

2023 Environmental, Social and Governance Report



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A message from the Chairman and from the President & CEO

2023 was one of the toughest, most complicated years that Israel has known since it was founded. The Swords of Iron War, which was forced upon us by the surprise attack on October 7, and prior to that, the strong internal strife on judicial reform legislation, created significant challenges at the individual, social and national levels. Since the war started, Bank Mizrahi Tefahot has been taking part in the nation–wide effort, through charitable donations and extensive banking benefits beyond those stipulated in the Bank of Israel outline, in order to help those directly or indirectly affected by the events. Benefits have covered a range of areas, including mortgages, current accounts and business accounts, with a focus on households and businesses in the North and South, as well as business owners on military reserve duty. The Bank has also decided to adopt the city of Sderot and Kibbutz Kfar Aza, taking part in activities designed for recovery and returning life there to normal.

Concurrently, hundreds of Bank employees took part in many volunteer activities to provide support for those evacuated from their homes, families of those serving in military reserves and wounded soldiers recovering in hospitals.

Along with the actions taken, in order to ensure continuity of customer service nationwide, the Bank took steps intended for employees called up for military reserve duty and for other employees affected by the war. The Bank was in constant contact with them and supported them and their families during these difficult times.

On the economic side, in 2023 the economy saw significant changes in interest rates. After a decade of near-zero real interest rates, in 2022 we saw the start of an upward trend in market interest rates, reaching a record of 4.75% in May 2023. Since then, the interest rate decreased by 0.25% in early 2024, down to 4.50%.

The sharp increase in interest rates within one year posed a challenge to many customers, households and businesses, who saw their financing costs rise significantly. This was in addition to facing the higher cost of living and the uncertainty due to the security condition since the start of the fourth quarter of this year.

Wishing to help customers address this complex reality, the Bank took proactive consumeroriented steps during the year with its current mortgage customers, so as to ensure that they are able to cope with the sharply higher loan repayments due to the higher interest rate in the market. For those in need of assistance, the Bank provided a range of customized solutions to help them cope with their mortgage payments over time. Financial statements issued by the Bank in March indicate record results achieved in 2023 – the Bank's 100th anniversary. The progress achieved by the Bank since it was established is highly impressive and a source of inspiration. From a small, sector-specific bank, Mizrahi Tefahot has become the third largest bank in Israel and a key factor in the development of Israel's economy, since then and to this day. The Bank's achievements are a badge of honor worn by employees and managers, past and present, who have led the Bank over the years with dedication and resolution, and each and every one of them is deserving of recognition and deep respect for their contribution to the Bank's success. "People first" is not an empty advertising slogan, but rather a distinct, structured life concept, which the Bank embodies both towards our outstanding employees and towards our customers and other stakeholders.

This year, we issued our first climate report (TCFD¹) for 2022. This report includes an update for 2023, presenting the Bank's preparations for addressing climate change, which entail significant risks and rewards and are incorporated into core Bank operations. Our measurement and reporting reflect the Bank's commitment to the global effort, and in particular to that of the financial sector, to reduce the impact on climate change and to bolster the Bank's financial resilience over the short, medium and long terms due to such change. In 2023, the Bank extended green finance amounting to NIS 6.7 billion. This is significantly higher than in the previous year.

We are proud to be rated Platinum Plus, the highest rating on the Ma'ala scale, measuring the corporate social responsibility of the organizations in Israel. We will also 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 will continue to promote achievement of the UN Social Development Goals (SDG) across our operations.

Bank Mizrahi Tefahot yearns for the quick return of all hostages and soldiers, for the full recovery of all those wounded and sends our condolences to the bereaved families.

Sincerely yours,

Moshe Vidman	Moshe Lari
Chairman of the Board of Directors	Bank President & CEO

^{1.} Task Force on Climate-related Financial Disclosures

ESG at Mizrahi Tefahot Group

Following last year's events, the importance of accountable ESG management has increased as part of the core business strategy at Bank Mizrahi Tefahot. As soon as the Swords of Iron War started on October 7, 2023, the Bank immediately committed to provide assistance and support through multiple activities and projects.

A strategy was formed, consisting of three areas of activity: activity for the community, providing banking consumer relief and support for businesses. This was achieved through collaboration and dialogue with various stakeholders, as part of the Bank's commitment to maintain extended discussion with all stakeholders, to listen to their needs and to the issues they bring forward.

In the social sphere, the Bank has invested significant resources in the past year to benefit society in Israel, both as part of the bank's social strategy in routine days and in order to respond to needs that arose due to the war. Being a Bank that sets humanity as a core value, activity for the community during the war was characterized by a spirit of volunteering and solidarity from management and employees. The bank's employees who volunteer and donate throughout the year showed even greater involvement during the war, in the bank's volunteering initiatives and independently.

The Group significantly increased its monetary investment in the community from the previous year. Other than monetary donations, projects for the community and employee volunteering, we also adopted Sderot and Kfar Aza and provided assistance to residents in the South and North border areas. Estimated charitable donations and assistance is valued at NIS 70 million. As part of the Bank's ESG vision, in the previous year the Bank set out strategic objectives for 2030. This year, the Bank acted to achieve these objectives through custom projects and programs, and the current report presents the progress made on achieving them, designed to promote a green environment, gender equality and diverse employment.

In promoting the climate area, this year the Bank focused on preparing for the implementation of Proper Conduct of Banking Business Directive 345 by the Supervisor of Banks, which sets forth principles for effective management of climate-related financial risk, and on publishing the climate report and measuring of financed emissions for 2023. This year, we continued our discussion with local and global ESG rating entities, to reflect the Bank's ESG-related activity. We are happy to note that due to extensive ESG-related activity at the Bank, material progress is evident, and the Bank's rating by the leading rating entity, Sustainalytics, has significantly improved from the previous year. The Bank's risk rating fell to Low, reflecting the important activity which Bank Mizrahi Tefahot has been consistently applying to promote ESG.

In the coming years, the Bank will continue to lead in business excellence that brings value to society and the environment, and will continue to promote ESG aspects in its operations.

Sincerely yours,

Meital Haroush Manager, Human Capital and Resources Division Yael Zaig Manager, Organizational Development and Sustainability





Summary of the Bank's ESG Performance in 2023



Environmental

Mizrahi Tefahot Group sees great importance in the management of environmental aspects related to its operations, including preparing for climate change and promoting environmental initiatives.

This is to be done with responsible resource consumption and management of environmental performance, management of climate- and environment-related risks and opportunities, and supporting customers in the transition to a lowcarbon economy, such as by promoting and financing environmental credit.



Social

Mizrahi Tefahot Group is acting responsibly towards customers, employees and communities in which the Bank is involved and which it impacts. This responsibility is part of the Bank's concept regarding integration of innovation and humanity.

Equal, diverse work environment to promote personal and professional growth

Percentage of female Bank executives	Average training hours per employee	Number of Group employees
46%	43	7,256
		Percentage of Bank employees
Percentage of female Bank	Investment in training for	from under-employed
employees in STEM ² roles	employees (NIS in millions))	demographics ³
38%	77.5	19%



Governance

Mizrahi Tefahot Group maintains responsible conduct. The Group complies with statutory provisions and applies proper corporate governance. The Bank adheres to ethical conduct by employees and acts to prevent corruption.

Leadership in fairness and ethical conduct

Bank Mizrahi Tefahot leads in perceived fairness to customers⁴

Training hours delivered to employees on compliance and signed on to the Code of Ethics prevention of corruption

90.890

1. Based on generally accepted global practice, the Bank measures green financing provided by actual credit amount utilized by customers to promote environmental causes (on-balance sheet credit).

2. Science, Technology, Engineering, Mathematics. Employees in STEM roles apply their knowledge in science, technology, engineering or mathematics in their daily duties.

3. Estimated in conformity with the definition of the Equal Employment Opportunity Commissioner in the Ministry of Economics and Industry, for recruitment of employees from under-employed demographics.



Preparing for the transition to low-carbon economy

Financing for environmental issues (NIS in millions)¹

6.718

Reducing environmental impact Emissions saved due to

environmental initiatives

Savings due to all Bank initiatives to reduce energy consumption (CO₂eq tons)

324

of the Bank (CO₂eq tons) **450**

Change in overall carbon footprint (CO₂eq tons, Location Based) over the previous year (1.8%)

Quality of service provided to customers Ranked first Ranked first

in satisfaction, personal attention to customers, professional skills and availability according to the Bank of Israel survey⁵

206

Number of branches for the Group

for excellence in service and customer experience, for the service concept "Making progress while remaining human" and for

the Tefahot Touch app.

in competition hosted by the

Israeli Management Center ("MIL")

Supporting society in outlying areas

Lending for social products and for development of society in outlying areas (NIS in million))

9.093

Impacting the community

Small and micro suppliers as percentage of all Group suppliers community (NIS in millions)

69%

Investment in the 40.8

Employee volunteer work hours

44.000

Financial data and business excellence Retained economic value⁶

Provision for taxes (NIS in millions)

2,669

Dividend distribution (NIS in millions)

1,390.2

5.152

(NIS in millions)

Pre-tax profit (NIS in millions)

7.748

Net profit (NIS in millions)

4.910

Operating expenses (NIS in millions)

5.569

Group revenues (NIS in millions)

14.780

4. According to a Bank of Israel survey on customer satisfaction among households with quality of service provided by banks in 2023, published in March 2024, which also reviewed the perception of fairness among customers.

5. According to a Bank of Israel survey on customer satisfaction among households and business owners with guality of service provided by banks for 2023 (issued March 2024)

6. Difference between Group revenues and operating expenses, provision for taxes and dividends.



Bank employees who have

100%

The Bank's Key ESG Objectives

Having subscribed to social, environmental and ethical values, in 2022 the Bank set out long-term objectives in these areas. These objectives are derived from the Bank's strategic plan. The objectives will help the Bank and its customers in the transition to a low-carbon economy, through sustainable financing and investments, with responsible management of climate opportunities and risk and promotion of Israel's climate objectives. As of 2023, significant material progress in achieving these objectives has been made:

Environmental



Objectives for 2030

0

The balance of financing and investment in projects that promote a green environment to be NIS 10 billion



Progress status – performance in 2023

Objectives for 2030

The Bank will invest resources and will develop green financial products to promote green environmental projects. 0% 25%

Progress status – performance in 2023

billion

In 2023, a new track named "Sustainable Energy" was established in the State-backed loan fund for small and medium businesses. This track is designed for investment in objectives and projects that reduce negative environmental impact and promote improved energy efficiency.

100%

billion

Objectives for 2030

Reduce the operating carbon footprint and emission intensity by 40% by 2030, compared to 2020 (base year).

8.9%

Progress status – performance in 2023

Reduce total carbon footprint by 8.9% and reduce carbon footprint intensity (location based) by 8%.

40%

Objectives for 2030

Reduction to zero exposure in the nostro portfolio to coal mining and new oil drilling by 2030. Moreover, the Bank would not participate in IPOs of assets that create exposure to these sectors.

Progress status – performance in 2023

The bank is developing a plan to reduce exposure to these sectors.

19% 20%



Objectives for 2030

Promote employment diversity by increasing hiring of employees from under-employed demographics to 20%.

Progress status – performance in 2023

Out of all Bank employees, employees from under-employed demographics account for 19%, and this year, 25% of all employees recruited were from such demographics.

