



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

Summary



MIZRAHI TEFAHOT

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 Officer

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

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Social

Percentage of employees recruited from under-employed demographics

13%

Average training hours per employee

40.5

Credit to environmental products (ILS in millions)

2,025

Credit to micro and small businesses (ILS in billions)

30

Amount of employee volunteer hours

20,200

Percentage of employees at the Bank from underemployed populations¹

15%

Number of Group employees

7,646

Percentage of women in the Bank's management

42%

Credit to households – housing loans (ILS in billions)

174

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

3.6

Percentage of local procurement

97%

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

68%

Investment in training for employees (ILS in millions)

57.4

Number of branches for the Group²

225

Percentage of women among all employees

64%

Credit to social products (ILS in millions)

1,087

Investing in the community (ILS in millions)

17.2

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



The Bank's ESG performance in 2021¹

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

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.

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.



Partnership in corporate social responsibility initiatives and ratings

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



Maala's ESG index

This year too, Mizrahi-Tefahot Bank received Maala's highest rating – "Platinum Plus" – in the Maala Index for Corporate Social Responsibility. This 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

Mizrahi-Tefahot Bank reports its greenhouse gas emissions to the Ministry of Environmental Protection and to the Manufacturers' Association of Israel, with the aim of forming a policy for dealing with climate change in Israel. The Bank issues an annual comprehensive report of its greenhouse gas emissions, including its examination and identification of potential energy savings and resource savings.



Global Compact

Mizrahi-Tefahot Group joined the United Nations Global Compact Initiative in 2015, based on its commitment to further promote corporate social responsibility in the Group and in the financial sector. The group supports the ten principles of the Initiative and works to promote them, and the Bank reports on its progress in the implementation of these principles.



UN Sustainable Development Goals (SDGs)

In September 2015, the State of Israel, along with 192 UN member states, adopted a resolution to participate in the effort to achieve the 17 Sustainable Development Goals (or SDGs) and the realization of 169 global secondary goals by 2030. Mizrahi-Tefahot Group promotes these SDGs through its business and social activity.



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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MSCI
ESG RATINGS
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Key goals for 2022 promoting achievement of SDGs^{1,2}

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.



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.
 2. All of the Bank's goals for 2022 in the various operating segments, as well as links to the relevant SDGs, appear in full at the end of each chapter in the ESG report.

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.

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



“To advance while remaining human”

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

- Bank Mizrahi-Tefahot's concept of service advocates personal and human banking supported by advanced digital technology. The service experience optimally combines human and digital channels, according to the customer's choice and needs. 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 all with fair treatment, providing efficient service, listening and understanding, initiative, transparency and reciprocity.
- To enhance the customer service experience and provide a quality and optimal service, Bank Mizrahi-Tefahot develops products that address the various needs of customers and the changing technological reality, while encouraging and adopting innovation in all of its areas of activity.

- The 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.
- The Bank sees great importance in the quality of service and works to provide personal and optimal service to all its customers. Customer satisfaction is the Bank’s measure of success. Therefore, the Bank is committed to fair treatment of customers, to creating a variety of channels for receiving services, and to developing banking products suitable for diverse populations.

Ranked 1st in mortgages

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 Ministry of Economy's Banking Index for Small and Medium-Sized Businesses

Bank Mizrahi-Tefahot leads the Ministry of Economy's Banking for Small and Medium-Sized Businesses' Index for the second year in a row.

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

- For the fourth consecutive year, Bank Mizrahi-Tefahot ranked first in this indicator: the ratio between its share of complaints and inquiries handled by the Banking Supervision Department and its share in 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.



Products and services in a variety of service channels

Broad distribution of branches

The main role of the Bank's branches is to provide quality and professional service to customers in all of the banking areas of activity close to the location where the service is required (residence or business).

225
Service locations

261
Self-service stations

293
ATMs

Services for all customers

Banking and finance

The range of banking services offered to all customers, including current account management, provision of credit and guarantees of all kinds, receipt of deposits, loans and more.

