employees may not be appointed as directors, and a director will not have an executive position in the Bank and will refrain from participating in the ongoing management of the Bank and will not be present at meetings of management and its committees, with the exception of their presence at the discussion on the Bank's overall strategy. In addition, The director will not refer business matters to the Bank's employees, but only at meetings of the Board of Directors or its committees, except for inquiries to the Bank's CEO in specific cases and their documentation in accordance with Directive 301. Also, as a corporation with a control core – a controlling shareholder cannot serve as Chairman of the Board. A person may not serve as a director whose business or current occupation creates a permanent conflict of interest between him and the Bank or where there is a concern that they may create a conflict of interest on a permanent basis. Also, at least one-third of the Board members must be external directors.

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.

In preparation for the appointment of a new director, an ad hoc committee is appointed, composed of those with no personal interest in the matter, and its role is to examine the Bank's needs for the composition of the Board of Directors. An officer, as defined in the Companies Law, will not act to appoint a particular director or to prevent his appointment, except for his own candidacy for the position of director. No director of the Bank may be appointed nor serve as a director unless they have the required qualifications and the capacity to allocate the appropriate time for performing the role of a Bank director, considering, among other things, the Bank's distinct needs and its size.

Except for those who served as a director until the date of the annual meeting, a director will not be appointed at the annual meeting unless the Board of Directors has recommended an appointment or if he or a shareholder in the Company has nominated him as a candidate. However, the Board of Directors will be entitled to appoint directors to the Bank, if a seat on the Board of Directors is vacated after the previous annual meeting or with the approval of the Supervisor of Banks, provided that the term of office of a director who is appointed ends at the next annual meeting. The vote at the General Meeting on the appointment of directors and the termination of their term of office will be held for each candidate or director separately. These decisions will be taken by a simple majority of the participants in the vote, and abstentions will not be taken into account. If more candidates are selected than there are vacancies, the candidates who have won the highest number of supporters in the General Meeting will be selected.

A director's onboarding packet, which every director receives upon appointment, includes reference to all information and documents that will be forwarded for the director's review, about meetings that the director will have with various Bank officers and about the Bank's work procedures.

Effectiveness of the Board's work

The Board of Directors plenum assesses the effectiveness of the Board of Directors' work in a discussion with the participation of only the Board members. The effectiveness of the Board of Directors' work is assessed in accordance with the Proper Conduct of Banking Business Directive 301 once every two years. If necessary, the Board of Directors decides to implement changes in its work methods in order to improve its degree of effectiveness. All this is in addition to changes and improvements on which the Board of Directors decides on an ongoing basis, and which have the potential to affect the improvement in the effectiveness of its work. In 2021, an evaluation of the effectiveness of the Board of Directors' work was performed with the assistance of an independent external advisor using anonymous structured questionnaires.

Board committees

In 2021, the Board of Directors operated six standing committees:

| Name | Credit Committee |
|-------------------------------------|--|
| Composition | Moshe Vidman, (Chairman), Yoav Asher Nachshon (until December 21, 2021), Hannah Fayer, Yosef Plus, Jonathan Kaplan, Ron Gazit (from December 21, 2021) |
| Role | 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. |
| Number of committee meetings | 10 |
| Meeting attendance rate | 100% |

| Name | Risks Management Committee |
|-------------------------------------|--|
| Composition | Moshe Vidman, (Chairman), Yoav Asher Nachshon (until December 21, 2021), Hannah Fayer, Yosef Plus, Jonathan Kaplan, Ron Gazit (from December 21, 2021) |
| Role | 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. |
| Number of committee meetings | 11 |
| Meeting attendance rate | 98% |
| Name | Remuneration Committee |
| Composition | Hannah Fayer (chairperson), Esther Gilaz-Ran, Gilad Rabinowitz, Yosef Plus. |
| Role | 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 principles 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. |
| Number of committee meetings | 10 |
| Meeting attendance rate | 100% |

| Name | Audit Committee |
|-------------------------------------|---|
| Composition | Yosef Plus (Chairman), Esther Gilaz-Ran, Hannah Fayer, Avraham Zeldman, Gilad Rabinowitz. |
| Role | 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. |
| Number of committee meetings | 27 |
| Meeting attendance rate | 100% |
| Name | Technology and Innovation Committee |
| Composition | Gilad Rabinowitz, (Chairman), Eli Elroy, Ron Gazit, Yoav Asher Nachshon (until December 21, 2021), Esther Gilaz-Ran, Moshe Vidman, Jonathan Kaplan (from December 21, 2021) |
| Role | 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. |
| Number of committee meetings | 7 |
| Meeting attendance rate | 90% |

| Name | Bank Igud Absorption Committee |
|------------------------------|---|
| Composition | Avraham Zeldman (chairperson), Gilad Rabinowitz, Eli Elroy, Jonathan Kaplan, Yosef Plus, Moshe Vidman. |
| Role | This committee was established 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 of Directors decided to form an ad hoc committee tasked with the absorption of Bank Igud's operations and with monitoring its implementation. |
| Number of committee meetings | 6 |
| Meeting attendance rate | 98% |

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 2021, 26 meetings of the Board of Directors, 71 meetings of Board committees and eight training sessions for directors 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 and, if necessary, 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 2021, 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.

The Audit Committee supervises the independent auditors. It also recommends the salary and type of services requested from the auditors.

General Meetings

- 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. A shareholder may vote at a General Meeting or at a Class Meeting, in person or by proxy, all in accordance with the provisions of the Bank's Articles of Association and subject to the provisions of the Companies Law.
- 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. Shareholders have the option to vote separately on each issue on the agenda of the 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. Furthermore, The Bank does not have preferred shares.

Subsidiaries

Each subsidiary has articles of association that determine the manner of appointing its directors and the number of independent directors – if applicable. In addition, some of the subsidiaries are subject to regulations regarding corporate governance principles in accordance with its activities. The Bank's remuneration policy applies to certain subsidiaries of the Bank with the required changes. Interested party transactions are regulated by law, and the subsidiaries act accordingly.

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. Among the risks examined, the audit also includes issues related to corporate responsibility, such as the prevention of discrimination, human capital management (including recruitment, employment, training and retention of employees, wages and taxation), consumer fairness, etc. In addition, the Division coordinates the handling of employee complaints with an emphasis on the issue of embezzlement and fraud. These complaints are received by the Division from a number of sources, including a hotline whose details are published on the Bank's portal (including anonymous phone calls or fax inquiries), direct inquiries and inquiries through the website, which is open to the general public. Inquiries that raise suspicions of improper activity are examined by the Audit and are included in the Division's semi-annual report to the Board of Directors' Audit Committee.

In the Corona period, the Internal Audit Division adjusted its work processes in order to ensure the continuity of the audit processes during the crisis period.

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 Control

Dedicated policy documents govern the Bank's internal control system. This framework determines the reporting chain in case of 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 2021, 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, with the exception of the terms of office and employment of the Chairman of the Board of Directors (as described below) is given in accordance with the Companies Regulations (Rules for Remuneration and Expense Reimbursement for Independent Board Members), 2000 ("Remuneration Regulations").

On July 6, 2021, 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"), which is effective for three years until December 31, 2023.

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 301A "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 Section 2(b) of the Executive Remuneration Law (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 ILS 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 metrics and including discretionary remuneration, including objectives that promote goals related to ESG issues), 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 metrics, 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 to 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, in July, 2021, the Board of Directors resolved, after receiving the recommendation from the Remuneration Committee, to approve a remuneration policy for three years, until December 31, 2023, 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. Clawback 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 information regarding remuneration to the Bank's employees, see Notes 22 and 23 to the Bank's 2021 financial statements.

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.

The tax policy of Bank Mizrahi-Tefahot

The Bank pays tax in accordance with the requirements of the tax laws in Israel and in other countries in which the Bank Group has activities, and also applies the Convention for Avoidance of Double Taxation to which Israel is a party.

Transactions with related parties within the Bank Group are carried out at market prices, so that the Bank does not transfer profits between areas of activity for the purpose of reducing the tax liability, including the preparation of reports in accordance with various regulatory principles establishing this conduct. The bank avoids tax planning and doesn't use tax havens. In addition, the Bank submits a country-by-country report once a year in accordance with OECD guidelines. The Bank implements the compliance directives relevant to the issue of customer taxation and generally does not provide tax advice to its customers. In order for this to be implemented, the Bank publishes new procedures for all Bank employees to inform regarding the change and the manner of operating, as necessary. The Bank operates in transparency with the tax authorities and in full cooperation, including provision of the required disclosures regarding the Bank's activities. The Bank cooperates with ongoing audits carried out by the tax authorities. In the audits, all requested information is passed on to the tax authority representatives with full disclosure and explanations for questions. 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.



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 outline policies and actions for deployment of values of the Code of Ethics."