0%

Governance

Objectives for 2030

| Progr

Increase female representation on the Board of Directors to 30% or higher by 2026. Progress status – performance in 2023 In 2023, female representation on the Board

of Directors was at 20%.

0%



Mizrahi Tefahot Group



Bank Mizrahi Tefahot Ltd. ("the Bank") is a public company and one of the first banks to be established in Israel. The Bank was incorporated on June 6, 1923 under the name Bank HaMizrahi Ltd.

Mizrahi Tefahot Group also includes Bank Yahav for Government Employees Ltd. (with the Bank holding 50% of all rights and means of control over Bank Yahav since 2008). The Bank's Board of Directors is headed by Mr. Moshe Vidman and the Bank's President & CEO is Mr. Moshe Lari. In February 2024, the Bank's Board of Directors approved the appointment of Mr. Avi Zeldman to be Chairman of the Board of Directors, effective as of June 16, 2024, at the end of Moshe Vidman's term of office.¹

Group and Bank Operations

The Bank Group is ranked third among the top banking groups in Israel, with operations in Israel and overseas. The Group is engaged in commercial banking (business and retail) as well as mortgage activities in Israel, through a network of 206 branches, business centers and affiliates nation–wide. Furthermore, business customers are supported by business centers and professional departments at the Bank's headquarters, which specialize by sector. As of the end of 2023, the Bank's overseas operations are conducted via two bank affiliates (UK and USA).

Customers in Various Supervisory Operating Segments

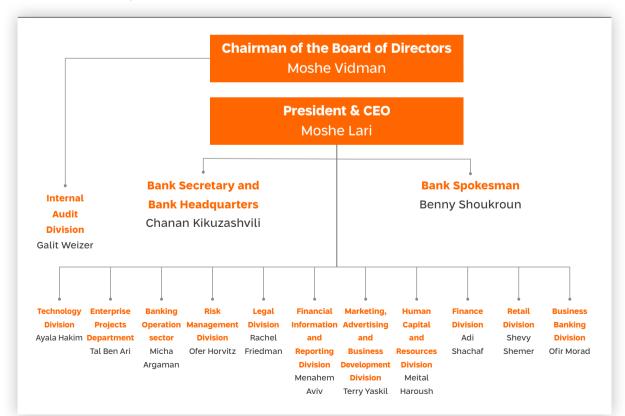
The Group serves customers in different operating segments, in conformity with the definitions of the Supervisor of Banks. Attribution to operating segments is usually determined according to customer turnover (annual sales or revenues).

The supervisory operating segments are as follows:

- Households individuals, other than private banking customers
- **Private banking** individuals who manage a financial asset portfolio in excess of NIS 3 million at the Bank
- Small and micro businesses businesses with turnover amounting up to NIS 50 million.
- Medium businesses businesses with turnover amounting from NIS 50 million to NIS 250 million.
- Large businesses businesses with turnover higher than NIS 250 million.
- Institutional entities Provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members who manage customer 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.

Organizational Structure

The Bank's organizational structure as of December 31, 2023 is as follows:

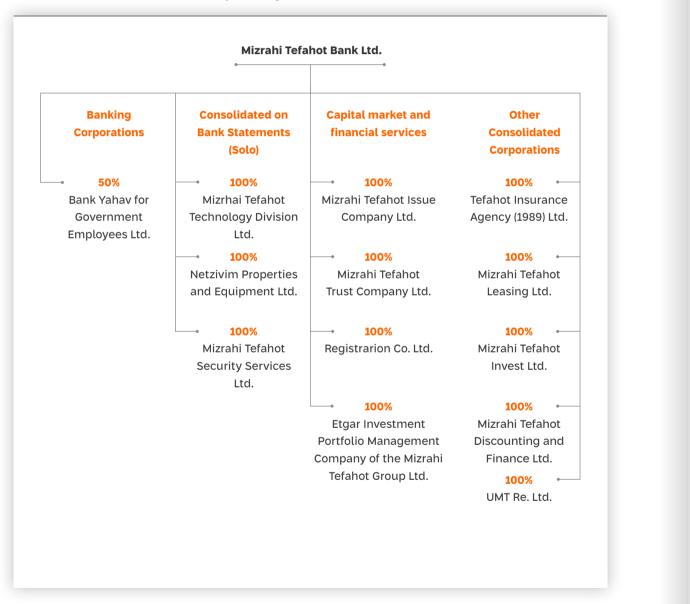


^{1.} For more information see the Bank's reports dated February 12, 2024 (reference no. 2024–01–015285) and dated April 10, 2024 (reference no. 2024–01–036214).

Holding and Control Structure¹

As of December 31, 2023, the Bank's controlling shareholders are Wertheim Group, holding 20.3% of the capital and voting rights, and Ofer Group, holding 21.1% of the capital and voting rights. Further information on the holding and control structure can be found in the chapter on "Controlling Shareholders" (under "Corporate governance") in the Group's 2023 financial statements.

Key holding structure of the Bank





Bank Activity in Light of the War and Impact Thereof

On October 7, 2023, the Government of Israel declared the Swords of Iron War, following a sudden murderous rampage into Israeli settlements close to the Gaza border. This was concurrent with the start of military escalation on the northern border. As the war broke out, the Bank continued its operations and prepared to provide service to its customers, including in war–affected zones, insofar as possible. The Bank took action to ensure continuity and availability of service to customers, proving its stability and business continuity, along with taking a significant part in responding to the current challenges faced by Israeli society. This was alongside actions and initiatives with economic and social impacts.

Humanity is the unique Bank Mizrahi Tefahot mark, and a core value of our customer and enterprise experience. In the Swords of Iron War, the Bank saw people, first and foremost. From this strategic concept, the Bank formulated three key action lines for impact and support: action for the community, providing banking relief to consumers, and service and support for businesses.

Total charitable donations allocated by the Bank for the adoption of Sderot and Kfar Aza and other activities to benefit residents of the Gaza border and northern border areas are

estimated at NIS **70** million.

The estimated value of relief and banking benefits extended to all Bank Group customers, beyond the charitable donation amount,

is NIS **531** million (including banking relief and benefits provided to residents of Sderot and Kfar Aza).¹

14 _____ — ____

^{1.} The Bank has holdings in other companies which are not material for Bank business. Further information about investees and investments therein can be found in Note 15 to the Group's 2023 financial statements.

^{1.} As of December 31, 2023, assuming full utilization of all benefits offered to the relevant population.



Customers

In order to help Bank customers get through this challenging period, the Bank decided in October 2023 to offer a range of solutions to provide assistance and relief to Bank customers, substantially larger than the basis set by the Supervisor of Banks. The benefits and relief for customers continued even after October and throughout the war. These include:

- Automatic waiver of mortgage payments for several months for residents of the Gaza border area, and additional option to freeze mortgage payments for several months, with no interest or linkage and at no cost.
- A freeze on mortgage payments, free of interest, linkage and fees, for six months (a further three months beyond the Bank of Israel outline) was offered to Bank customers residing in the northern region who have been evacuated from their homes by order of the Government.
- A freeze on mortgage payments for up to 12 months, and on other loan payments for up to three months, was offered to all Bank customers.
- Waiver of interest payable on debit balances of up to NIS 10,000 for individual customers residing in the Gaza border area or in the northern border region, or those affected by the war or relatives thereof.
- Waiver of fees for three months, for individual and small business customers who are residents of the Gaza border region or the northern border region, serving in the military reserve forces or those affected by the war or relatives thereof.
- Increase of checking account facilities for individual customers at Bank branches in the southern region, up to NIS 30,000.
- Loans to help customers facing liquidity issues due to the war: Loans to individual customers up to NIS 25,000 and loans to business owners, up to NIS 50,000, free of interest and linkage, for a term of up to one year.
- Bridging loan for customers whose cars were impacted: financing of up to 100% LTV, free of interest and fees, for three months to bridge the period until they receive compensation from the Government property tax fund.
- Option to withdraw from term deposits, up to NIS 100,000, at no cost for residents of the conflict zones in the south and in the north.
- Bonus of up to NIS 20,000 to business customers in the Gaza border region and in towns close to the northern border.
- Loans to business customers through diverse funds and State-guaranteed loans.



Community

As the war broke out, the Bank took part in the national endeavor and announced the allocation of funds for charitable donations and assistance to civilians affected by the war. The Bank also provided extensive charitable donations to rescue and healthcare organizations, to IDF soldiers and to security forces, to help them in their wartime activity. Bank employees also volunteered to help in various areas.



Adoption of Sderot and Kfar Aza - Immediately after the war

broke out, the Bank announced its decision to adopt Sderot and Kfar Aza, providing a solution to the needs of these towns and the residents thereof over the immediate, medium and long term, especially in areas where the Government is not involved. Bank management visited the evacuees as early as the first week of the war, offering the extensive support available from the Bank. Bank teams have met with relevant parties in these two towns to jointly map out the needs and projects in which the Bank would take part, and have started providing funds for financing them. Concurrently, a program has been put in place to provide a solution for matters to be addressed in later stages. Total amounts allocated by the Bank for charitable donations, for the adoption of Sderot and Kfar Aza and for other activities to benefit residents of the Gaza border and northern border areas is estimated at NIS 70 million.

Charitable donations – Immediately upon the outbreak of war, the Bank provided significant monetary donations to fund the purchase of equipment, food and urgent needs for those residents adjacent to the Gaza Strip, of soldiers and of volunteers.

Employee volunteer work and activity for the community – During the war, the Bank significantly expanded employee volunteer work. For this purpose, the Bank mapped and identified organizations, NGOs, initiatives and farmers who required volunteers during the war. Some 2,000 Bank employees volunteered during the war on diverse volunteer activities: helping evacuees, helping farmers, packing food and medications, painting bomb raid shelters, supporting soldiers and visiting the wounded. The total time dedicated to these activities was 6,500 hours of volunteer work.¹ Furthermore, the volunteer venture "Back to life" was established – adopting those wounded in the Swords of Iron War throughout their recuperation and recovery period, assisted by Bank employees.



^{1.} Data current as of October–December 2023.



Support for small businesses

Due to the war, business owners in the North, in the South or those called up for military reserve duty were significantly impacted and faced difficulties. The Bank created a range of solutions for impacted business owners, and took action to bolster Israeli agriculture and produce. As part of its support for business owners, the Bank launched unique ventures: Orange Israel and Orange Military Reserve Service, including a digital platform and in-person presence to help businesses survive and be profitable.

- **"Orange Israel"** A venture by the Bank to support small and medium businesses, by means of the new platform launched by the Bank: "Orange Israel" and "Orange Military Reserve Service", designed to support businesses in the south and in the north. Many businesses in the south and in the north were financially impacted, and this venture was designed to provide support for businesses whose owners were called up for military reserve duty. The venture helped small businesses gain exposure, through extensive advertising in the media, on the Bank website, at fairs around the country and so forth.
- **Purchasing by Bank employees** The Bank organized a fair for farmers and business owners who were impacted, from the conflict zones in the south and in the north, held at Bank headquarters in Ramat Gan and in Lod. Bank employees purchased Israeli products from those business owners and farmers. The Bank allowed employees to purchase boxes of fruits and vegetables from farmers in the south, which they received at their place of work.



Employees

Since the war broke out, the Bank has provided assistance to all Bank employees, and especially to those employees affected. Support and assistance have been provided to Bank employees in various areas: individual security and emergency routine, wellbeing of employees and their families, assistance provided to managers and reinforcing individual resilience during these difficult times.