The capital market and investment advice

Mizrahi-Tefahot provides financial and pension advisory services tailored to the customer's needs by certified advisors and also operates activities in securities for customers on stock exchanges in Israel and around the world.

Our services are also available digitally

In addition to the bankers at the branches, there are digital channels, such as banking call centers, dedicated websites, apps, social media, conferences and workshops.

The Bank website

The Bank website is technologically, functionally and professionally advanced and it is the Bank's showcase that caters to the Bank's customers and to those who are interested in joining the bank.

Apps

The app lets the customer manage the account from their cell phone from anywhere, get information and perform a variety of operations without going to the branch or using the computer.

Tefahot's experts are the ones to go to for a mortgage

As Israel's largest and leading mortgage bank, it provides financial solutions suited to its customers and the Israeli public that will enable a balance between the customers' needs and their short- and long-term financial capabilities.

Digital mortgage

Allows customers interested in a mortgage to submit an application for approval in principle on the Bank's website.

Tefahot app

An app that helps customers in the various stages of managing the relationship with the banker until execution of the mortgage

Promoting financial literacy regarding mortgages

The Bank offers various activities and lectures on many financial topics for customers of all banks.

Services for business customers

The Bank has created an extensive professional infrastructure for the business sector and developed tools and customized products with added value for business clients.

High-tech

The bank offers services to high-tech business customers (including start-ups) through the High-Tech Department.

Loans to small and medium businesses

The Bank provides loans to small and medium businesses as part of State-guaranteed funds.

Construction and real estate

The Bank also offers various types of credit tailored to the financing needs required for the business activity of construction and real estate companies

Catering to a wide variety of populations



Understanding that different populations have different needs and different social and cultural characteristics, the Bank has developed unique financial solutions tailored to these populations. 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. In addition, the Bank also cares for customers with disabilities or those belonging to underprivileged populations and finds solutions that will also promote these populations.

Jewish Orthodox sector

The Bank deepens its relationship with the ultra-Orthodox sector by expanding its activities in existing branches and addressing the ultra-Orthodox community in a targeted manner through dedicated communication channels by adapting the language and marketing messages.

Financing of residential complexes

The Bank creates collaborations to finance residential complexes designated for the ultra-Orthodox community.

Unique products

Dowry loans, determination of income taking into account scholarships received from "Kollel" studies, adjustment of the payment schedule to current and future ability.

"Let's meet at Mizrahi-Tefahot"

Meetings and lectures tailored to the needs of the ultra-Orthodox population.

The Arab sector

To better understand the needs of clients and to bolster the connection with them, the Bank conducts meetings on various subjects throughout the year with customers from the Arab sector.

Dedicated branches in Arab localities

The Bank has branches in Arab localities where all the services can be received, including mortgages.

Rural mortgage

Provides a solution to the unique needs of apartment buyers the Arab sector.

"Let's meet at Mizrahi-Tefahot"

Meetings and lectures tailored to the Arab sector on many financial issues.

Senior citizens

The Bank has chosen to deepen its connection with the senior citizen population by adapting products unique to this population and by accompanying everything related to the transition to the digital world.

• Digital banking empowerment for senior citizens

The Bank has produced instruction booklets on "The Easy Way to Digital Banking".

• Pension mortgage

The bank has developed a product that enables financing of current financial plans or financing of a large one-time expense while retaining ownership of the property by the borrowers.

• Voluntary Convention

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.

• "Sixties Get-together" activity

A series of meetings and lectures designed for senior citizens.

Promoting under-privileged populations

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.

• 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. Assistance is provided directly and through entities working 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 accessibility for persons with disabilities

The Mizrahi-Tefahot Group believes in providing equal service to all customers, and allows anyone interested to become a customer of the Group, while adapting and meeting the individual needs of each and every customer, including for persons with disabilities.