Code of Ethics

The Bank's Board of Directors and management promote a high level of ethics and integrity throughout the organization. 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 Bank 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, and in 2020, extensive implementation operations were carried out, and the Code of Ethics website and study units were adapted according to the updated code.

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 outline policies and actions for deployment of values of the Code of Ethics." Among the dilemmas that come up for discussion in the committee are dilemmas that deal with various aspects of the organization's activities – the business activity and the interface with customers, dilemmas that deal with the interface with suppliers and the ongoing work of all employees.

In 2021, the Bank continued its implementation operations, with special emphasis on ethical issues related to the merger with Igud – both in terms of employees and in terms of customers and suppliers. In addition, the Corona crisis has brought up various issues, such as an interface with customers and suppliers who have run into difficulties as well as with employees. Representatives of the Bank Igud Ethics Committee participated some of the time in the Ethics Committee and raised ethical issues related to the merger process. All employees of Bank Igud who are assimilated are trained in the code of ethics of Bank Mizrahi-Tefahot. Overseas branches have also undergone an extensive process of assimilation through digital gaming activities.

Bank values which guide its operations:

-  **Credibility**
-  **Loyalty to Customers**
-  **Human Dignity**
-  **Excellence, Professionalism and Service Orientation**
-  **Commitment to the Bank**
-  **Fairness**
-  **Transparency**
-  **Social and Community Responsibilities**

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

Assimilation of the Code of Ethics

During 2021, 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.
- **Ethics Committee** – The committee, headed by a senior director, meets once a month to discuss ethical dilemmas and inquiries that have been received by the Committee.
- **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.
- **Training on ethical topics** – All Bank employees undergo training regarding ethics. During 2021, 20,908 hours of training on the Code of Ethics and on ethical topics were conducted. 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, and in each professional introduction course a lesson is given on the Code of Ethics
- **Ethics Week** – As part of the activities to assimilate the Code of Ethics in the Bank, an Ethics Week was also held during 2021, with the aim of highlighting the Bank's focus on maintaining ethical standards. This year, Ethics Week was dedicated to cross-unit activities – a discussion of an ethical dilemma with the participation of representatives from a variety of units at the Bank, and this led to the enrichment of the discussion and added additional perspectives.
- **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.

- **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.
- **Manager training** – Manager training includes discussions of ethical issues relevant for managers, based on values in the Code of Ethics.
- **Executive meeting on ethics with members of management** – Meetings of managers from different units with a member of management. At the meeting, ethical dilemmas are discussed. In 2021, four meetings were held.
- **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. Various persons at the Bank can be contacted directly: the Chairman of the Ethics Committee, the Internal Audit Division and the Compliance Division, and inquiries are made possible through an online form for anonymous inquiries, email, telephone voicemail, fax and using an internal mail envelope. These make anonymous contact possible. External parties may contact the Ombudsman regarding ethics-related issues through the Public Call Center, the Bank website, by post, email and fax. 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). In 2021, three inquiries were received, including dilemmas regarding ethics. Inquiries came from Bank employees on the following issues: receipt of gifts, employee volunteering and maintaining of customer privacy and confidentiality. The dilemmas were discussed in the ethics committee and an answer was sent to the applicants.

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. The activities performed examine the degree of assimilation of the updated values among the employees and their activities in accordance with the Code of Ethics values. We also hold an ongoing dialogue through forums of managers and employees and through quarterly meetings within our units. Among other things, we analyze the quality of assimilation of the Code of Ethics and the accuracy of the work plan are examined accordingly.

Commitment to human rights



As part of the Bank's commitment to preserve human rights, the Bank preserves human rights in all areas and avoids any action or process that may harm human rights. This is a cornerstone of Bank life and one of its key values. This statement is in line with the Bank's participation in the UNGC Global Compact initiative, and describes the actions carried out by the Bank to safeguard human rights and the actions the Bank has avoided in order to ensure respect for human rights.

The Bank acts proactively to protect human rights with respect to all stakeholders – the Bank's employees, customers and suppliers. The commitment to the protection of human rights applies to all of the Bank's divisions, branches and employees, including carrying out risk management activities and ongoing controls in all aspects with respect to all stakeholders. This issue was examined in all the Bank's activities out of the Bank's commitment to respecting human rights in all areas of its business.

In addition, the Bank's Code of Ethics includes the base values for its 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 Bank's employees, and to outlines policies and actions for deployment of values of the Code of Ethics." The Human Capital, Resources and Operations Division Manager is the officer responsible for ethics in the Bank and he is responsible for reporting on the subject to the Bank's Board of Directors once annually.

The prevention of discrimination and respect for human rights are handled at the Bank by the Human Capital, Resources and Operations Division with regard to employee hiring and employment, and by the Retail Division, Business Banking Division, Financial Division and the Internal Audit Division regarding aspects relevant to each division in relation to avoidance of discrimination in client recruitment and in the provision of service to them.

The Bank has an orderly policy on human rights and the prevention of discrimination. This policy enables the Bank to act to safeguard human rights both as an employer – with respect to its employees, by guiding and accompanying employees working with customers and suppliers through regular training, in order to ensure that his actions are consistent with the Bank's values. Therefore, the Bank attaches great importance to having all its employees know how to deal with issues related to human rights, in all aspects of their work. In 2021, Mizrahi-Tefahot Group delivered 8,266 hours of training on policies and procedures with regard to human rights aspects relevant to Bank operations.

In 2021, the Group received 16 complaints concerning discrimination (9 at Mizrahi-Tefahot Bank and 7 at Bank Yahav). It is important to note that the complaints regarding discrimination at Mizrahi-Tefahot deal with discrimination on the basis of sector, and most deal with the receipt of credit or with approval to open an account. Some of the complaints are found to be justified, although the reason for the failure was not discrimination, but another reason (that is, a delay in opening the account due to the quality of the service, or some other failure in conduct, that occurred at the branch because of the business conduct, but unrelated to the ethnicity of the customer).

Safeguarding human rights among the Bank's employees

The Bank protects human rights with respect to its employees through a human resources policy that deals with the treatment of the human capital. The policy includes the Bank's commitment to ensure a diverse workplace that provides equal opportunities for all employees without discrimination on the grounds of religion, nationality, race, origin, sex, age, gender identity and place of residence. The Bank is concerned with the health and well-being of the employees throughout their employment period and also after they retire. The Bank regularly reviews these policies and procedures to ensure that human rights and employee rights are maintained.

Promotion of the human rights issue among the employees is reflected in various areas of activity, including:

- Ensuring an equal work environment. In terms of equality in recruitment, in terms of equal pay, equal opportunities in employee promotion, etc.
- Balance between home and work and maintaining the dignity of the employee and their privacy.
- Right of incorporation – The Bank preserves the rights of its employees to be incorporated into a workers' committee and a collective employment agreement.
- Annual training for Bank employees related to the maintaining of privacy and respect for customers wherever they may be, while adapting to the customer who sits before them.
- Training for all employees on human rights issues, including the prevention of sexual harassment and abuse, inside information, equal opportunities at work, accessible service, consumer directives and public inquiries, dedicated training for security personnel regarding the limits of the use of force, etc.
- All employees have signed the Bank's Code of Ethics, whose values emphasize the protection of human rights, fairness and transparency within and outside the organization.
- Establishment of an anonymous line for bank employees where it is possible to address any issue that requires clarification or infringes on the employee's rights, including sexual harassment, discrimination or issues related to compliance with the law, corruption, etc.
- The Bank's employees benefit from personal and occupational development programs, both in terms of personal growth and in terms of learning skills and career.
- The Bank's employees are entitled to retirement plans, compensation, fair wages and equal treatment of employees in all aspects: personal and occupational.

Safeguarding human rights among the Bank's customers

Mizrahi-Tefahot Group is committed to the success of all its customers and acts to generate value for them over time in all of its operating segments. This commitment is reflected in fair conduct while maintaining human rights and by creating a range of channels for providing service and products customized to the needs of every client. The Bank places its customers at the heart of its activities, listens to their needs and desires, strives to promote a variety of customers from different population groups and provide an appropriate response to each of them. This is all done while maintaining a diversity of products and services it provides to all its customers.

Promotion of the human rights issue among the customers is reflected in various areas of activity, including:

- Accessible physical spaces and infrastructure of the Bank's branches and services – The Bank's branches and self-service stations are built in an accessible and secure manner, so that every customer can access and receive the services.
- Maintaining equal opportunities in relation to customers and their handling and ensuring the prevention of discrimination in receiving services.
- Access to the Bank's products and services and the provision of services tailored to a wide variety of populations, including vulnerable populations with a wide geographical distribution.
- Operation and promotion of a financial education and support system for a variety of the Bank's customers, and assistance in promoting entrepreneurship and strengthening business and private customers in enrichment and learning sessions and financial tools for assistance.
- Management of a comprehensive information security system in order to protect the information privacy of all customers.
- Human rights aspects in financing and providing credit – The Bank does not finance businesses engaged in gambling and pornography.