• **Support and employee resilience** – The Bank took significant action to help employees affected by the war, employees called up for military reserve duty and their families. As part of the Bank's concern for the emotional well-being of its employees, the Bank created a help desk to provide them with emotional support. The Bank also assisted Bank employees called up for military service and their families, by staying in close contact and sending gift boxes to their homes. The Bank initiated different measures to provide relief to Bank employees and their families who were affected by the war, such as payment of wages to employees whose families were evacuated and gift cards for families of employees on military reserve duty.



The Concept of ESG Management at Mizrahi Tefahot Group



The Group's ESG risk policy is derived from ESG-related risks and opportunities, as identified by the Group and by different stakeholders. The Group optimally manages ESG risk, to create economic and social value for various stakeholders, including shareholders, while reducing the negative impacts on society and on the environment. The Group also constantly strives to increase transparency, and reports on its activity in conformity with the GRI and SASB reporting standards.

ESG risk policy

In 2022, a Group policy for ESG risk management was formulated for the first time at the Bank. This policy lists the nature of this risk, how it is managed, measured and monitored and the actions taken by the Bank to mitigate such risk. In December 2023, this policy was revised and approved by Bank management and by the Board of Directors. Moreover, in 2024, this policy should be revised in conformity with the completion of the application of Proper Conduct of Banking Business Directive 345 – "Principles of Effective Risk Management: Climate-related Financial Risks".

ESG (Environmental, Social and Governance) risk is the risk of financial loss by the Bank or of impacts on its reputation, due to current or future impacts of environmental, social and governance factors on the Bank, its counter-parties or its invested assets. ESG risk involves many areas of activity, hence it is significant. Direct ESG risk involves impacts on the Bank's operations, including management of its current business, products and services. Indirect ESG risk involves matters or events external to the Bank, which may impact customers and the business environment in which the Bank operates. ESG risk, as identified by the Bank, includes risk factors related to various matters, including ESG risk in financing, climate-related risk, social risk factors (human capital, customer relations, fair and equitable marketing of products and services, supply chain) and governance risk factors (corporate governance, ethics and compliance, privacy and information security). ESG risk may also impact the Bank's reputation relative to socially sensitive issues. Therefore, social risk is included as part of overall risk management at the Bank. Sensitivity to social risk is part of the product development processes as well as of the customer experience, by adapting the response, products and services to a wide range of target audiences. This is naturally based on in-depth review of the needs and expectations of various customers. The Bank's guideline in adapting products for customers is to ensure that there is no discrimination or impact on certain customer groups.

Involvement of the Board of Directors and Management

The Bank's Board of Directors – The Board of Directors is tasked with setting and approving the ESG risk management framework. This framework includes the principles and policies that provide appropriate infrastructure for managing environmental and governance risk, in line with Bank strategy. It is also intended to ensure that the organizational culture and control environment are supportive of effective risk management. Annually, the ESG policy document is discussed and approved, ensuring that these principles are applied and are in line with Group strategy. The Board of Directors supervises all ESG risk through professional committees, such as the Risk Management Committee, the IT and Technology Innovation Committee and the Audit Committee. The Board of Directors also approves the annual ESG work plan and the Group's ESG report. Semi-annually, the Board of Directors' Risk Management Committee receives a report on ESG risk management at the Bank, and the Board of Directors receives such report annually. The Board of Directors and the Risk Management Committee also discuss ESG risk at the Bank, as part of the quarterly Risk Document. In 2023, committees of the Board of Directors held two discussions on ESG risk by the Risk Management Committee and a further discussion by the Board of Directors plenum. In these discussions, progress made on the ESG work plan was presented, as was the Bank's rating by rating agencies in Israel and overseas, new regulation in this area and so forth.

Bank management – responsible for implementing the guidelines in policy documents and incorporating them in work processes in various areas. To this end, a Risk Officer was appointed, in charge of proper implementation of the ESG risk policy. This Risk Officer is the Manager of the Human Capital and Resources Division, reporting quarterly to the Bank management and reporting semi–annually to the Board of Directors on developments in this area at the Bank. Management involvement in ESG risk issues is achieved through a quarterly steering committee meeting, led by the Manager of the Human Capital and Resources Division and

attended by various division managers. The Committee's role is to lead policy, action, control and reporting on ESG risk and optimal management thereof. ESG policy is deployed and implemented by the Corporate Governance Officer, who spearheads ESG activity at the Bank, in collaboration with the different divisions. This is achieved through regular work interfaces with designated representatives, who are partners in control, reporting, deployment and implementation processes in this area.

Deployment of ESG at the Bank

ESG training for all employees – In order to deploy ESG aspects across Bank operations and to increase employee awareness, in 2023 some 4,157 hours of ESG training were delivered, along with focused training on diverse topics, such as climate change, environmental risk, responsible investment, diversity and inclusion, fairness, the Code of Ethics, persons with disabilities, accessible service principles and others.

Annual ESG Reporting

Since 2012, Mizrahi Tefahot Group has been reporting its ESG performance to stakeholders on an annual basis. The report reviews Group activities in Israel and overseas, and is approved by Bank management and by the Board of Directors plenum. The report provides a summary of ESG matters for calendar year 2023. Similar to previous reports issued by the Group, this report was also compiled in accordance with GRI reporting standards and it is compliant with the most advanced transparency standard. Moreover, for the second year, the Group has been reporting using the SASB (Sustainability Accounting Standards Board) reporting standard.

This report presents the performance of Bank Mizrahi Tefahot, Bank Yahav and the Group's overseas affiliates in London and Los Angeles (hereinafter: "the Group"), unless otherwise noted. However, since the activities of Group companies or of its overseas affiliates may differ from those of the Bank, a decision was made to only refer to Bank Mizrahi Tefahot in some places. In these places, the term "the Bank" is used. In any event, all Group operations overseas are carried out in accordance with the principles of Bank policy, and insofar as there are material differences, specific disclosure is provided, particularly with regard to Bank Yahav. Data for Union Bank, reported in the previous reports, are no longer reported starting with the current report, as its merger with Bank Mizrahi Tefahot was completed on December 29, 2022.

Most of the information presented in the report is collected regularly and routinely during the reported year, through the Group's information systems and 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.



The process of compiling this report was assisted by expert advisors on ESG and sustainability. Moreover, due diligence control was applied by an independent third party (see Index chapter in this report). The combination of professional assistance and independent external audit allows the Group to ensure that information presented in this report properly reflects Group operations in conformity with the requirements set forth in the standard. The Group is committed to make judicious use of the response and feedback received from stakeholders, to learn from this feedback and to continue to review its performance in these areas.

Climate report (TCFD¹) and measurement of financed emissions

As part of the Bank's long-standing commitment to ESG and its preparation for climate change and the implications thereof, in late 2023, the Bank issued its first report on the management of climate-related aspects for 2022.² This report was produced in conformity with TCFD – the generally accepted global standard for reporting on management of the financial implications of climate change for business enterprises. This report provides an overview of the methodology, mechanisms and processes implemented by the Bank in order to properly prepare for challenges that may result from climate change. Moreover, for the first time, the Bank measured and published its overall carbon footprint, including financed emissions. Financed emissions were calculated in conformity with international standard PCAF.³ The 2022 climate report was issued as a separate report. The current report includes the 2023 climate report in integrated fashion.

^{1.} Task Force on Climate-related Financial Disclosures.

^{2.} You may view the 2022 climate report on the Bank website at: https://www.Mizrahi Tefahot.co.il/

mizmedia/12267/98559-climate-report_biz2_interactive-%D7%9E%D7%95%D7%A0%D7%92%D7%A9.pdf

^{3.} Partnership for Carbon Accounting Financials.

Taking Part in ESG Initiatives

Bank Mizrahi Tefahot adopts global and Israeli standards with reference to ESG

UN Global Compact	Since 2015, the Bank has been a member of the UN Global Compact initiative. The Bank acts to promote the principles of this initiative. This report constitutes periodic Communication On Progress (COP) to the organization.
Voluntary reporting mechanism for greenhouse gas emissions	Once a year, the Bank reports greenhouse gas emissions to the Ministry of Environmental Protection and to the Manufacturers Association of Israel.
SUSTAINABLE DEVELOPMENT GOALS UN Sustainable Development Goals (SDGs)	Mizrahi Tefahot Group acts to achieve SDGs through its business and social activity, and reports on its commitment to these goals in its ESG Report.

Selected ESG Ratings¹

Assessment of the Bank's ESG performance is measured by local and international rating agencies that make this information available to various stakeholders and specifically to investors in Israel and worldwide. The Bank is in continuous dialogue with the various rating agencies. The Bank uses these ratings to review its performance compared to that of the financial sector in Israel and overseas, and these ratings help the Bank in identifying trends and improving its performance in ESG-related aspects.

Israeli rating agencies

Ma'ala ESG rating and Diversity and Inclusion rating	In 2023, too, the Bank was rated Platinum Plus, the top rating, for its ESG performance.
	The Bank is rated AA on the Ma'ala ESG index on the stock exchange.
	The Bank also has the highest rating, 5 stars on the Diversity and Inclusion rating. This rating is shared by Ma'ala, the Equal Employment Opportunity Commissioner and the Ministry of Economics and Industry.
Greeneye	The Bank is rated on the Greeneye ESG index.
ESG rating by Entropy	The Bank was ranked in the Top 10 out of 100 companies on the Tel Aviv 125 index that were ranked.

1. These ratings are current as of March 18, 2024 and may change during the year. These ratings should not be regarded as investment recommendations nor as expert opinion.



Rating agencies	scale	Bank rating
Rated	0-100	18.7
ESG Sustainalytics Risk Rating ²	(Reverse scale)	Low Risk
		47
S&P Global	0–100	Тор 16%
		among the global banking sector
MSCI ESG RATINGS	AAA-CCC	A
Bloomberg Bloomberg ESG Disclosure Score	0-100	57.5

The Bank is also included in FTSE4GOOD indexes² and is also rated by other rating agencies, including Moody's, ISS and others.



^{1.} The rating is current as of March 1, 2024.

^{2.} Copyright © [2023] Morningstar Sustainalytics. All rights reserved. This publication contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at ttps://www.sustainalytics.com/legal-disclaimers.

^{3.} FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that [Company Name] has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Constant Communication with Stakeholders

In order to familiarize itself in-depth with needs and propositions of the various stakeholders, Mizrahi Tefahot Group is in constant communication with customers, employees, investors, suppliers, social organizations and others. The Group is pro-active in contacting them and providing an effective response to their inquiries. The Group considers this dialogue with stakeholders to be a business and management tool helping in decision making, in product development and in improving the solution provided.



Bank

customers

and the

public at

large

- Opinion surveys regarding products, services, image, customer experience and so forth. The Bank has conducted specific focus groups for business owners in order to understand their needs and the challenges they face during the Swords of Iron War.
- The Bank delivers financial education training and workshops to various target audiences in the general public: children, youths, young and elderly people.
- Round table open discussion with the Bank President & CEO and Bank employees from all units, with conclusions implemented in the work plan.
- "Breakfast club" meetings of division managers with branch and department managers, designed to create an ongoing and direct dialogue between middle management and Bank management, while raising ideas and insights.