• Making facilities physically accessible

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.

• Making banking services accessible

The Group acts to make banking services accessible, in conformity with the Equal Rights to Disabled Persons Act.

• Training employees to promote accessible service

The Bank conducts annual training for its employees regarding accessibility in order to refine the Bank's accessibility services and provide proper service to all customers, including those with disabilities



Promotion of shared value



Mizrahi-Tefahot Bank strives to generate social and environmental value, as part of its business operations 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.

Total credit approved in 2021 for environmental projects amounted to approx.

ILS 2,025 million The financed projects promote energy and cogeneration sources, public transportation clusters and electric vehicle financing.

In 2021, the Bank provided the amount of approx.

ILS 1,087 million to the promotion of social causes

As part of the promotion of businesses, the Bank provided credit to small businesses through the “DaromaTzafona” Fund, the fund guaranteed by the State for small and medium-sized businesses that was established in the Corona period. In addition, the Bank provided credit to high-tech companies that promote social issues.

The Bank is also an anchor investor in a social bond issued to finance the “Mathematics in Rahat” project, and provides loans in cooperation with the “IVN Initiative” Fund, which is focused on development, investment and support of social businesses.

ESG investments – Mizrahi-Tefahot INVEST

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 and takes into account environmental considerations such as environmental and industrial pollution, impact on global warming, damage to animals, plants and more.

The inclusion of ESG issues in consulting

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.

Financial education

As one of the largest 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. Financial education is conveyed to the general public through lectures, information appearing on the Bank's website, designated conferences, financial support and consulting for businesses and more.

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

The Bank's social strategy combines innovation, compassion and entrepreneurship to promote a more humane community. In 2021, the Group's social investments totalled ILS 17.2 million.

Social-business initiatives

The 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.

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 diverse populations: children and youth, underprivileged populations, and social organizations.

Initiatives by children, teens and students

The Bank places an emphasis on initiatives where investing will have a significant favorable impact on Israeli society and especially on the next generation.

"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.

Out of 430 proposals submitted in 2021, the Bank selected 61 projects to support.

"Initiatives in the community" – employee involvement

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

Community activity throughout the country

The Bank's employees take part in various community activities and volunteer at after-school child-care facilities and schools near the branch or the headquarter units through the "Adoptive Units" project.

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

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

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

54% of the Group's total **volunteer hours** in 2021, were during work hours.

Promoting education and society

The bank sees great importance in making contact with the community around it and not just in the financial aspect, and also promotes the issue of education and society as well as bolstering its connections with local communities.

"Let's meet at Mizrahi-Tefahot"

As part of the project, a wide range of activities are being offered at Bank branches and are adapted to various populations by leading lecturers in their fields. During 2021, 137 activities were held with the participation of about 15,000 people.

Reinforcing Israel's economy through responsible supply chain management



Mizrahi-Tefahot Group is a major player with 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.

97% are local Israeli suppliers

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 of the Bank's suppliers are Israeli.

68% of suppliers are micro and small businesses

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 of the Bank's suppliers are Israeli.

41% of total purchasing is paid to small and micro businesses

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.

19% of the businesses are in outlying regions

When purchasing for branches, the Bank selects local suppliers from a nearby geographical area.

Conference on Business Opportunities

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.

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

Diversity, equality and avoiding discrimination in employment



Bank Mizrahi-Tefahot believes that promoting diversity and equality in the workplace generates social and economic value for the Bank and for its employees. Hiring employees from diverse population groups even helps the Bank's customers receive service by recognizing their unique needs and providing them with appropriate solutions. The Bank regularly promotes equal opportunity in the work place with the recognition of the great importance of the value of equality.

Gender equality

As of 2021, the Group had 4,905 female employees, or 64% of all Group employees.

Approx. **51%** of all managers are women.

57% of all employees promoted to a managerial position were women.

Employee diversity¹

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

7.2% of all branch managers at the Bank are from the Arab sector.