Safeguarding human rights among the Bank's suppliers

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.

Promotion of the human rights issue among the suppliers is reflected in various areas of activity, including:

- In most of the Bank's engagement agreements with its suppliers, the Bank requires that its suppliers act according to values of reliability, professionalism and service orientation, excellence, transparency, fairness and respect for human dignity.
- Periodic visits to major suppliers. The visit is accompanied by a questionnaire designed to examine whether the suppliers are operating in accordance with the specified criteria. Voluntary topics, such as: if there is an ethical code, they are also examined during these visits.



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 refers to matters of compliance, AML, terror financing, cross-border risk, fairness, protection of privacy, economic competition and internal enforcement of securities laws. The Bank appointed a Compliance Officer, who operates in conformity with a letter of appointment, which guarantees their authority and independence, as part of proper corporate governance. The Compliance Officer acts in accordance with a letter of appointment and according to the applicable obligations in the course of his duties, as defined in Proper Conduct of Banking Business Directive 308. The Compliance Officer is subordinate to the CRO and reports directly to the Board of Directors, its committees and the Bank's management, in accordance with the Bank's procedures.

We also maintain mapping of the regulatory provisions and every division is responsible for the regulatory compliance under its purview. To ensure enforcement at the Bank, Regional Compliance Controllers have been appointed, who are directly subordinate to the Compliance Officer, compliance trustees at branches, compliance bankers at large branches and compliance trustees at 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.

In addition, the Compliance Division has detailed second-line control plans that examine the Bank's various activities at all levels, according to a risk-based approach.

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

The Bank regularly maintains and updates the mapping of compliance risks and internal enforcement, performs gap surveys and implements comprehensive control, assimilation and enforcement plans and takes a variety of actions to reduce these risks.

During the last three years, 2018-2021, 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 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. This is all brought to the attention of the employees upon their update through circulars distributed to the relevant population. 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 strengthen the control processes and 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 that include a 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. This audit is performed through an internal audit function headed by the Chief Internal Auditor, who was appointed to her position in July 2011 by the Audit Committee and the Board of Directors, based on the Auditor's experience and education (for details, see the "Corporate Governance, Audit, Additional Information on the Bank and its Management" chapter in the 2021 financial statements – Disclosure regarding the Internal Auditor).

- **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 the assimilation of a culture of compliance, the Bank conducts training for its employees through the Compliance Department and the Training Center on the following topics: compliance, prevention of money laundering and terror financing, bribery and corruption risks, compliance with international sanctions, fairness to customers and more. The Bank also acts with regard to non-discrimination against various populations, including operations involving minorities and vulnerable populations. 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 professional training sessions, including 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 events and cases related to compliance and to discuss them, 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. It is headed by the Risk Control Division Manager and is comprised of the financial, legal, retail, technology, human capital, resources and operations division managers, as well as the Chief Compliance Officer and other 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.

Compliance risk management, which includes anti-money laundering risks, terror financing, cross-border risks, fairness and banking secrecy risks and business ethics risk (risk of biased behavior in making ethical business decisions) is carried out by identifying, assessing and documenting compliance risks inherent in the Bank's business activities, including developments relating to new products, business practices, business lines or new customers or significant changes in any of these.

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.

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. On May 11, 2021, a ruling was given as part of the request for disclosure. The ruling gave the settlement agreement with the insurers of the directors' insurance and with the officers the validity of a judgment.



Commitment to preventing corruption



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.

In this regard, the Bank specified a policy on addressing aspects of operational risk and internal control and created control and continuous monitoring processes. The Bank identifies areas with potential for conflict of interest and acts to minimize them.

Preventing corruption in Mizrahi-Tefahot

Bank Mizrahi-Tefahot pays great attention to this area and accordingly has a structured Bank policy. 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 2021 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. The Audit Division conducts inspections in cases where this is required.
- **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. In addition, the Internal Audit Division examines and investigates fraudulent incidents of Bank customers that come to the audit from various sources (including customer inquiries, bank inquiries, etc.).
- **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 are monitored and handled by the Compliance 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.

For the early detection of corruption cases, if possible, their prevention, deterrence and treatment, the Bank operates several systems for managing and controlling corruption incidents, which include:

- A system for detecting embezzlement and fraud, which detects exceptional events for examination in accordance with the business laws on which it is based.
- An advanced call transcription system that significantly streamlines and improves control effectiveness. This system is being used in the Banking Center and in the unit controlling trading room activity.
- 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.
- The Bank has an operational risk portal (PASTEL system). 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 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. 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. The Bank also operates 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 2021, 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.
- **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 anonymous phone and fax lines for employees to anonymously contact the Internal Audit, if necessary. We inform all of our employees about the existence of these communication lines on the Bank's portal. Also in 2021, an option to apply to the internal audit on the subject of embezzlement was added to the Bank's website, which is open to the general public and also allows an anonymous inquiry.

In 2021, we delivered 38,284 training hours to Bank employees on preventing corruption. Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.

During 2021, three cases related to moral purity were raised in the audit. These cases were reported to the Bank's Board of Directors. In accordance with the regulatory guidelines, a report to the Bank of Israel was made where required. Also, according to the Group policy, where it is required, there is involvement of the Israel Police. Disciplinary proceedings were instituted against the employees involved in accordance with the Bank's policy to the point of termination of employment. 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.

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 detailed below.

According to the Bank's procedures, the protection of employees includes, among other things, avoiding as much as possible the publication of identifying details about the complainant, dismissals, disciplinary proceedings, deterioration in his work conditions, prevention of promotion, threats or any similar harm caused in connection with the reporting.

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 by telephone all hours of the day, by email or fax, as publicized on the Bank's portal, and an application on the Bank's marketing website, which is open to the general public. 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 2021 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

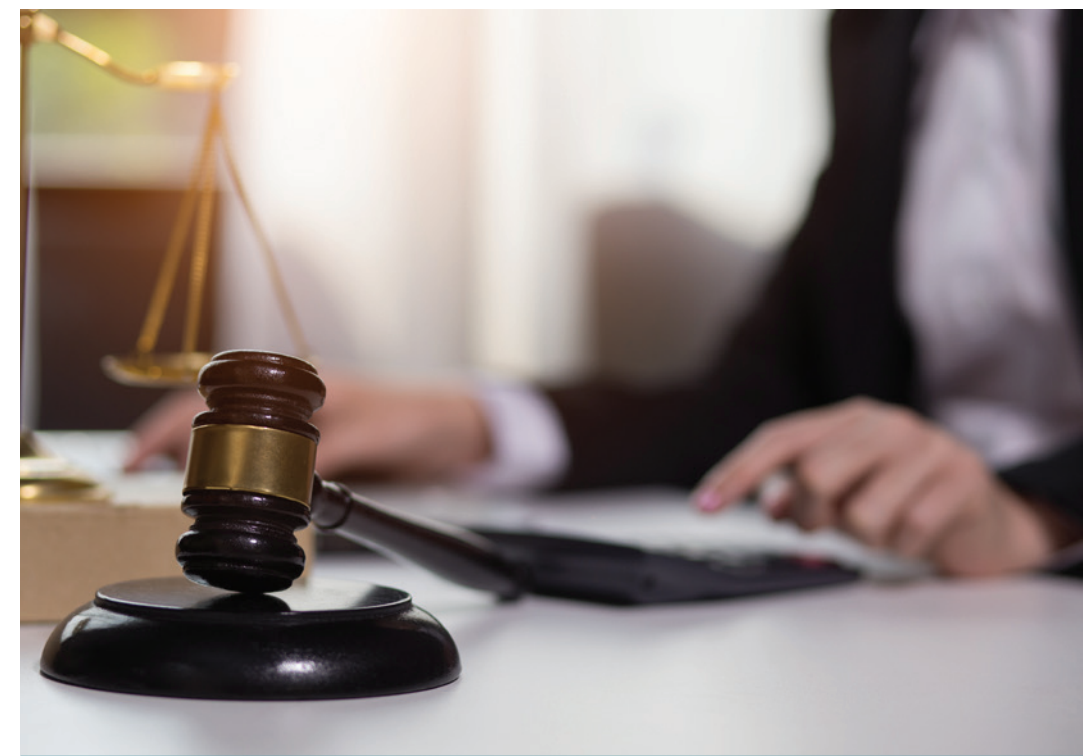
The Bank's Internal Audit Division reviews, in accordance with a multi-annual work plan, the material work processes, units and systems used by the Bank. This review includes, inter alia, how this risk is managed by business units and how the Risk Control Division monitors risk. If any findings are discovered, 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 Bank Mizrahi-Tefahot's policy and conduct, as presented in this section.

Furthermore, as part of the Bank Igud merger process under Bank Mizrahi-Tefahot, Bank Igud's Operating Risk Department focused its activities on preventing any embezzlement relating to the merger.