- The Bank annually conducts an employee survey, in collaboration with BDI, for rating the Top 100 companies you want to work for. Survey conclusions are reflected at the unit level.
- Employees
- Managers' meeting on ethics with Bank executives Managers from various units meet with Bank executives to discuss ethical dilemmas.
- "Vote to Influence", a project allowing employees to be part of the decision on which NGOs and social projects would receive a donation from the Bank.
- Improved efficiency proposals Bank employees propose initiatives for improvement and streamlining at the Bank. Some of these initiatives are incorporated into work plans.
- Government

and local

government

- 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 maintains a dialogue with government branches in the public and private spheres on matters related to the banking system as a whole.
- The Bank is in regular discussion with regulators in its operating segments.

- Conferences are held for micro and small suppliers, to familiarize them with how the Bank operates and to conduct a shared dialogue.
- Meetings and regular visits to Bank suppliers.
- Meetings are held and dialogue maintained with organizations and NGOs on social and environmental topics, to identify activities where the Bank may contribute and invest, review the effectiveness of current projects and satisfaction with volunteer work by Bank employees.



shareholders

Community

and suppliers

- Discussion with analysts and institutional investors in Israel and overseas, close to publication of the quarterly / annual report and thereafter.
- Response to ESG reviews in Israel and overseas.
- Current reports on investor relations website.

Identifying Material Topics

The guiding principles for the Group's ESG policy are based on material topics identified by the Group. These are the topics that matter the most to the Bank's stakeholders and to the Group. Once every two years, Mizrahi Tefahot Group conducts an extensive materiality analysis, including discussion with stakeholders. An update at this frequency allows the Group to monitor trends in select areas, enhance Group activity on the most material topics, and present the progress made on its activity in the ESG report. Ahead of the issue of the current report, at the end of 2023, a materiality analysis was performed, including validation and revision of the material topics. Consequently, a review was conducted of the material topics reviewed by leading banks in Israel and worldwide, by major rating agencies and in international reporting standards in this area.

Material topics selected for reporting

- Reduction of environmental impact
- Management of environmental and climate risk
- Development of environmental and social products
- Responsible, transparent and fair service
- Financial inclusion and access to Bank services
- Customer privacy and information security
 Risk management

• Human Resources

• Preserving human rights

corporate governance

• Diversity, equal opportunity and

• Involvement with the local community

• Responsible conduct and proper

avoiding discrimination in employment

Due to findings arising from the materiality analysis, no changes were made to selection of the material topics for 2023, compared to the previous year. However, aspects related to the risk and impacts of the war which started on October 7, 2023 were added as part of these material topics, and incorporated throughout the report.

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Key Objectives for 2024 to Promote Realization of SDGs

Bank objectives for its various operating segments and their link to the relevant SDGs¹ (these objectives are part of the Bank's goals for 2024, listed at the end of each chapter in this report).

Objectives for 2024



Social

Promote installation of photo-voltaic facilities on the roof of the parking garage at the Bank campus in Lod.

Reducing paper consumption by 30% in two years.

Expand awareness among Bank employees of topics including Accepting Others and Diversity.

Recruit bankers from Arab society, to make Bank services accessible in Arab society. **Objectives for 2024**

Construction of the new Bank campus in Lod in conformity with the LEED standard for green construction. Striving to achieve Platinum certification by this standard, in order to promote improved energy efficiency. Further preparation for application of Proper Conduct of Banking Business Directive 345 by the Bank of Israel with regard to "Effective management of climate-related financial risk", validation of climate risk survey and revision of policy documents across all Bank divisions.

Money Road training for financial education, emphasizing students in outlying areas as the target audience.

Expand the scope of volunteering by employee families.

Expand activity in providing pension mortgages for housing, as a solution customized for senior citizens.

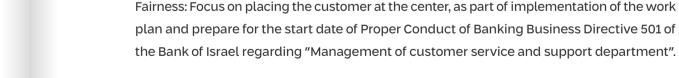
Expand activity in Arab society and make products and services in line with its specific attributes more accessible.

Governance

Protection of Privacy: Review and implement evolving regulation in this area, expand development and IT operations.

Conduct a management survey on Fairness vis-a-vis Bank Customers.

 All of the objectives listed in this report constitute forward-looking information, as defined in the Securities Law, 1968. This information is 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.







Environment and Climate

Mizrahi Tefahot Group sees great importance in managing environmental aspects related to its operations, including preparing for climate change and promoting environmental initiatives. This is to be done with responsible resource consumption and management of environmental performance, management of climate and environment–related risks and opportunities, and supporting customers in the transition to a low–carbon economy, such as by promoting and financing environmental credit.

Corporate Governance and Management of Climate and Environmental Aspects

In recent years, global awareness of the potential impact of climate change for ecological systems, for society and for the global financial system has been growing. These impacts are expected to continue growing in the coming years and thus pose a key challenge to countries around the world. Mizrahi Tefahot Group sees great importance in preparing for these risks and the implications thereof, and strives to reduce their negative environmental impacts.

The Group acts to expand its preparation for risks that may arise from climate change. This complies with regulatory requirements in Israel and is based on generally accepted global practice with a view to making the required adjustments to its various operating segments, for the benefit of all stakeholders and the stability of Israel's economy.

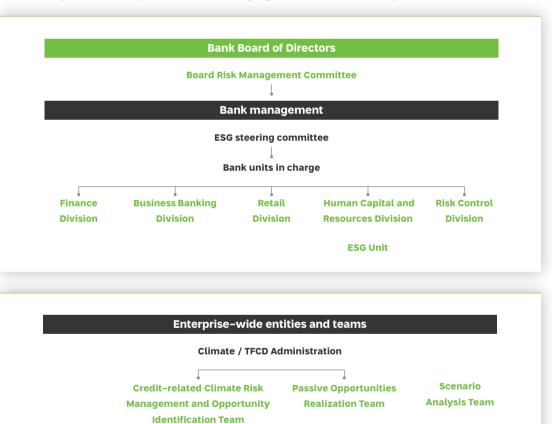
Moreover, in recent years the Group has been acting in diverse ways to reduce its environmental impact, both as a financial institution providing financing to various entities and projects, and as a business entity using resources in its normal operations.

In 2023, the Bank published its first climate report (TCFD), extensively covering its preparations for the management of the risks and opportunities arising from climate change. This report was a significant milestone in the Bank's preparation for deployment of climate-related aspects in all its operations. In addition to the publication of the first climate report which was issued as a separate report, starting with the current report the Bank will include the progress made in the deployment of climate-related aspects, its actions and performance in this area, as part of the Bank's unified ESG report.

The chapter on Environment and Climate includes a report on the preparations underway to deploy climate-related aspects at the Bank, as well as other environmental performance and aspects. This chapter considers climate and environmental aspects in a unified manner, based on the concept that climate and environmental aspects are complementary to each other. It also provides a substitute to the climate report and the chapter on environment as they were previously presented. Where separate reference is made to other climate and environmental aspects, it is specifically indicated that the text refers to one of these aspects.

Climate and environment issues are managed at the Bank as part of ESG. As such, they are under the joint responsibility of the Manager of the Human Capital and Resources Division (the Bank's ESG risk manager) and of the Bank's other divisions that lead the management of climate-related aspects in various areas, each division based on its operations and supervised by the Board of Directors. In this context, the Bank has formed a corporate governance structure for the management and supervision of climate and environmental aspects. The structure includes roles and responsibilities of various Bank entities, as well as the management of climate and environmental aspects in business activity, in accordance with the policy set by the Bank.

Key Entities Responsible for Managing Climate–Related Aspects at the Bank



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Supervision by the Board of Directors, Management and Bank Divisions in Climate and Environment

Board of Directors Plenum and Committees

The Board of Directors is responsible for the Bank's business and financial robustness. Involvement in climate–related issues is part of the regular work of the Board of Directors plenum and committees.

The Bank's Board of Directors is tasked with setting and approving policy on climate and environmental risk management and ensuring that these principles are actually applied and are supportive of the Bank's business strategy. The Board of Directors receives reports on the Bank's preparations for climate change and other environmental aspects from Bank management and experts. In 2023, the Risk Management Committee and the Board of Directors held several discussions on climate and environmental issues during their plenary meeting, including updates on the progress made by the Bank in preparing for the inclusion of climate and environmental aspects in Bank operations. The Board of Directors holds a semi–annual discussion of climate and environmental risk. The various Board of Directors' Committees are responsible for discussing any climate– related aspects that interface with their areas of responsibility.

Risk Management Committee

The Risk Management Committee is responsible for the management of climate-related aspects on behalf of the Bank's Board of Directors. The Committee's responsibilities include discussing risk management issues and policy at the Bank, including the overall risk strategy and risk appetite, as well as formulating recommendations on this matter for the Board of Directors. The Committee supervises the inclusion of climate-related aspects in risk management frameworks at the Bank. The status of ESG risk management, including climate risk and other environmental aspects, is reported semi-annually to the Board of Directors' Risk Management Committee and at the plenary meeting of the Board of Directors. In 2023, the progress made in addressing climate-related aspects, and the Bank's policy document on the management of ESG risk was discussed and approved.

Bank Management

ESG, including climate and environmental issues, is an organization–wide matter. All Bank divisions touch on these issues in their regular operations. Climate and environmental issues affect diverse aspects and operations at the Bank; therefore, such issues are not managed at a central Bank location, but rather are managed across divisions at various levels, with the involvement of all Bank management. In order to implement the work processes required for climate risk management, realize climate–related opportunities and manage other environmental aspects, significant work interfaces are in place in the regular operations of all Bank divisions. In particular, each risk manager at the Bank independently reviews, along with the Manager of the Human Capital and Resources Division, how to correctly incorporate climate risk into the risk management for which they are responsible. They implement the desired risk management practices in the appropriate work processes, based on their materiality.

ESG Steering Committee

Management's involvement in climate risk issues, performance management and other environmental risks is achieved through a quarterly steering committee meeting led by the Manager of the Human Capital and Resources Division. Committee members include the managers of relevant divisions, along with unit managers at the Bank involved in the promotion of ESG. The Committee is tasked with leadership on policy, activity, control and reporting in the course of promoting ESG across all Bank activities. The Committee reports to Bank management on the progress made and improvements in ESG performance, including environmental performance. The Committee's responsibilities include integration and oversight of the processes required to prepare for climate change. The Committee is responsible for formulating the Bank's strategy for addressing climate change and taking advantage of the related opportunities. It reviews and develops risk management mechanisms, revises policy documents relating to ESG aspects, reviews the products offered by the Bank in order to take advantage of opportunities and oversees the routine reporting processes.

Bank Divisions

Human Capital and Resources Division

This division helps ensure the integration of all efforts at Bank Mizrahi Tefahot with regard to the promotion of climate and environmental aspects, including implementation of regulations applicable to the Bank in this regard, under the responsibility of the Manager of the Human Capital and Resources Division.¹ The Division Manager is responsible for reporting to Bank management quarterly, for reporting to the Board of Directors' Risk Management Committee semi-annually and for reporting to the Bank's Board of Directors annually on any developments in this area at the Bank. Moreover, based on needs arising from time to time, current reports are made by the Division Manager to the Bank's President & CEO about the status of processes implemented at the Bank and Bank preparations.

^{1.} As part of their responsibility in their role of ESG risk manager at the Bank.