13.5% of Arab sector employees are managers.

18% of Ultra-Orthodox sector employees are managers.

13% of all employees absorbed by Mizrahi-Tefahot Bank, 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.

19% of all intake at the call centers is Ultra-Orthodox.

1. 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 and according to a 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.



Development, guidance and care for employee well-being

Bank Mizrahi-Tefahot continues to grow and to lead in business excellence. The Bank regards all of its employees and managers as a key component for achieving its business strategy and growth objectives for operations and profitability. 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's management is committed to providing employees with a suitable and responsible work environment. In addition, the Bank also promotes the well-being of employees in their personal lives after work hours.

Employees' benefits

The Group acts to promote employee welfare at the Bank as well as assist in their personal lives in a variety of ways: employee benefits, work-life balance and caring for retiring 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 events in the lives of employees and their families, as well as organizing various events and activities with the participation of the employees' family members.

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.

Staff training and development

The training program includes a variety of courses, training and general interest lectures for employees and managers, both on professional topics and on general topics for expanding their knowledge and for acquiring various personal skills. In 2021:

42,960 training days

were invested¹
The cost invested in training for employees amounted to

ILS 57.4 million.

An average of 41 training hours

per employee.

26% of the employees

who received financing for academic studies were promoted to managerial positions.

100% of the Bank's employees

received feedback regarding their work and performance in a personal discussion or meeting.

95% of the managers

participated in managerial training as part of an "Executive Gym".

240 thousand hours

of instruction on compliance, regulation and risk management.

1. training day = 9 academic hours

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



The Bank 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 its value chain. The Bank strives to minimize the negative impact of its operations, to protect and even improve the environment in which the Bank operates. To this end, the Bank works to reduce material consumption, promote energy efficiency and manage environmental risks.

The Group manages and measures its environmental footprint and takes steps to improve energy efficiency, and as part of its ambition to reduce climate change, the Group makes sure to measure greenhouse gas emissions. The data on the carbon footprint (CO₂eq tons) of the Group show that the downward trend in the intensity of the carbon footprint continues per sq.m. and per employee due to the energy efficiency measures taken by the Bank.

Approx. **502 tons of carbon dioxide** were saved due to all the Bank's initiatives to reduce energy consumption, by reducing travel and replacing old energy-consuming systems.

4% reduction in energy intensity per employee (GJ/employee).

3.8% reduction in energy intensity persq.m. (GJ/sq.m.).

4.5% reduction in paper consumption.

23.6 million pages were saved due to the "Paperless Bank" project.

Reduction of paper use
by **33 tons** as a result of operations and projects initiated by the Group.

112 tons of carbon dioxide were saved due to the reduction in paper consumption.

7.85% reduction in the carbon footprint.



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**

The Group's commitment to accountable conduct



Being a leading financial institution in Israel, the Bank strictly maintains responsible conduct and disseminates across the 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.

Code of Ethics

The Bank's Code of Ethics includes core values for its activities, and is implemented throughout the organization through various assimilation and training activities. All Bank employees sign the Code of Ethics and participate throughout the year in many activities to assimilate and become familiar with the values of the Bank's Code of Ethics.

Bank values which guide its operations:

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

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 issue is a cornerstone and one of the values in the Bank's activity.

Information security and keeping information confidential

The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its clients. The Bank's privacy policy anchors the Bank management's commitment to ensure the availability, confidentiality, integrity and reliability of the information assets and the information systems of the Bank and its customers, with emphasis on protecting the privacy of customers' information and banking confidentiality using an advanced and extensive IT security system.

Management of ESG risks – environmental, social and governance risk

The Bank considers environmental issues to be a value that is an integral part of its corporate responsibility and recognizes the connection between environmental issues and its financial success. The objective of the environmental risk management framework is to identify, measure, assess, and manage environmental risk when providing services and products to the Bank's clients, such as: providing credit, performing investments, and more, and to supervise and report such risk.