Information security and maintaining information confidential



The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its clients. To this end, a strategy and policy were defined 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 clients through a third party (outsourcing), the Bank's outsourcing policy ensures that the supplier maintains conditions to secure the privacy of client 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. Due to the importance of compliance with the provisions of the law regarding the protection of privacy, the Bank has appointed a Privacy Protection Officer, who is subordinate to the Bank's Chief Compliance Officer as responsible for this subject.

The Bank's Board of Directors bears managerial responsibility and approves the cyber protection strategy, the framework for cyber risk management and the corporate cyber protection policy. The Board of Directors receives updates several times throughout the year from the Cyber Protection Manager, which include an up-to-date cyber risk assessment, trends in the development of the threat, a review of major events around the world and in Israel, and reviews of the Bank's cyber defense system activities.

Regulation and standards

The Bank is in compliance with Bank of Israel regulatory provisions regarding information security and cyber protection, including Cyber Protection Management - Proper Conduct of Banking Business Directive 361, Information Technology Risk Management - Directive 357, Management of Cyber Risks in a Supply Chain - Directive 363, Reporting of Technological Failures and Cyber Incidents - Directive 366. In addition, the direct banking service activity in

the Bank has been certified for Information Security Management Standard ISO 27001. This certification is renewed each year in an assessment by the Standards Institution of Israel. In addition, the Bank is in compliance with SWIFT regulations regarding the use of the SWIFT infrastructure for the international transfer of funds.

Protection circles for safeguarding information

The Bank's customers entrust to the Bank 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, the Bank applies the following:

- **Risk management** – A risk assessment is carried out with the assistance of an external audit, which included risk surveys and periodic penetration tests that took place during 2021 for systems and processes. In addition, other steps are taken, such as monitoring sensitive actions, monitoring information exiting the organization to prevent information leakage, mechanisms for managing access rights to information and encryption mechanisms, analysis and processing of information, anomaly detection, response and control. Moreover, the Bank insures itself with dedicated insurance to cover cyber risks.
- **Privacy Protection Laws** – Management of Privacy Protection Law risk is carried out in the Compliance Division. As part of compliance risk management, an assessment of compliance risk and the compliance with regulation is performed once annually (at least), in which the level of risk management of the directive is examined and the residual risk for the directive is presented.
- **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. Among other things, the Bank operates an ongoing monitoring, control and alert system for events and activities in processes and in information and technology systems, including monitoring sensitive operations, monitoring and blocking information exiting the organization according to the Bank's policy and identifying anomalies. Meanwhile, customer activity is monitored in the various channels in order to identify and prevent un-authorized use of customer accounts and to inform 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.
- **Cyber event and recovery management plan** – The Bank defined procedures and mechanisms for managing cyber events in which the roles of the Bank's business units and technological units, and the cooperation between them, were defined, decision makers were defined, as were the required reports to internal and external parties. The Bank conducts exercises for these events at various levels of management (business and technical), including a comprehensive exercise of the Bank's management. The Bank has built up recovery capability from various failure cases and exercises this capability frequently.
- **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 2021, 8,111 training hours were conducted on the subject of information security to all Bank employees, including external employees. In addition to employee training, four phishing awareness exercises were performed during 2021: three exercises for the entire employee population, and one exercise focused on a specific employee group.

- **Securing transactions in direct channels** – As described above, the Bank maintain diverse communication channels with our clients, including through a mobile app, various websites, e-mail and SMS messages. When signing up for one of these channels, clients are instructed how they should act to optimally safeguard their privacy and their information. Moreover, client 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 clients, and 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 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. The Bank makes sure that clients who open an account on the Internet have an optimal user experience, without compromising on strict information security and safeguarding client privacy.

- **Promoting online safety** – In order to promote awareness and to expand client knowledge on safely using the Internet and safeguarding their information, the Bank website has an information page and tools on this subject. The website provides information regarding the following: Rules for safe web browsing and how to verify the identity of the Bank website, means to protect the customer's PC, proper use of passwords, online fraud, information on the implementation of information security at the Bank and how to report suspected fraud.
- **We also inspect our suppliers** – The Bank's various information and cyber security 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. In addition, the Bank requires suppliers to comply with privacy protection laws. As part of the risk management and control processes with 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 policy. The Bank is continuing to strengthen and improve the security mechanisms in the systems. These actions were taken as part of debriefing processes and lessons learned by the Bank with regard to this emerging threat.

The Bank has an orderly privacy protection policy that is brought to the attention of all the Bank's customers and receives their consent, which includes reference to the respect for human rights with regard to information privacy and also informs customers that there are cases where the Bank is required by law to transfer information. The Bank exercises extreme caution in any customer information request coming from law enforcement and government authorities. In each case of such a request, the authority of the applicants to receive the information is examined according to the provisions of the law and/or judicial orders. The information provided by the Bank does not disclose information beyond the information that the Bank is required by law to provide. It should be noted that in many cases the information transfer orders include a prohibition on the Bank to disclose the existence of the order to the relevant customers.

As part of the Bank's privacy protection policy, the Bank's customers sign a statement, the main points of which are as follows:

- Information that the Bank may request when its services are used: personal details; income and printouts from other banks where the customer had activity; marital or health status; information on family members including their occupation; information requested by other laws such as those dealing with the prevention of money laundering and terror financing in order to understand the financial sources of the customer and of holders of rights to the funds; financial information such as pay slips, property information and income tax reports (when applying for additional banking services such as a mortgage); biometric information for identification and preventing fraud. In addition, when using the Bank's services, information is collected on the transactions that customers perform with the Bank and information on the transactions in the various channels.
- Other sources from which the Bank collects information: information from visible sources, such as the Population Registry or the Registrar of Companies in Israel; information available on search engines, social networks and websites, on economic and other databases used by the Bank, among other things for the prevention of money laundering and terror financing; foreclosures received at the Bank from third parties (but the information is not used without the consent of the customer); credit data available to the Bank by law (but the credit report will not be ordered without the consent of the customer); other information that may be obtained by the Bank and is required for the provision of banking services and for the fulfillment of the objectives of the privacy policy; details of bank debit card transactions.
- The purposes for which the information is used – management of the customer's bank accounts and deciding which banking services to provide to him (such as approving the provision of a loan that the customer has requested); offering of customized products and services (offers by text message and email require separate consent); improving and enriching the content offered to customers (mainly aggregate or statistical information without personal

identification); identification, prevention of fraud, information security and risk management, contractual enforcement; compliance with the requirements of any law, regulation or legislation applicable to the Bank – for example: by law the Bank must provide guarantors for accounts and loans with information on the customer's condition and details of the credit agreement; to assist the competent authorities and courts or any third party if required of the bank by law. This information is retained by the Bank if it believes it to be vital to retain. Requests for information received according to the law are processed, as necessary, with the approval of the Compliance Division Manager.

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 it is discovered that the information is incorrect, incomplete, unclear or outdated, the customer may ask the Bank to correct or delete it.

The Bank is in compliance with the European GDPR directives.

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 client information is controlled and allowed based on policies specified for this matter. There is also strict adherence to procedures regarding safeguarding the privacy of client 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 information sheets are distributed to all employees. Once a year, all bank employees undergo a course on the subject of fairness. Once a year, the relevant bank employees undergo a course on the GDPR.
- **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 employees' privacy** – As part of the maintaining and protecting of privacy, the Bank also works to prevent an invasion of the privacy of its employees in accordance with a set procedure on the subject. Employee information is stored in the Bank's systems, which are managed in terms of information security in a database stored as a customer database (an extremely high level of information security). In addition, when carrying out external engagements or actions that require the sharing of information on employees with an external supplier, the matter is referred to the Legal Division and the Privacy Protection Officer.

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 work to protect their customers' privacy in accordance with the Group's policy on this subject in different ways, including:

- Publishing tools for safe online usage and policy on protection of privacy on the Bank website, designed to increase client 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 the premises of significant suppliers, to review proper management and compliance with this matter.

In 2021, nine justified complaints were received regarding customer privacy (five at Bank Mizrahi-Tefahot and four at Bank Yahav) that were handled as required and in accordance with the Group's procedures.





Bank Mizrahi-Tefahot has an organized system in place for the control and management of risks associated with its business activity. The management principles are set in a framework policy document for risk management and control (“master document”), which defines the Bank’s risk appetite, the risk management principles and the corporate governance. The Bank also has individual policy documents for managing and controlling risks in various areas based on the “master document” principles.

The Bank acts on the issue of risk management and control in accordance with the guidelines set by the Banking Supervision and in accordance with the Proper Conduct of Banking Business Directives, and in particular Directive 310 - “Risk Management”. All policy documents on risk management and control at the Bank are based on principles of risk management and control in the banking system in Israel. These policy documents, which are approved at least once a year by the Bank’s management, the Board of Directors’ Risk Management Committee and the Board of Directors, govern, among other things, the processes of management, measurement and prevention/reduction of the risks identified as significant risks to the Bank’s operations.