ESG Unit

Deployment and implementation of climate and environmental aspects are carried out by the Corporate Governance Officer, who is the Manager of Organizational Development and Sustainability. This is the one leading ESG operations at the Bank. This activity is carried out in full collaboration between business and operational units across the various Bank divisions, based on their areas of operation. There are also regular work interfaces with designated representatives who are partners in ESG control, reporting, deployment and implementation processes.

The ESG Unit is part of the Organizational Leadership Department of the Human Capital and Resources Division. The ESG Unit is tasked with leading the process of formulating ESG strategy at the Bank, with the integration of social and environmental aspects across the Bank, and with internal and external reporting based on generally accepted global practice. The Unit integrates the Bank–wide efforts to realize ESG–related opportunities, including climate and environmental opportunities, as well as efforts to deploy such risks as part of the relevant risk management processes. The Unit leads the training department with regard to climate and environmental issues, for all Bank divisions. The Unit is also responsible for external reporting on the management of climate risk aspects at the Bank, as part of the annual ESG report, including the TCFD report.

Business Banking Division

As a major area of Bank operations, credit is the key banking area that impacts and is impacted by climate and environmental issues. The Business Banking Division is responsible for managing all credit risk at the Bank and spearheads the formulation and deployment of climate-related aspects in credit operations of the Bank – both for opportunities and for risks. The Division discharges this responsibility through a designated work team on climate-related issues in credit (for more information see below). The Division is also tasked with managing environmental risk in credit risk.

The Division is in the advanced stages of formulating a methodology for the identification and assessment of climate-related risk factors which may affect the credit risk of the Bank or of a specific borrower. The Division is responsible for further development of the methodology, in line with the evolution of the risk and the management tool thereof. This methodology is an expansion of existing processes for managing environmental risks in business credit aspects. To formulate methodology, expand capabilities and provide highquality reporting, and for regulatory compliance, the Division carries out major challenging processes for gathering, collating and analyzing data, establishes GIS tools for collateral and works with various professional entities to improve methodology and tools.

The Division also leads efforts across the Bank to identify and review climate-related opportunities. It is responsible for leading the development of unique, innovative green

finance products, as well as for expanding the green finance extended by the Bank. The Division is tasked with revising the credit policy in line with established climate-related risk and opportunity management mechanisms.

Retail Division

The Retail Division is responsible for the deployment of climate-related aspects across its operations, including diverse aspects of credit opportunity and risk (in collaboration with the Business Banking Division) as well as diverse passive products. In this regard, the Division maintains a Passive Opportunities Realization Team. The Division also takes part in the deployment of various climate-related aspects by participating in forums and work teams created for this purpose.

Risk Management Division

The Risk Management Division forms a second line of defense for climate and environmental risk management. As part of this responsibility, the Division is tasked with reviewing and challenging policy documents on risk management and control at the Bank, from climate climate and environmental aspects. The Division is also responsible for the development and implementation of stress scenarios from environmental aspects (including climate-related aspects) and the review of the Bank's business strategy resilience in the face of climate risk. The Risk Management Division is tasked with setting and incorporating climate and environmental risk management processes into the overall risk assessment and adapting them to the risk management framework.

Steering Committees and Administrations

In early 2023, the Bank established general forums for the integration, leadership and management of climate-related aspects. The purpose of such forums is co-ordination between various Bank entities in promoting this field, making decisions and approving required actions.

Administration for implementation of Proper Conduct of Banking Business Directive 345¹

For regular management of the deployment of climate-related aspects and multi-annual preparation for the implementation of Proper Conduct of Banking Business Directive 345, the Bank established an administration, headed by the Manager of the Human Capital and Resources Division. This administration includes various division managers and other representatives from relevant divisions at the Bank: Human Capital and Resources Division, Risk Management Division, Legal Division, Business Banking Division, Retail Banking Division and Finance Division.

^{1.} Proper Conduct of Banking Business Directive 345 is the most significant regulatory directive with regard to climate for banks in Israel and provides guidance on the management of financial risks associated with climate change.

In 2023, this administration also handled Bank preparations for the first publication of the TCFD report.

This administration consists of two teams: the Credit–related Climate Risk Management and Opportunity Development Team and the Passive Opportunities Realization Team. It convenes monthly to review and approve team activity, to review professional material and to make decisions on required actions to promote this area at the Bank and to ensure that regulations are implemented. The administration is responsible for formulating policy recommendations for the Bank management with regard to climate risk management and taking advantage of opportunities.

Credit-related Climate Risk Management and Opportunity Development Team

The team is headed by the Deputy Manager of the Business Banking Division and participants include representatives from the Retail Division, Human Capital and Resources Division, Financial Information and Reporting Division and the Risk Management Division. It was set up to help with Bank preparations for the inclusion of climate risk in processes and methodologies for credit underwriting at the Bank and for identifying and taking advantage of climate-related opportunities through innovative green financing products. In 2023, the team met bi-weekly. It formulates recommendations on revising Bank policy on credit risk management with regard to climate and putting the required mechanisms into place for the deployment of current policy. These include, inter alia, mechanisms for identification, classification and overall assessment of risks, as well as risk assessment tools for individual credit transactions.

Passive Opportunities Realization Team

This team is headed by the Manager of the Customer Assets and Advisory Sector and participants include representatives from the Finance Division; various advisory and investment departments; and the Risk Management Division. It was set up to review and formulate work plans for the realization of climate-related opportunities in business areas other than credit. This year, the team met several times, reviewed various opportunities in passive products and acted to promote development of diverse climate-related financial products such as investment and deposit products, along with the deployment of relevant information within advisory and analysis systems and the incorporation of such considerations into investment advice provided to customers.

Stress Scenarios Forum

The forum is headed by the Manager of the Risk Management Division and also discusses climate-related stress scenarios. It is responsible for the development and implementation of stress scenarios arising from materialization of climate risk. The committee meets to discuss the methodology, outlines and outcomes of the required stress scenarios and has led the scenario analysis presented later in this report.

Improved Energy Efficiency Committee

Due to the nature of Bank's activity in office buildings, energy consumption is the Bank's primary climate-related impact. It is also one of the major opportunities with regard to improving the Bank's operational efficiency. The Bank is managing and measuring this area and applying various efforts for improving energy efficiency. The key effort in this area in recent years has been the construction of the new Bank headquarters building in Lod, in conformity with the LEED advanced green building standard. The Bank also promotes other initiatives on Bank premises, including replacing energy-intensive systems with advanced ones, which are more energy efficient.

This issue is managed at the Bank 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 the cold water in cooling units according to the temperature outside, business hours, turning off lights or turning off air conditioners property–wide after business hours etc.



Climate and Environmental Strategy

Bank Mizrahi Tefahot is preparing for climate change and the implications thereof and is acting to assist customers in addressing any potential adjustments that may be required of them. Management of climate-related aspects consists of three pillars that provide a comprehensive solution to the impact of climate change for the Bank and its customers:



Supporting customer transition to a low-carbon economy

Understanding the Bank's unique position in the Israeli economy and the challenges associated with addressing climate change, the Bank is developing advanced financial products to help minimize these challenges. These products will allow Bank customers – and thus the Israeli economy – to route financial resources toward reducing greenhouse gas emissions. The products are designed to contribute to the global fight against climate change and enhance the business readiness of Bank customers for a low-carbon future.



Responsible management of climate and environmental risks

Climate change results in diverse risk factors for the economy, which gradually evolve. The Bank is required to adapt its current risk management frameworks to the nature of such new risks. The Bank is acting to deploy comprehensive, indepth risk management mechanisms that would allow it to continue to optimally provide its services in conformity with its risk appetite, with due attention to customer needs and to their current maturity levels.



Environmental responsibility

The Bank strives to reduce its direct impact on climate and on the environment, to prepare in its operations for the potential impact of climate change and to ensure operational continuity and readiness to address any potential climate challenges. Thus, the Bank strives to minimize its operational carbon footprint, to improve its energy efficiency benchmarks and to reduce resource consumption.

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Strategic climate and environmental objectives

As part of the commitment by the Bank to manage climate and environmental aspects in a responsible, professional manner, the Bank has set long-term climate and environmental objectives. These objectives are in line with Bank strategy on the management of climate and environmental aspects, allowing the Bank to put in place organized, data-based work processes. The Bank objectives refer both to taking advantage of opportunities and to risk management aspects. This chapter includes benchmarks used by the Bank to monitor the management of climate-related aspects: measurement of risk exposure in the business portfolio and measurement of the Bank's overall carbon footprint, including financed emissions. These also include benchmarks used by the Bank for the monitoring and management of various environmental aspects, such as waste produced and water and energy consumed by Mizrahi Tefahot Group.

Strategic core component	Objectives for 2030	Progress status – performance in 2023
Environmental responsibility	Reduce the operating carbon footprint and emission intensity by 40% by 2030, compared to 2020 (base year).	Reduced total carbon footprint by 8.9% and reduced carbon footprint intensity per m ² (location based) compared to 2020.
	The balance of financing and investment in projects that promote a green environment to be NIS 10 billion.	NIS 6.7 billion in green finance, a 52% increase from the previous year.
Supporting customer transition to low- carbon economy	The Bank will invest resources and will develop green financial products to promote green environmental projects.	In 2023, a new track named "Sustainable Energy" was established in the State- backed loan fund for small and medium businesses. This track is designed for investment in objectives and projects that reduce negative environmental impact and promote improved energy efficiency.
Responsible management of climate and environmental risks	Reduction to zero exposure in the nostro portfolio to coal mining and new oil drilling by 2030. Moreover, the Bank would not participate in IPOs of assets that create exposure to these sectors.	The bank is developing a plan to reduce exposure to these sectors.



Supporting Customer Transition to a Low–Carbon Economy

Climate-related opportunities arise from the global transition to a low-carbon economy, with all of the implications thereof, such as: development of new technology for low-carbon manufacturing processes, use of alternative raw materials and energy sources. Furthermore, preparation and adjustment of diverse infrastructure for physical climate risk generates many business opportunities. Bank opportunities for the Bank generate common value, by helping Bank customers to transition to a low-carbon economy, in two key aspects:

- Development of green finance products custom credit for financing projects and companies with significant climate and environmental value.
- Incorporation of climate and environmental aspects into other financial products.

Green Finance

The Bank sees the importance in promoting environmental issues, and extends credit designated for development, construction and operation of green products, services and infrastructure with reduced negative impact on the climate and the environment. The Bank has started developing custom credit products for individual and business customers, that provide a solution for diverse operations with reduced climate impact and reduced negative environmental impact on the business sector.

In conformity with global green finance trends, the Bank has created its own taxonomy to specify the criteria for environmental credit, in accordance with generally accepted international standards¹ and with the Israeli market. This taxonomy is used as a basis for the development of diverse green finance and passive products.

The Bank's green taxonomy includes seven categories, each with multiple optional financing options.

^{1.} The Bank taxonomy is based on the GBP standard for green bonds, adopted by leading global banks as a standard which also applies to green finance.

Green Taxonomy for Identifying and Managing Climate-Related Opportunities

Renewable energy

A key component of the transition to a low-carbon economy is generating energy from renewable resources, rather than burning fossil fuels (coal, oil and natural gas). Renewable energy projects in Israel include the following: solar energy (installation of PV cells by renewable energy companies for sale, or by businesses for their own use), hydro-electric energy, geo-thermal energy and wind energy. The renewable energy market in Israel is growing rapidly due to growing demand and to Israel's geography that allows for utilization of renewable energy sources. The Bank is involved with financing many renewable energy projects across Israel. This classification includes companies or infrastructure ventures in the renewable energy field, as well as companies or ventures involved in the installation of solar panels at private / business properties.