Furthermore, as of 2020, with the start of the Corona crisis, 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. Also in 2021 this temporary order was in effect in accordance with the applicability established for each of the guidelines in the various areas.

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.

The Bank implements an orderly risk management and control system, which includes, among other things, a risk management and control 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 business, strategy and reputation risks; credit risks, including centralization and environmental risks; financial risks; operational risks, model risks, business continuity risk, cyber protection risks, supplier and outsourcing risk; information technology risks, human resource risk, legal risk; compliance and regulation risks, including money laundering, fairness and cross-border risks, management risk for banking in the media and open banking; policy for the Bank’s branch strategy, which includes principles for opening new branches and management of an event of branch closures and for managing risks of overseas branches, which is a central document for determining the framework for managing and controlling risks in the Bank’s operations abroad.

The Group’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 Group’s nostro operations are mainly in investments in liquid, high-quality assets carrying low credit risk, mostly State of Israel bonds. Therefore, the risk level of the Group’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 maintains ongoing processes of involvement, examination and strengthening of the Bank’s control and risk management culture. These processes include, among other things, comprehensive annual mapping of the units and the individuals that specifically deal with risk management and control in the three lines of defense against various risks, to ensure that appropriate lines of defense are fully maintained for all significant risks; an annual process for quality assessment of the risks (RAS), in-depth processes to review the effectiveness of control in risky areas; conferences held for all Operational Risk Trustees at branches and at headquarters to raise awareness and strengthen the management culture and the reporting on operational 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 product or activity at the Bank from risk aspects, with emphasis on compliance and regulation / fairness and more; annual review and approval of all policy documents regarding risk management and in conformity with changes in regulation and global practice; challenging significant processes/investments at the Bank, challenging the Bank’s annual work plans and aligning these with the strategic plan and challenging the new strategic plan for the years 2021-2025, as part of the approval process by the Bank’s management and the Board of Directors; challenging the capital planning; challenging the remuneration policy and the actual remuneration; investigation of internal and external events including from aspects of ethics, fairness, compliance, reputation, development and implementation of extreme scenarios of various intensities, including a uniform systemic Bank of Israel scenario and threat scenarios (such as security incidents, epidemics, earthquakes) and more. Starting in 2020, the Division has been continuously examining the Bank’s activity and its resilience in the context of the Corona crisis, which includes, among other things, the performance of a comprehensive process of organization-wide lessons learned about the Bank’s operations during the Corona 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, the Risk Control Division has been accompanying the merger project, and analyzed the merger’s direct risks and their impact on the Bank’s operations and the merger plan. The Risk

Control Division regularly manages and updates the risk map, performs operational controls of the second line, conducts an ongoing examination of all controls applied at the Bank and at Bank Igud and is responsible for carrying out a lessons learned process at the end of each customer migration round, according to defined schedules, and its conclusions are discussed by the Bank's management and Board of Directors and reported to the Bank of Israel.

Risk management is carried out from a group perspective by appropriate forums and procedures to ensure that the risk management processes and control at Bank Yahav, Igud and the Bank's branches abroad 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 11 times during 2021 and recommended to the Board to approve the policy documents and discussed the risk report and the quarterly risk document. There were also discussions regarding the risk surveys, including the Bank's activity regarding the management of environmental and ESG risks in general, challenge to 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 several forums designed to ensure an appropriate internal control framework. These forums include, among other things, dedicated compliance forums, steering committees for operational risk issues, a steering committee for information security and cyber risks, an internal control forum that includes all gatekeepers, a forum for risk management of overseas branches and ongoing forums with the business units in the first line of defense.

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 Bank 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 Bank's risk map (heat map). The document also presents the independent review for assessing the effectiveness of the risk management performed by the internal audit.

Board members receive training from time to time on the subject of risk management. The advanced training program is broad and varied and is conducted by internal and external lecturers. In 2021, the program was expanded and focused on advanced training in technological

aspects, alongside training on environmental risks, foreign legislation and regulation, financing for renewable energy projects and the infrastructure industry, and more.

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.

During 2021, the Board of Directors continued to be involved in examining the consequences of the Corona crisis on the Bank and examined all risk aspects, financial, operational and logistic, to ensure the Bank's proper management throughout the crisis. The Board continues to monitor the implementation status of the recommendations that arose in the comprehensive lessons learned document from the Corona crisis.

In view of the merger with Bank Igud, during the fourth quarter of 2020, a designated board committee for the issue accompanying the merger process This committee discusses 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 is expressed in the risk document discussed quarterly by Management, in the Board of Directors' 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 designated board committee for innovation and technology, which is in operation since 2019 as an advisory committee to the board. This committee's chairperson is a director possessing technological expertise. The main activities of the committee are reported every six months to the Board of Directors' Risk Management Committee.

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 significant risk to the Bank is managed through proper corporate governance, including the required lines of control, including specific lines of control in the first line, in accordance with the essence and nature of the risk.

As from the end of 2015, the Bank issues, in conformity with Bank of Israel directives, a quarterly risk report online. The report contains an 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 assessment of the quality of risk management and control and assessment of the forward-looking risk trend.

In 2021 the risk assessments were expanded and they also relate to ESG risks and model risks separately (in 2020 the model risk assessment was included in the assessment of other risks and the environmental risk assessment was included in the assessment of credit risk).

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 risk map ("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 the risks in terms of the intensity of the risk and the probability of its realization in a year's time. 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. It should be noted that the "heat map" includes, among other things, reference to technological risks, cyber risks (global risk), the effects of regulation and market changes on the Bank's operations (such as the effect of the cancellation of the Prime limit on mortgages), exposure to embezzlement and fraud, the Bank's preparations to provide service to customers in emergency events of various types (epidemic, earthquake, war) and more.

The results of the overall qualitative assessment (the RAS process), 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 within the framework of the ICAAP document.

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 2021, we delivered 111,144 training hours on risk management (risk trustees and risk controllers forum) to Group employees.





Management of ESG risks – environmental, social and governance risk



Mizrahi-Tefahot Bank regards environmental issues as an integral value that is part of its corporate responsibility. The Bank also recognizes that environmental issues may impact its financial success, unless such risk is properly managed. Therefore, the objective of the environmental risk management framework is to identify, measure, assess and manage environmental risk in conjunction with lending and to supervise and report such risk.



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 and climate risks

Environmental risks are risks arising from the potential impact of environmental changes on financial corporations. The Bank is exposed to a loss that could stem 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.

Climate risks are risks that arise from the increasing frequency and intensity of weather events due to global warming. Climate risks include transition risks – resulting from the promotion of measures to reduce warming, including reducing carbon emissions (such as switching to renewable energy sources, carbon taxation, improving energy efficiency, etc.), and physical risks – realized as a direct impact of climate change, such as fires, floods, 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 the risk in their periodic credit quality assessments of credit provided.

In the past year, the Banking Supervision issued a number of letters to the banking system regarding environmental risks, with an emphasis on climate risks, indicating the great importance it sees in promoting this issue and its perception of banking corporations as partners in the move to a sustainable environmental economy. Today the share of climatic aspects in the field of environmental risks is increasing in the international consciousness and in the global and local financial system due to the increase in the amount of climatic events around the world.

In terms of credit, the Bank, with the assistance of external consultants, examined the implications of the environmental risks as an integral part of the credit risks (in financial, legal and insurance terms). Accordingly, we formulated an environmental risk management policy for the credit granting, 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.

During the past year, there has been a dialogue with customers who the Bank believes have activities with significant environmental aspects, both in the present and for the future.

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 such exist, in our periodic risk quality assessment of the credit we provided.

The Bank's credit activity deals with economic sectors with significant environmental implications, including various sectors such as industry, mining and quarrying, especially with regard to significant exposures to Business Division customers and in the Appraisal Section when determining the security value for assets while examining the potential for significant environmental aspects.

The list of economy sectors to which the Bank's customers are classified was scanned and examined with the assistance of external consultants. In the scanning process, all business sectors of the economy were sorted according to the extent of their impact on the environment, in these aspects: sewage, hazardous materials, noise, radiation, waste, soil, air, odor, asbestos.

This mapping is reviewed periodically, changes and adjustments are made to it following guidelines, regulations and standards that are published and in the context of the experience gained in this area.

Credit that met the defined threshold criteria will be examined specifically after receiving additional information about the company's activities by one or more of the following means: reports in the financial statements, public information, conversation with the customer and response to the environmental aspects of his activity, etc.

In very large infrastructure ventures (new construction and building) for which the Bank organizes the financing, an environmental assessment will be carried out with an emphasis on environmental hazards and compliance with the relevant regulation. The criteria for the examination are: request of the technical/environmental consultant to address the environmental impacts of the venture and the measures to minimize the risk, compliance with environmental regulatory requirements, the venture's purpose and future uses and operative measures to minimize environmental and climate risks.