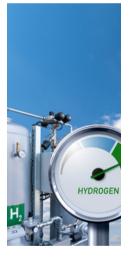
Energy efficiency

Other than generating energy from renewable sources, reducing greenhouse gas emissions also involves efforts to improve and reduce energy consumption by existing systems. Efforts to improve energy efficiency include the following: technology upgrade for high-emission generation systems; property refurbishment for improving energy consumption; and construction of energy storage systems. Companies or ventures included under this classification: projects for replacing energy-intensive machinery used by industry with more energy-efficient machinery, refurbishment of properties to improve energy efficiency and national infrastructure ventures involving energy storage.

Pollution prevention and control

Waste reduction and treatment are vital in the transition to a lowcarbon economy, due to the significant emissions associated with untreated waste. Systems for waste collection, sorting and treatment help reduce the negative impacts of waste and may even allow waste to be put to other secondary uses (by recycling, manufacturing or energy recovery). This classification includes companies that recycle and treat waste, as well as companies or ventures involved in rehabilitation of polluted soil.







Clean transportation

Vehicles are a significant source of greenhouse gas emissions worldwide, and in particular in Israel, which is a vehicle-intensive country. In recent years, demand has been growing for electric vehicles, development of mass transit systems and improved walkability in the urban space. These allow for a significant decrease in greenhouse gas emissions. The Bank provides financing for such projects, such as the HOV lane and the light rail Green Line. Companies or ventures included under this classification: construction and operation of public transportation infrastructure and systems, financing urban development supportive of walkability and nonmotorized transportation, as well as financing the purchase of electric vehicles and construction of charging infrastructure.



Green building

Green building is designed to mitigate the negative impacts of construction processes and to improve environmental performance and readiness for climate risks of the buildings thus being constructed. In 2005, an Israeli green building standard (Israeli Standard 5281) was published, specifying the principles for green building, along with other generally accepted international standards (such as the LEED construction standard). The real estate and construction sector is a major sector in Israel, and the Bank sees great importance in promoting green building in Israel. This classification includes companies or ventures involved in the construction, operation and acquisition of buildings / properties that are compliant with green building standards.



Sustainable water and wastewater management

Efficient use of water and sewage treatment form an important factor in preparing for climate change, due to the potential impact of increased desalinization and water treatment operations during dry and drought periods. This also resolves the need to reduce the negative impact of greenhouse gas emissions due to sewage. Israel is considered to be advanced as far as water treatment goes, but desalinization and water treatment are energy-intensive operations – and their cost may significantly increase as energy costs rise. Israel, due to its geographic location, faces multiple water-related challenges that require solutions. The Bank sees great importance in financing projects that provide a solution for such challenges and is currently involved in financing projects in the field of desalinization and sewage treatment. This classification includes companies and projects for the construction and operation of sewage treatment and water desalination plants.

Technological developments

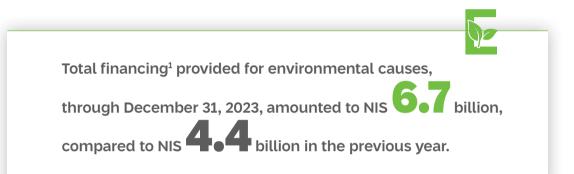
Technology innovation and climate technology are significant tools used the world over in response to climate change and to the potential implications thereof. Israel's innovation and technology industries provide diverse solutions for preparing for climate change or mitigating the impacts thereof. The Bank sees great importance in financing technology companies that develop diverse solutions in response to the challenges posed by climate change. This classification includes companies or ventures involved in financing investments in green companies, as well as companies that develop climate tech and clean tech.



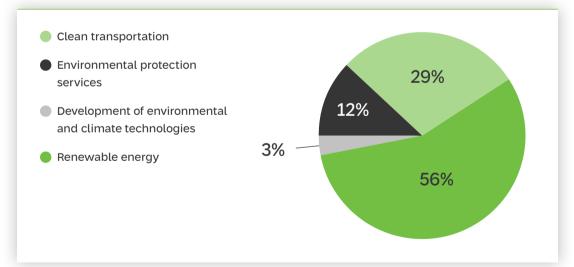


Green Financing Performance in 2023

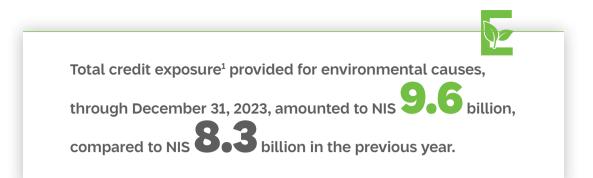
Based on generally accepted global practice, the Bank measures the green financing provided by the actual credit amount utilized by customers to promote environmental causes (on-balance sheet credit). This is in order to manage the Bank's actual impact and reflect it to stakeholders. The Bank has set targets for such measurement, as is customary worldwide. The Bank also measures other and future commitments to extend green financing (off-balance sheet credit, including future guarantees and commitments yet un-utilized by customers).



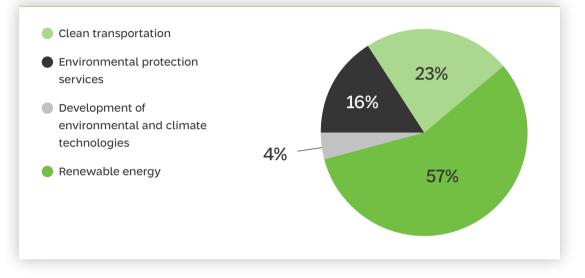
Financing for environmental causes in 2023



^{1.} On-balance sheet credit only. Based on generally accepted global practice, the Bank measures the green financing provided by the actual credit amount utilized by customers to promote environmental causes (on-balance sheet credit).



Scope of credit exposure to environmental issues in 2023



The significant increase in green finance extended in 2023, compared to the previous year, is due to the Bank's efforts to invest in products that promote a green environment, and in renewable energy in particular, in line with the target for 2030.

Incorporation of Climate and Environmental Aspects in Other Financial Products

The Bank also strives to incorporate climate and environmental aspects in financial products and services provided to customers, other than financing of operations. The Bank is in the midst of an extensive review of the most effective channels for incorporating these aspects in several passive products (products for the management of customer capital, such as investment and deposit products) that would allow Bank customers to realize climate-related opportunities.

Incorporating ESG aspects in investment advisory

The Bank provides financial advisory services to customers, tailored to customer needs, through expert financial advisors. The Bank's Investments and Strategy Department is responsible for publishing investment recommendations to investment advisors at branches, and publishes from time to time ESG-related recommendations. Furthermore, the Ma'ala rating is included in the parameter table in analysis reviews prepared by the analysts in the Department. The Bank suggests securities to customers with reference to ESG issues. Moreover, as part of their professional continuing education, advisors receive updates and reviews on ESG issues.

Currently, the Bank's advisory unit is formulating policy with regard to expressing and reflecting ESG aspects in risk assessment processes, investment selection and elaboration of customer needs. The Bank sees great importance in this matter, and therefore has in place a regular process for preparing information, data and content infrastructure. Moreover, the Bank considers incorporating ESG considerations in services offered to customers under investment advice, including by incorporating them in reviews and analysis provided by the unit and in providing investment recommendations on certain asset types. Once this structure is in place, the unit would consider its policy incorporating ESG considerations, which would be reflected on the Bank website. ESG training is also included as part of the training course for investment advisors.

Real Investments

In 2021, the Bank established real investment operations by law, including operations allowed for banking corporations, as set forth in the Banking Act (Licensing). Locating, reviewing and executing long-term real investments are performed through the Real Investments Committee. The Bank's investment policy takes into consideration ESG aspects, and preference is given to investment in companies with affinity to this area or companies that emphasize such matters. The Real Investments team prepares a qualitative review of such companies, taking into account climate and environmental considerations, including air and soil pollution, greenhouse gas emissions, impact on biodiversity, etc. This review is also prepared taking into account social considerations, such as work conditions and employee rights, charitable donations and support for the community. When making an investment decision, preference is given to companies that see the importance of contributing to the environment and to the community, and investments in companies that significantly harm the environment and the community will be taken into account during pricing. All investments made in 2023 were in conformity with the investment policy on ESG issues.

^{1.} On- and off-balance sheet credit.





Responsible Management of Climate and Environmental Risks

Climate risks Management

The Bank continues to develop and revise the climate risk management frameworks used in its operations, including methodologies for the identification, assessment and mitigation of risks, as part of the management frameworks for traditional banking risks. In this regard, the Bank has expanded the management framework for environmental risks in credit, used in recent years to also include climate risks. The Bank has created dedicated teams and works with expert external consultants in this field, in order to develop the climate risk management framework. The Bank has invested considerable resources in this process, so as to create infrastructure providing a long-term solution to the Bank's business and regulatory needs, while maintaining an effective response to customer needs. The Bank has chosen to launch this process prior to the approval of any regulation on this matter in Israel, recognizing the importance of advance preparations and understanding the complexity of climate issues and their potential impact on the Bank.

Climate Risks

Climate change generates diverse risk factors for the global and local economy, and the Bank acts to identify and manage such risk in a responsible, effective manner, in line with its business objectives. Climate risks are typically categorized into two types: physical risks and transition risks.

Physical risks

Risks created by changes in weather patterns and by geographical changes, including increased frequency and intensity of severe weather events due to global warming. Such risks are divided into two major categories:

• Acute risks – risks including increased frequency and intensity of extreme climate phenomena such as flooding, fires, heat waves and tropical storms.

Chronic risks – risks including gradual, long-term change in climate systems that include gradual increase in temperatures, changes to precipitation, rising sea levels, land erosion and increased salinity of natural water sources, as well as other climate-related phenomena.

Currently accepted global scenarios, from a scientific and political viewpoint, estimate that long-term climate change and specific climate events have extensive potential impacts on the labor market, on fiscal and monetary policy, on growth and on other macro-economic benchmarks. These may all affect the Bank's credit risk profile and the credit ratings of individual and business borrowers, as well as other financial risks managed by the Bank. Physical risks may also carry extensive micro-economic impacts. Thus, physical risk may impact borrowers and Bank investments due to its impact on the valuation of assets affected by extreme events, impact on the business continuity (due to disruptions in supply chains, difficulties in employees' commute and so forth), as well as lower demand for products due to loss of technology or business relevance arising from physical changes.

Transition risks

Business risks arising from the global transition to a low-carbon economy, designed to stop and mitigate the impact of climate change, including by promoting climate-related regulation and technology innovation. These risks fall into several sub-categories: policy and regulatory, technology, market and reputational risks.

- Policy and regulatory risks arising from frequent changes in the requirements stipulated by lawmakers, in Israel and worldwide, with regard to climate, as reflected in changes to taxation, disclosure and licensing. Such changes are already materializing around the world, such as the EU carbon tax (known as CBAM¹) imposed on imports of goods in emission–intensive industries, which may impact many companies in Israel (including in the metal product and fertilizer sectors).
- Technology risks arising from the development of alternatives for existing technology in emission–intensive areas, in order to address climate change. This may impact companies that develop or rely on current technologies.
- Market risks arising from the volatility in the availability and prices of commodities and goods traded on markets, such as raw materials, energy, water and securities.
- Reputational risks arising from loss of confidence in diverse companies and industries due to preparation for climate change and changes to the preferences of consumers and business customers who wish to purchase more sustainable products and services with reduced impact on climate change.