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. The dedicated team included representatives from all the relevant Bank divisions: the Human Capital Division, Resources and Operations, the Business Division, the Legal Division, the Finance Division and the Risk Control Division. During 2021, the team examined the various risk



management aspects at the Bank, such as strict environmental protection, credit aspects, social aspects, real investments, etc., as well as identifying business opportunities for the Bank. The team examined common practice in advanced banks around the world, conducted gap surveys compared to the accepted practice, and acted on an initial implementation of an extreme scenario: “Flood Scenario on the Bank’s Mortgage Portfolio”. Based on the insights gained from the teamwork and the supervisory expectation that is in the process of being formed, the Bank has determined the milestones for practical progress and improved treatment of the issue. The activity in this area is gradual and long-term, the work plan for 2022 includes the implementation of recommendations that have come from the insights of the dedicated teamwork. In order to realize the team’s conclusions and implement the work plan, a strategic ESG team was established at the Bank, consisting of the managers of the various divisions, and its role is to lead policy, activity, control and reporting within the framework of ESG promotion in all Bank activities. The team meets on a quarterly basis and reports to the Bank’s management on progress and improvement in the Bank’s ESG performance.

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. During the fourth quarter of 2021, the ESG aspects were presented to the Board’s Risk Management Committee. The subject will be reported every six months in the Board’s Risk Management Committee and annually in the Board of Directors.

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 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. The environmental risk policy is approved annually by the Bank’s Board of Directors, as part of the Bank’s policy documents, as part of its role in outlining 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. Emphasis is placed on significant exposures to customers who are among the customers of the Business Division and in the Appraisal Unit when determining the value of security for assets, while examining the potential for significant environmental aspects.
- **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 to economic sectors that have a significant environmental impact** – In the context of substantial credit applications to companies in industries identified as having significant environmental impact, attention is given to environmental risks that may affect credit repayment capacity, such as compliance with regulatory provisions, significant environmental costs and legal proceedings against the company, and these are weighted in the customer’s total risk assessment.
- **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 Bank considers it very important to assimilate the issue of environmental risks and climate risks in its ongoing operations. As part of this, during 2021 there were 983 comprehensive training hours for the Bank’s Board of Directors, the Business Division, the Legal Division and the Risk Control Division. The training presented an overview of environmental risks in general, and the issue of climate risks and the increase in their importance in particular, and emphasis was placed on warning signs, the existence of which requires an in-depth examination of the 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 this context the Bank’s reputation index compared to competitors is monitored on an ongoing basis in a status and image survey (barometer) that is conducted on a quarterly basis and presented in the Reputation Committee. 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 2021 goals

| Goal | Response to SDG | Performance status |
|---|---|---|
| Further impart the topic of environmental risk to other relevant departments and employees, through custom training. |  | Done |
| To expand our training on the subjects of compliance and privacy protection in courses, courseware and in memos to all employees. |  | Done |
| 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. | | Done |
| To continue holding monthly Code of Ethics meetings between the Management and our managers. | | Partially performed due to Corona constraints |

Goals for 2022

| Goal | Response to SDG |
|---|--|
| Establishment of a policy regarding appropriate gender representation on the Board of Directors. |   |
| Assimilation of the subject of environmental risk in other relevant departments and employees, through custom training. |  |
| Expansion of the environmental and climate examination in large infrastructure projects according to the threshold set in the policy for environmental risks and climate risks approved by the Bank. | |
| Perform environmental tests when financing land and real estate projects for which there is an indication that there are environmental risks. The test threshold was defined in the environmental risks and climate risks policy. | |
| Strengthening the subject of fairness in courses, courseware and in communication among employees. |  |
| Strengthening the implementation of privacy protection. | |
| Continuing meetings of management members with managers in the framework of the Code of Ethics. | |
| Continue monitoring 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. | |
| Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection. | |

External control and KPIs

Quality assurance certification: Mizrahi-Tefahot ESG Report for 2021

Preface

Shibolet ESG is a consulting practice operating within the subsidiary Shibolet Consulting Services Ltd. In February 2022, Bank Mizrahi-Tefahot contacted the company to carry out a quality assurance process for the Environmental, Social and Governance Report for 2021. It is noted that the Company is paid to cover its time spent on this process. Other than this payment, neither the Company nor Dr. Liad Ortar (who performed the work) have any business or consulting relations with Mizrahi-Tefahot, 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 report relates a wide range of stakeholders.
2. **Materiality** – that the report relates to material matters in the company's activities.
3. **Responsiveness** – Reporting of matters raised by stakeholders.

I hereby confirm that the assurance of the report was conducted according to the AccountAbility's AA1000AS standard.



The findings

This report by Mizrahi-Tefahot is the ninth published and is an integral part of the requirement for the entire banking sector in Israel to publish ESG reports in accordance with the Supervisor of Banks' requirement. 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 certify that Mizrahi-Tefahot is in compliance with the scope of disclosure and reporting required for this level and is compliant with the three aforementioned principles. This report continues to show a notable trend of professional improvement.

Comments on the report:

- **Materiality** – Adjustment of the material issues to reporting performance indicators. The materiality process aims to prioritize reporting issues. Once social, environmental, and economic issues are selected, the idea is that orderly reporting indices will be associated with each such issue as they are reflected in the GRI thematic guidelines or in other reporting guidelines. It is suggested and recommended that a more textual adjustment be made of the significant analysis findings in relation to the GRI chapters and the additional guidelines used.

Praise to all those involved,

Dr. Liad Ortar
Shibolet ESG Manager



GRI 101: Foundation 2016

| Name of the standard | Index | Page in the report | UNGC-cop | SDGs | |
|--|--|---|--------------------------------------|--------------------------------------|---|
| GRI 102: General Disclosures 2016 | 102-1 | Organization’s name and profile | 10 | There is no specific COP requirement | - |
| | 102-2 | Description of key activities, products and services | 10-13 | | |
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| | 102-5 | Nature of the ownership and the legal form | 15-16 | | |
| | 102-6 | Markets served by the organization | 30 | | |
| | 102-7 | The organization’s scale and additional information | 14-15 | | |
| | 102-8 | Information about the organization’s employees | 113-117 | 6 | |
| | 102-9 | Description of the key components of the organization’s supply chain | 96-101 | | |
| | 102-10 | Significant changes that occurred in the organization during the report period | 18-19 | | |
| | 102-11 | Explanation of the implementation of the precautionary principle or approach | 140, 192-197 | 7 | |
| | 102-12 | External initiatives, treaties or principles relating to corporate social responsibility that the organization has adopted | 26-27 | 1-10 | |
| | 102-13 | Memberships in associations, organizations and/or national or international lobbying organizations | 19 | 1-10 | |
| | Strategy | | | | |
| 102-14 | A statement from the most senior decision-maker in the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability | 4-5 | There is no specific COP requirement | - | |

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| GRI 102: General Disclosures 2016 | 102-15 | The organization’s key impacts, opportunities and risks | 6, 18-19, 71-73 | There is no specific COP requirement | - | |
| | Ethics and Integrity | | | | | |
| | 102-16 | description of the organization’s values, principles, standards, and norms of behavior | 170-172 | 10 | 16.3 | |
| | 102-17 | A description of the organization’s internal and external mechanisms for seeking advice and reporting about ethical and lawful behavior and organizational integrity | 172, 176-178, 184 | | | |
| | Governance | | | | | |
| | 102-18 | The structure of the organization’s corporate governance | 158-160 | There is no specific COP requirement | - | |
| | 102-19 | Description of the process for delegating board authorities relating to economic, social and environmental topics to managers and employees of the organization | 23-24 | | | |
| | 102-20 | Whether the organization has appointed an executive-level position or positions for managing economic, environmental and social topics and whether such post-holders report directly to the board. | 23-24 | | | |
| | 102-21 | Description of the consultation processes between the board and the organization’s stakeholders | 164-165 | | | |
| | 102-22 | Description of the board’s composition | 158-164 | | | |
| | 102-23 | Whether the chairperson of the board also serves as an executive officer of the organization (in addition to the board) | 138 | | | |
| | 102-24 | Processes for determining the board’s composition, and the qualifications and experience required of directors serving on board committees | 160-161 | | | |
| | 102-25 | Processes for preventing conflicts of interest among Board members | 169 | | | |
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| GRI 102: General Disclosures 2016 | 102-26 | The role of the organization's board and management in the development, approval and updating of the organization's vision, values, strategies, policies and goals relating to sustainability and corporate social responsibility | 23, 164 | There is no specific COP requirement | - | |
| | 102-27 | Description of measures taken to develop and enhance the board's collective knowledge of topics relating to corporate social responsibility | 164-165 | | | |
| | 102-28 | Processes for self-evaluating the board's performance with respect to corporate governance of economic, environmental and social topics | 161 | | | |
| | 102-29 | The board's role in overseeing the identification and management of economic, social and environmental performance, including relevant risks and opportunities. | 164-165 | | | 16.7 |
| | 102-30 | How the board reviews the effectiveness of the organization's risk management processes in the content worlds of corporate social responsibility | 161 | | | |
| | 102-31 | The frequency of the board's review of economic, social and environmental topics in the organization | 164 | | | |
| | 102-32 | The highest authority that approves the corporate social responsibility report | 23 | | | |
| | 102-33 | Description of the process for communicating important economic, social and environmental concerns to the board | 23-34, 164-165 | | | - |
| | 102-34 | Critical economic, social and environmental concerns that were communicated to the board and a description of the mechanisms used to address and resolve such concerns | 164 | | | |
| | 102-35 | Description of the remuneration policy for the board and senior management | 167-168 | | | |

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| GRI 102: General Disclosures 2016 | 102-36 | Description of the process for determining remuneration | 167-168 | There is no specific COP requirement | - | |
| | 102-37 | How various stakeholders' views regarding remuneration of bank managers are taken into account | 167-168 | | 16.7 | |
| | 102-38 | Ratio of the annual wage of the highest-paid individual to the median annual wage | 168 | | - | |
| | 102-39 | Ratio of the highest percentage increase in annual wage paid in the organization to the median percentage increase in annual wage in the organization | 168 | | | |
| | Stakeholder Engagement | | | | | |
| | 102-40 | Details of the organization's stakeholder groups | 6 | There is no specific COP requirement | 8.8 | |
| | 102-41 | Percentage of employees covered by collective bargaining agreements | 113 | | | |
| | 102-42 | Process for identifying and selecting stakeholder groups with whom to engage in dialogue | 31 | | | |
| | 102-43 | Description of the organization's approach towards engaging in dialogue with stakeholders and of the process of defining topics to report | 61, 62, 94, 98, 134, 152 | | | |
| | 102-44 | Key topics raised during stakeholder dialogues and how the organization handled these topics | 31 | | | |
| | Reporting Practice | | | | | |
| | 102-45 | Details of the list of entities appearing in the organization's consolidated financial statements | 11, 15, 30 | There is no specific COP requirement | | |
| | 102-46 | The process for defining the report contents and the boundaries of the material topics' impact | 30 | | | |
| | 102-47 | List of the material topics identified during the report preparation process | 34 | | | |

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| GRI 102: General Disclosures 2016 | 102-48 | Restatements of data from previous reports | 30, 72, 141, 142 | There is no specific COP requirement | |
| | 102-49 | Significant changes in the list of material topics and their boundaries from previous reporting periods | 30 | | |
| | 102-50 | The period under report | 30 | | |
| | 102-51 | Publication date of the last report | 30 | | |
| | 102-52 | Reporting frequency | 30 | | |
| | 102-53 | Details of a contact person for questions about the report or its contents | 6 | | |
| | 102-54 | The report's conformity with the GRI Standards | 30 | | |
| | 102-55 | Index - GRI Content index | 206 | | |
| | 102-56 | The policy and current practice with regard to seeking external quality assurance for the report | 205 | | |
| | GRI 103: Management approach 2016 | | | | |
| 103-1 | Explanation of the material topic and its boundaries | 10 | There is no specific COP requirement | | |
| 103-2 | The management approach and its components | 10 | | | |
| 103-3 | Evaluation of the management approach | 10 | | | |
| GRI 201: Economic Performance 2016 | | | | | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated by the organization | 14-15 | | 8.1 8.2 9.a 9.1 9.4 9.5 |
| | 201-2 | Other risks and opportunities posed by climate change and the financial implications for the organization's operations | 198 | | 13.1 |
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| GRI 202: Market Presence 2016 | 103-1 | Explanation of the material topic and its boundaries | 113 | 6 | |
| | 103-2 | The management approach and its components | 113 | | |
| | 103-3 | Evaluation of the management approach | 113 | | |
| | GRI 202: Market Presence 2016 | | | | |
| GRI 202: Market Presence 2016 | 202-1 | The range of standard entry level wage in the organization by gender and operating region compared to the local minimum wage | 115 | 6 | 1.2 5.1 8.5 |
| | 202-2 | Percentage of senior managers employed in significant regions of operations who are hired from local communities | 109 | | 8.5 |
| GRI 103: Management approach 2016 | | | | | |
| GRI 203: Indirect Economic Impacts 2016 | 103-1 | Explanation of the material topic and its boundaries | 80 | There is no specific COP requirement | |
| | 103-2 | The management approach and its components | 80 | | |
| | 103-3 | Evaluation of the management approach | 85-88 | | |
| GRI 203: Indirect Economic Impacts 2016 | | | | | |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 | Extent of the development and the impact of investments in infrastructures and services provided mainly for public benefit, through commercial, in-kind (products), or pro bono (service) engagements | 71-74 | | 5.4 9.a 9.1 9.4 11.2 |

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| GRI 203: Indirect Economic Impacts 2016 | 203-2 | The organization's significant indirect economic impacts | 80-91 | | 1.2 8.2 8.3 8.5 10.b |
| | GRI 103: Management approach 2016 | | | | |
| | 103-1 | Explanation of the material topic and its boundaries | 96 | There is no specific COP requirement | |
| 103-2 | The management approach and its components | 96 | | | |
| 103-3 | Evaluation of the management approach | 100-101 | | | |
| GRI 204: Procurement Practices 2016 | GRI 204: Procurement Practices 2016 | | | | |
| | 204-1 | Proportion of actual spending on procurement from local suppliers in significant regions of operations | 97 | There is no specific COP requirement | 8.3 |
| GRI 205: Anti-corruption 2016 | GRI 103: Management approach 2016 | | | | |
| | 103-1 | Explanation of the material topic and its boundaries | 180 | 10 | |
| | 103-2 | The management approach and its components | 180 | | |
| | 103-3 | Evaluation of the management approach | 184 | | |
| GRI 205: Anti-corruption 2016 | | | | | |
| | 205-1 | The organization's units assessed for corruption-related risks and the significant risks identified during the assessment | 180-181 | 10 | 16.5 |
| | 205-2 | Communication and training on the subject of anti-corruption policies and procedures | 183 | | |
| | 205-3 | Incidents of corruption during the period under report and the actions taken | 183 | | |

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| GRI 301: Materials 2016 | GRI 103: Management approach 2016 | | | | | |
| | 103-1 | Explanation of the material topic and its boundaries | 140 | 7,8 | | |
| | 103-2 | The management approach and its components | 140 | | | |
| | 103-3 | Evaluation of the management approach | 140, 153 | | | |
| | GRI 301: Materials 2016 | | | | | |
| | | 301-1 | Materials used by the organization by weight or volume | 145-147 | 7 | 12.2 8.4 |
| | 301-2 | Percentage of recycled materials used as raw materials | 145 | 8 | 12.2 12.5 8.4 | |
| | 301-3 | Reclaimed products and their packaging materials for reuse, recycling, etc. | 145-146 | | | |
| GRI 302: Energy 2016 | GRI 103: Management approach 2016 | | | | | |
| | 103-1 | Explanation of the material topic and its boundaries | 140 | 7,8,9 | | |
| | 103-2 | The management approach and its components | 140 | | | |
| | 103-3 | Evaluation of the management approach | 140, 153 | | | |
| | GRI 302: Energy 2016 | | | | | |
| | | 302-1 | Energy consumption inside the organization | 141-142 | 7,8 | |
| | | 302-2 | Energy consumption outside of the organization | Not material to the organization | 8 | |
| | | 302-3 | Intensity of the energy consumption in the organization | 142 | 8 | |
| | | 302-4 | Reduction of energy consumption in the organization | 143-145 | 8,9 | |
| | | 302-5 | Reduction of the energy requirements of the organization's products or services | 71-73 | 8,9 | |