^{1.} Carbon Border Adjustment Mechanism.

Transition risks also may potentially carry significant economic impacts, due to macroeconomic changes to the market structure of diverse economic sectors, as well as changes to international trade volumes between Israel and developed nations. From microeconomic aspects, many companies may be financially impacted by transition risks. This is due to changes to the business, regulatory, technological and public environment in which they operate, which may result in lower demand for their products and in higher operational expenses. Changes to these financial benchmarks may also translate into impacts on such companies' repayment capacity.

Identifying climate risks that affect traditional banking risks

Risk category	Risk definition Examples of potential impacts of climate change on risk
	Risk definition
Credit risk	Credit risk is the risk that a borrower or counterparty of the Bank would not meet their obligations to the Bank. Credit risk is a material risk for Bank operations. This risk is affected by these major factors: Business risk due to customer activities, concentration risk due to over–exposure to a borrower / borrower group and to economic sectors, geographic concentration risk, risk due to exogenous changes which mostly involve changes to the borrower's macro–economic environment, environmental risks and climate risks, overseas credit risks and operational risks which, should they materialize, would have implications for credit risks.

Examples of potential impacts of climate change on risk

- Climate change is expected to have macro-economic impacts, which would affect growth and employment benchmarks, thus affecting the financial robustness and repayment capacity of individual and business borrowers.
- Climate change may impact borrower capacity to meet their obligations, due to impact on profitability or due to physical impact on properties.
- Physical risks may impact the valuation of collateral provided to secure loans.

Risk definition

Market risk is the risk of loss from on- and off-balance sheet positions, arising from change in the fair value of financial instruments, due to change in market risk factors (interest rates, exchange rates, inflation, prices of equities and commodities).

Examples of potential impacts of climate change on risk Market

- Changes in market conditions may result in higher volatility in values of Bank holdings in securities of companies doing business in sectors expected to be affected by climate change.
 - Extreme climate events may result in a change in the value of various financial instruments related to areas affected by such extreme events, including prices of securities and commodities as well as exchange rates.

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Risk definition | Examples of potential impacts of climate change on risk

Risk definition

	Risk due to uncertainty with regard to resource availability and the capacity to realize assets within a specified time and at a reasonable price. Liquidity risk is a unique material risk due to the need to respond to such risk within the shortest time possible.
Liquidity risk	Examples of potential impacts of climate change on risk
	• Extreme climate events may result in significant and rapid increase in customer demand for liquidity and credit, in order to adapt or address climate change.
	• Changes to investor preferences and to climate regulations may result in higher financing costs for the Bank, should the Bank fail to meet market expectations as to its climate-related performance.
	Risk definition
	Operational risk is defined as the risk of loss due to inappropriateness or failure of internal processes, people and systems or due to external events.
Operational	Examples of potential impacts of climate change on risk
Risk	The Bank's business continuity may be affected by physical impact to Bank properties,
	or impact to operational continuity. For example, extreme climate events and the impact thereof on energy and transportation infrastructure in Israel (which may prevent employees from reaching their workplace). Moreover, the Bank's operating costs may increase due to climate change.
	or impact to operational continuity. For example, extreme climate events and the impact thereof on energy and transportation infrastructure in Israel (which may prevent employees from reaching their workplace). Moreover, the Bank's operating
Reputational	or impact to operational continuity. For example, extreme climate events and the impact thereof on energy and transportation infrastructure in Israel (which may prevent employees from reaching their workplace). Moreover, the Bank's operating costs may increase due to climate change.
Reputational risk	or impact to operational continuity. For example, extreme climate events and the impact thereof on energy and transportation infrastructure in Israel (which may prevent employees from reaching their workplace). Moreover, the Bank's operating costs may increase due to climate change. Risk definition Reputational risk is risk to corporate earnings, stability or capacity to achieve its targets due to the impact to its reputation which may arise from practices at the corporation,

In the first stage of deployment of climate-related aspects in risk management frameworks, the Bank focused on including climate risks in the management of business credit risk, primarily emphasizing the first line of defense. This is due to the material potential impact of climate risks on business credit and the materiality of business credit risk for the Bank. In order to effectively include climate-related aspects in the management of business credit risk, the Bank is required to conduct regular processes including risk identification, assessment, monitoring, control and mitigation.

risk

Along with the focus on business credit, the Bank takes diverse steps to reduce exposure in terms of operational risk. As part of the preparation for business continuity management, the Bank incorporates climate scenarios, such as flood scenarios, into its business continuity plan. Based on other evolving needs and subject to a review of materiality, the Bank has to develop methodologies and tools to incorporate climate risks in other traditional risk management frameworks.

Identification and Assessment of Climate risks in Business Credit

The methodology for identification and assessment of climate risks in business credit was developed for two objectives: firstly, map and quantify Bank exposure to climate and environmental risk; and secondly, develop appropriate measures for risk mitigation and management at the individual and aggregate levels (cumulative, gradual). The Bank invested significant resources in development of this methodology. In this context, the Bank adopted leading global practices in this area, adapting them to the maturity level of the Israeli market.

The process included mapping and analysis of the Bank's business credit portfolio; this resulted in the specification of sector groups. These groups were based on attributes of their economic activity, as well as the credit attributes and nature of Bank exposure to the credit risk related there to. Members of each group were found to have a similar climate risk profile. The Bank, assisted by expert external advisors, carried out a risk survey for each sector group, thus identifying material climate and environmental risks for each sector group, taking into consideration the specific profile of the Bank customers. The Bank also assessed the time frames in which each material risk is expected to materialize – based on the information available to the Bank. The risk survey was also validated by sector experts in the Business Banking Division. This risk mapping resulted in a heat map, listing all risks by their potential impact on each sector. This map provides a coherent picture of diverse climate risks for the entire loan portfolio.

Mapping climate risks for commercial credit by operating segment, as defined by the Bank:

Operating sector	Intensity of exposure to physical risks	Time frame¹	Intensity of exposure to transition risks	Time frame
Fossil Fuels	4	Medium	5	Short
Metals (manufacturing and trading)	3	Medium	5	Short
Chemicals-based industries	4	Medium	5	Short
Electronic, optical and mechanical industries	3	Long	4	Medium
Infrastructure and environmental protection	4	Short	3	Medium
Construction (closed projects)	4	Short	2	Medium
Use of land (including renewable energy)	4	Medium	3	Medium
Trading of energy–intensive products and services, including transportation and shipping services	4	Medium	5	Short
Food product manufacturing and trading	4	Medium	4	Long
Trading – other	3	Long	3	Medium
Agriculture	5	Short	2	Medium
Other sectors ²	2		3	

● High intensity ● High–Medium intensity ● Medium intensity ● Low intensity

In order to correctly assess the specific risk level attributable to each Bank customer, the Bank has developed a tool for assessment of the individual risk profile of a single borrower. The individual assessment process is based on sector–specific risk assessment questionnaires. These questionnaires consider customer exposure to climate change and other environmental risks, based on the analysis of their business activity and the risks associated therewith. Furthermore, any mitigation measures and preparations by the customer for the materialization of various risks, as well as the effectiveness of such measures, are also reviewed. Questionnaires for the assessment of residual risk are to be filled out by Bank customers. This is designed to help the Bank more accurately estimate its risk exposure, taking into account customer–specific attributes and any mitigation and management measures applied by the customers. These questionnaires may also increase customer awareness of the major risks they are exposed to, and later on adapting their operations to climate risk.

Short time frame is up to two years; medium time frame is up to five years; and long time frame is over five years.
 Sectors with low exposure to climate risk.

Currently, the risk assessment tool is only intended for Business Banking Division customers, and it is being deployed for a sample of division customers operating in sectors subject to material climate risk. After a trial and improvement period to be concluded by end of 2024, this tool would be deployed among other Business Banking Division customers, subject to a materiality threshold to be specified. Assessment mechanisms created for the identification and assessment of climate risk in credit are included in the Bank's current credit policy, approved in late 2023.

Metrics for Exposure to Climate Risk in the Bank's credit Portfolio

The Bank, as part of its commitment to the management of climate-related aspects, reviews its aggregate exposure to climate risk in its business credit portfolio, based on the internal risk assessment model created. Measuring the Bank's exposure to various risk levels is a significant first step in managing climate risk. At this stage, the Bank conducts an initial analysis of the root exposure to climate risk in the Bank's business credit portfolio. This analysis does not take into account the extent of risk management by customers and each customer's specific exposure. Such aspects would be gradually applied using the risk assessment tools created.

Operating sector	Intensity of exposure to physical risks	Intensity of exposure to transition risks	Percentage of total commercial credit risk ¹
Fossil Fuels	4	5	5%
Metals (manufacturing and trading)	3	5	4%
Chemicals-based industries	4	5	2%
Electronic, optical and mechanical industries	3	4	1%
Infrastructure and environmental protection	4	3	1%
Construction (closed projects)	4	2	33%
Use of land (including renewable energy)	4	3	9%
Trading of energy–intensive products and services, including transportation and shipping services	4	5	6%
Food product manufacturing and trading	4	4	4%
Trading – other	3	3	2%
Agriculture	5	2	1%
Other sectors ²	2	3	21%

High intensity

Exposure to economic sectors at increased risk upon transition to low-carbon economy

Another metric considered by the Group, in conformity with regulatory directives, is the credit risk at the Group attributable to sectors subject to increased risk due to the transition to a low-carbon economy, primarily due to being emission-intensive sectors. The Group has classified the sectors as carrying increased transition risk, in conformity with leading global work frames in this area. Total credit risk to the public in economic sectors subject to increased risk is 6.58% of total credit risk to the public for the Group as of December 31, 2023.

In 2023, there was a slight increase in the share of these sectors out of the Bank's overall credit risk. This increase was primarily due to the energy and transportation sectors. Financing in the energy sectors is mostly extended to companies engaged in exploration, production and distribution of natural gas. Natural gas is considered a transition fuel, with lesser environmental and climate impact compared to coal and petroleum, hence the use of natural gas is required in the global transition to a low-carbon economy. Moreover, in recent years local and global geo-political crises have increased instability in the global energy market, emphasizing the need to maintain Israel's energy stability and independence. The bank attaches great importance to continued engagement with companies in these sectors, due to their importance in terms of transition fuels and to their importance for Israel's energy independence.

Economic sectors with increased risk exposure upon transition to low-carbon economy	Percentage of total credit risk to public		
Fossil fuels ¹	1.59%		
Agriculture – animal husbandry	0.04%		
Fossil fuel-based power generation	0.85%		
Manufacturers of cement, metal products, wood and paper products	1.08%		
Rental real estate	2.38%		
Transportation, vehicle shipping and manufacturing	0.64%		
Total	6.58%		

^{1.} Calculation of exposure by economic sector, data as of December 31, 2022, bank data excluding derivatives, nostro, subsidiaries and overseas affiliates.

^{2.} Sectors with low exposure to climate risk.

This sector includes the entire fossil fuel value chain (including exploration, mining, production, refining, marketing and sale of products based on fossil fuels, including coal, oil and gas).