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| GRI 103: Management approach 2016 | | | | | |
| GRI 305: Emissions 2016 | 103-1 | Explanation of the material topic and its boundaries | 140 | 7,8,9 | |
| | 103-2 | The management approach and its components | 140 | | |
| | 103-3 | Evaluation of the management approach | 140, 153 | | |
| GRI 305: Emissions 2016 | | | | | |
| GRI 305: Emissions 2016 | 305-1 | Direct (Scope 1) greenhouse gas emissions (fuels) | 149 | 7,8 | |
| | 305-2 | Indirect (Scope 2) greenhouse gas emissions (electricity) | 149 | 7,8 | |
| | 305-3 | Ratio of other indirect (Scope 3) greenhouse gas emissions (flights) | 149 | 7,8 | |
| | 305-4 | Intensity of the organization's greenhouse gas emissions | 149 | 8 | |
| | 305-5 | Reduction of greenhouse gas emissions | 149-150 | 8,9 | |
| | 305-6 | Emissions of ozone-depleting substances | Not material to the organization | 7,8 | |
| | 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other air emissions by weight and type | Not material to the organization | 7,8 | |
| GRI 103: Management approach 2016 | | | | | |
| GRI 401: Employment 2016 | 103-1 | Explanation of the material topic and its boundaries | 106 | 1,2,6 | |
| | 103-2 | The management approach and its components | 106 | | |
| | 103-3 | Evaluation of the management approach | 106 | | |
| GRI 401: Employment 2016 | | | | | |
| GRI 401: Employment 2016 | 401-1 | Percentage of new employee hires and employee turnover in the organization | 111 | 6 | 5.1 8.5 8.6 10.3 |
| | 401-2 | Benefits that full-time employees receive that are not provided to temporary or part-time employees | 124 | There is no specific COP requirement | 3.2 5.4 8.5 |

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| GRI 401: Employment 2016 | 401-3 | Percentage of returns to work and retention rates of employees after parental leave | 116 | 1,2,6 | 1 5.4 8.5 |
| | GRI 103: Management approach 2016 | | | | |
| | GRI 402: Labor / Management Relations 2016 | 103-1 | Explanation of the material topic and its boundaries | 106 | There is no specific COP requirement |
| 103-2 | | The management approach and its components | 106 | | |
| 103-3 | | Evaluation of the management approach | 106 | | |
| GRI 402: Labor / Management Relations 2016 | | | | | |
| GRI 402: Labor / Management Relations 2016 | 402-1 | Minimum advance-notice periods regarding organizational changes | 116-117 | There is no specific COP requirement | 8.8 |
| | GRI 103: Management approach 2016 | | | | |
| | GRI 404: Training and Education 2016 | 103-1 | Explanation of the material topic and its boundaries | 128 | 6 |
| 103-2 | | The management approach and its components | 128 | | |
| 103-3 | | Evaluation of the management approach | 132 | | |
| GRI 404: Training and Education 2016 | | | | | |
| GRI 404: Training and Education 2016 | 404-1 | Average training hours per employee | 131 | 6 | 4.3 4.4 4.5 5.1 8.2 8.5 10.3 |
| | 404-2 | Programs for developing skills that support employees' employment capacity | 129-130, 131-132 | There is no specific COP requirement | 8.2 8.5 |
| | 404-3 | Percentage of employees who receive regular feedback on their performance and career development | 135 | 6 | 5.1 8.5 10.3 |

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| GRI 103: Management approach 2016 | | | | | |
| GRI 405: Diversity and Equal Opportunity 2016 | 103-1 | Explanation of the material topic and its boundaries | 118 | 6 | |
| | 103-2 | The management approach and its components | 118 | | |
| | 103-3 | Evaluation of the management approach | 118 | | |
| | GRI 405: Diversity and Equal Opportunity 2016 | | | | |
| | 405-1 | Board composition and employee composition (gender, age, minorities, education) | 120-122 | | 5.1 5.5 8.5 |
| | 405-2 | Processes to ensure gender diversity and prevent gender discrimination only (includes wages to men compared to wages to women) – the ratio of wages of women to men in all employee categories | 122-123 | | 5.1 8.5 10.3 |
| GRI 103: Management approach 2016 | | | | | |
| GRI 406: Non-Discrimination 2016 | 103-1 | Explanation of the material topic and its boundaries | 118 | 1,2,6 | |
| | 103-1 | The management approach and its components | 118 | | |
| | 103-3 | Evaluation of the management approach | 118 | | |
| | GRI 406: Non-Discrimination 2016 | | | | |
| 406-1 | Incidents of discrimination and the actions taken | 67, 121 | 6 | 5.1 8.8 16.b | |

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| GRI 103: Management approach 2016 | | | | | |
| GRI 412: Human Rights Assessment 2016 | 103-1 | Explanation of the material topic and its boundaries | 173 | 1,2 | |
| | 103-2 | The management approach and its components | 173 | | |
| | 103-3 | Evaluation of the management approach | 173 | | |
| | GRI 412: Human Rights Assessment 2016 | | | | |
| | 412-1 | Total number and percentage of the organization's operations that have been subject to human rights reviews or human rights impact assessments, by country of operations | 100-101, 173-174 | | |
| | 412-2 | Total number of hours during the reporting period devoted to training on the organization's human rights policies or procedures that are relevant to the organization's operations, and the percentage of employees trained in the organization's human rights policies and procedures | 156 | 1 | |
| 412-3 | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that were subject to human rights screening | 100-101 | 2 | | |
| GRI 103: Management approach 2016 | | | | | |
| GRI 413: Local Communities 2016 | 103-1 | Explanation of the material topic and its boundaries | 80 | 1 | |
| | 103-2 | The management approach and its components | 80 | | |
| | 103-3 | Evaluation of the management approach | 80, 54-60, 75, 94 | | |

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| GRI 413: Local Communities 2016 | | | | | |
| GRI 413: Local Communities 2016 | 413-1 | Percentage of operations in which the organization involves the local community, and in which the impact on the local community and/or activities implementing community development programs are assessed | 81-95 | 1 | |
| | 413-2 | Operations with significant actual or potential negative impacts on local communities | 141-148 | | 1.4 |
| | FS13 | Points of service to disadvantaged populations by region of operations | 46, 54-60 | There is no specific COP requirement | |
| | FS14 | Initiatives to make financial products accessible to disadvantaged populations | 54-60, 75 | | |
| GRI 103: Management approach 2016 | | | | | |
| | 103-1 | Explanation of the material topic and its boundaries | 68 | | |
| | 103-2 | The management approach and its components | 68 | | |
| | 103-3 | Evaluation of the management approach | 68 | | |
| GRI 417: Marketing and Labeling 2016 | | | | | |
| GRI 417: Marketing and Labeling 2016 | 417-1 | The Bank's commitment to publish full and fair information about all of the Bank's products and services | 68-70 | There is no specific COP requirement | |
| | 417-2 | Total number of incidents of noncompliance with regulations and/or voluntary codes concerning product and service information and labeling, by these incidents' outcome categories | 70 | | 16.3 |
| | 417-3 | Total number of incidents of noncompliance with regulations and voluntary codes regarding marketing communications | 70 | | 16.3 |

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| GRI 417: Marketing and Labeling 2016 | FS15 | Policy for product planning and for sales of fair financial products and services | 57-58, 68-70 | There is no specific COP requirement | |
| | FS16 | Description of initiatives relating to advancing the financial education of the Bank's customers and the general public | 39, 45, 75, 84, 94 | | |
| GRI 103: Management approach 2016 | | | | | |
| GRI 418: Customer Privacy 2016 | 103-1 | Explanation of the material topic and its boundaries | 186 | There is no specific COP requirement | |
| | 103-2 | The management approach and its components | 186 | | |
| | 103-3 | valuation of the management approach | 186 | | |
| GRI 418: Customer Privacy 2016 | | | | | |
| | 418-1 | Substantiated complaints concerning breaches of customer privacy or losses of customer data | 191 | | |
| GRI 103: Management approach 2016 | | | | | |
| GRI 419: Socio Economic Compliance 2016 | 103-1 | Explanation of the material topic and its boundaries | 176 | There is no specific COP requirement | |
| | 103-2 | The management approach and its components | 176 | | |
| | 103-3 | Evaluation of the management approach | 176 | | |
| GRI 419: Socio Economic Compliance 2016 | | | | | |
| | 419-1 | The financial value of significant fines and nonfinancial sanctions in respect of noncompliance with laws and regulations | 176 | There is no specific COP requirement | 16.3 |

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| (Sector supplement) Product Profile 2016 | GRI 103: Management approach 2016 | | | | | |
| | 103-1 | Explanation of the material topic and its boundaries | 71 | There is no specific COP requirement | | |
| | 103-2 | The management approach and its components | 71 | | | |
| | 103-3 | Evaluation of the management approach | 71 | | | |
| | Product Profile (Sector supplement) 2016 | | | | | |
| | FS6 | The value of the portfolio of products and services that the organization provides | 8-9, 14, 71-73 | | 9 | |
| | FS7 | The value of products designed to promote social objectives | 72-73 | | | |
| | FS8 | The value of products designed to promote environmental objectives | 71-72 | | | |
| | (Sector supplement) Audit 2016 | GRI 103: Management approach 2016 | | | | |
| | | 103-1 | Explanation of the material topic and its boundaries | 192, 198 | There is no specific COP requirement | |
| 103-2 | | The management approach and its components | 192, 198 | | | |
| 103-3 | | Evaluation of the management approach | 192, 198 | | | |
| Audit (Sector supplement) 2016 | | | | | | |
| FS9 | | Volume and frequency of the audits of the implementation of the social-environmental policy and social-environmental risk-management processes | 162-166 | | | |