Analysis of the Impact of Realized Climate risks on the Bank, Through Scenario Analysis

Climate change may develop at different pace, intensity and manner, depending on the pace and nature of the global transition to a low-carbon economy. This may bring about changes in the business environment in which the Bank operates, while creating new risks and opportunities. In order to review the resilience of Bank business strategy to potential impacts of climate change, an initial review was conducted of two different types of climate scenarios and their impact on the Bank – one scenario with material transition risk and two scenarios with materialization of material physical climate risks (flooding and rise in sea level).

Potential Impact of a Net-Zero Scenario on the Bank – Transition Risk

A Net-Zero scenario is a scenario whereby the global economy goes through a gradual, managed transition to zero emissions by 2050, so as to curb global warming at no more than 1.5 degrees centigrade (compared to prior to the industrial revolution). This is in accordance with the principles of the 2015 Paris Agreement – the most comprehensive international agreement on climate change. This scenario is globally considered to be the most desirable scenario for achieving the Paris Agreement targets, while reducing the economic impact of transition to a low-carbon economy. Consequently, many countries (primarily in Europe) and many business enterprises globally have stated their commitment to achieving zero emission targets, as stipulated by this scenario. In this context, countries that have committed to these targets are making significant strides in promoting the transition to a low-carbon economy in these countries, including the adoption of advanced regulation, investing in more green infrastructure and promoting innovative climate-related technologies. This is an ambitious scenario, assuming rapid regulatory changes and accelerated technology development over the short term. This scenario entails significant transition risks, as well as lesser physical risks compared to the alternatives. However, these risks are not negligible, given the 1.5 degree increase in temperature.

It should be noted in this regard that Israel has not committed to emission targets in conformity with the Net–Zero scenario. In fact, Israel's target for reducing emissions by 2030 is considered low compared to other developed nations, most of which have set a target of at least 40% reduction in emissions by 2030. The current structure of the Israeli energy market is not compatible with a low–carbon economy, and currently there no steps are being taken to rapidly transition into such an economy. This also affects preparations by the Bank, being a large Israeli bank that reflects the local economy. The sectors expected to be most severely impacted under the Net–Zero scenario are those related to the fossil fuel value chain. Under this scenario, the Bank is exposed to a relatively

higher credit risk, due to its financing operations involving the fossil fuel energy sector.¹ The Bank's exposure to operations in the fossil fuel energy sector is due to attributes of the energy market in Israel: as of 2022, only 10% (7.5 TWh) of power generation in Israel is based on renewable energy sources. According to Electricity Authority forecasts, this rate would only increase to 17% (13.9 TWh) by 2025. The primary energy source for power generation in Israel is natural gas, which is estimated to have accounted for 68% of energy generated in 2022. This share should increase to 80% by 2025, according to Electricity Authority forecasts.² The current structure of Israel's energy market and its expected future dependence on fossil fuels, according to current plans, mitigate Bank exposure to the risks associated with the transition to a low–carbon economy, at least for the coming years. Nevertheless, the Bank's preparations to promote green financing and to expand green finance extended by the Bank, in particular in the renewable energy sector, may mitigate the overall risk under this scenario.

Analysis of a Flood Scenario and a Rising Sea Level Scenario – Physical Risk

The physical risks of flooding, inundation and rising sea level, considered to be reference threats in Israel, may potentially significantly impact the Bank's physical property or property pledged to the Bank. In order to assess the Bank's exposure to such risks, the Bank has analyzed stress scenarios for the materialization of flood risk and rising sea level risk.³ These scenarios considered the extent to which property pledged to the Bank, both in the mortgage portfolio and properties pledged to secure business credit, may be impacted in case of significant flooding resulting from extensive precipitation over a short time, as well as under a rising sea level scenario – an event which may materialize over the longer term. It should be noted that events involving flooding and inundation, as well as rising sea level, may result in further impact, such as damage to infrastructure, impact to business continuity and supply chains and loss of revenue, which have not been taken into account in the current scenario analysis.

This analysis is based on mapping of flood zones by the Ministry of Agriculture. These maps are based on flooding events, as recorded in 1992, and on flood zones as mapped by the Ministry of Agriculture for National Zoning Plan 1. It should also be noted that this mapping is only partial and under stress scenarios other areas not mapped as of the report date, may also be impacted. Therefore, in order to allow for a more extreme scenario, we have added to the mapped areas margins that extend the affected area. Moreover, for the rising sea level scenario, areas close to the shoreline were mapped under multiple proximity levels.

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^{1.} As of December 31, 2023, 1.59% of the Bank's total credit risk was attributable to exposure to economic sectors in the fossil fuel value chain (including exploration, mining, production, refining, marketing and sale of products based on fossil fuels, including coal, oil and gas); a further 0.85% of the total credit risk was attributable to power generation based on fossil fuels.

^{2.} Source: Electricity market report, September 2023, Electricity Authority.

^{3.} It should be noted that flood risk and rising sea level risk are different in nature and in terms of time horizon. Moreover, flood risk is a periodic risk with relatively short-term impact, whereas rising sea level is a permanent change to the local geography.

The extent of damage assessed under the scenario was affected based on proximity to the shoreline / to the center of the mapped flood zones. We assumed that all properties would be equally impacted based on their proximity to risk areas, and based on different impact rates (sensitivity analysis), regardless of property–specific features (such as its height, floor, building age and quality of local drainage infrastructure).

The scenario was calculated both for the mortgage portfolio and for property pledged to secure business loans, and we mapped all pledged properties based on the mapped risk areas. The impact rates were calculated based on a conservative property valuation (for mortgages – original value excluding any change in housing prices since mortgage origination; for business loans – at the lowest current valuation), and were determined based on the risk attributes of the different areas. After calculating the new property value after erosion (if the property is located in a risk area) and based on the impact rate as determined, we considered the difference between current loan balances and the value of the impacted property, resulting in the credit balance under potential risk. Because with business loans, one borrower may have multiple pledged properties, we added up the valuations of all pledged properties after impact and compared this to the customer's outstanding debt balance.

In both cases, we carried out the analysis for six scenarios with different severity levels, three including a rising sea level scenario in addition to the flood scenario and three consisting of a flood scenario only. The analysis results, based on conservative initial assumptions, indicate that the impact to the Bank's loan portfolio is non-material, even without accounting for insurance coverage of the properties. It should be noted, however, that this analysis is subject to limitations due to the limited data availability in Israel with regard to flood zone maps. These maps are not specifically designated for mapping flood risk due to increase in climate risk, and do not refer at all to drainage infrastructure, construction density and so forth. The Bank shall continue to monitor evolution of this risk and to consider further impact aspects and scenarios. The bank reviews the stress scenario analysis based on updated maps published by the Ministry of Environmental Protection in 2023.

Management of Climate-Related Operational Risks

The Bank acts in order to prepare for operational risks arising from climate change and to adapt its policy to prepare for the materialization of such risk. The Bank also acts to properly prepare for future challenges and for business continuity of critical services under various scenarios, including climate–related scenarios, and to provide service to customers even in emergencies, insofar as possible.

The Bank has a well-defined business continuity plan, including a policy document for disaster recovery and business continuity, that is approved by the Bank management and by the Board of Directors.

The Bank has detailed work plans and operating procedures for emergencies. The business

continuity plan is implemented in the systems of all Bank divisions, led by the Business Continuity Unit. Bank preparations for diverse national stress scenarios, primarily earthquake events, should provide a solution for business continuity needs, even during extreme climate events. Accordingly, in order to properly prepare for the materialization of climate risk, the Bank has mapped its strategic assets in order to verify their resilience to the materialization of climate scenarios, primarily flood risk - which is highly relevant due to the location of such assets. There are plans in place for the relevant assets, for risk mitigation and preparations for the materialization of such risk. The Bank's preparations for operational climate risks also apply to planning and construction of new Bank buildings. The Bank's new headquarters building in Lod is being constructed in conformity with an advanced green building standard, and includes systems for protecting against natural disasters, such as flooding or fire, as well as systems for monitoring and reducing the use of resources (for more information see the chapter on "Targets and Benchmarks"). Moreover, the electricity market in Israel has relatively low readiness for climate risk. The large number of power outages is a material risk in Israel and is expected to increase because climate change would result in higher demand for electricity and have an impact on various power infrastructures.¹ In order to prepare for this risk, the building in Lod includes a power plant that would allow the Bank to maintain energy independence.

Environmental Risks Management

Environmental risk is risk due to the potential impact of environmental changes or damage on financial institutions. The Bank is exposed to potential loss due to the deterioration in the borrower's financial position arising from the high costs incurred as a result of environmental hazards and regulations concerning environmental protection. Deterioration may also be due to impairment of collateral exposed to environmental risk or to the Bank being indirectly liable for an environmental hazard caused by a project funded by the Bank. Environmental risk also includes other risk factors derived from this risk: goodwill, third party liability, etc. Environmental risk factors are diverse impacts of the corporation on environmental protection, including with regard to air and water pollution, soil pollution, impact on biodiversity, compliance with environmental regulations in various areas, etc. The Bank has an orderly environmental risk management policy in place as part of the approval of credit policy documents. Credit risk is most relevant and most important, affected by borrowers with the potential for creating environmental pollution and hazards. The Bank's policy documents include dedicated policy on environmental risk, including methodology for identification, assessment and handling of environmental risk. This includes specification of work processes for identification of significant risk when extending credit and inclusion of risk assessment, if any, within periodic assessments of the quality of the credit extended.

^{1.} Based on the INSS review titled "Energy security in the face of the climate crisis".

The Bank reviews the implications of environmental risks as an integral part of credit risks (from financial, legal and insurance aspects). Policy on environmental risk management upon lending, as part of the Bank's risk management and control process, takes into account not only considerations based on customer quality, repayment capacity, collateral quality and so forth, but also environmental considerations. This includes the potential for environmental impact resulting from borrower operations and the potential environmental impact on its normal operations. The Bank incorporates environmental considerations in lending, both for projects financed by the Bank and in regular lending to companies. This risk is reviewed for companies with large-scale operations and material potential for environmental risk. Moreover, when assessing land in terms of collateral value, the Appraisal Department assesses the environmental risks taken into account upon lending, with respect to environmental pollution and the implications thereof on property valuation. Emphasis is placed on assets with potential for soil and underground water contamination. Environmental issues are also part of the operations of the Bank's overseas branches. Consequently, Bank Mizrahi Tefahot USA, which is subject to local regulations, has formulated policy and procedures on environmental issues. Moreover, Mizrahi Tefahot London uses principles issued by the Prudential Regulation Authority (PRA) as guidelines for formulating risk management policy.

Identification, Measurement and Supervision of Environmental Risks

- Location, identification and mapping the Bank has mapped sectors with material potential for environmental risk, including various sectors in energy, industry, transportation, desalinization, mining and quarrying. All economic sectors were classified by the extent of their impact on environmental protection as follows: waste water, hazardous materials, noise, radiation, waste, soil, air, odors, asbestos, emissions into the air. Furthermore, material customers operating in sectors with real potential for climate and environmental risk have been identified. This mapping is periodically reviewed and adapted to local and global guidelines, regulations and standards.
- Estimated impact of environmental risk any credit that meets the specified criteria is reviewed, inter alia, based on: property valuation (based on criteria for identification of land and properties which require reference to environmental aspects), material information included on financial statements, information obtained from customers, and reports to the Ministry of Environmental Protection. For large–scale financing (as a percentage of the Bank's capital) of real estate ventures and land, a review is conducted for positive indications of environmental risk, according to the list of criteria specified by the Bank. Review of this matter is also part of the reporting by supervisors on the project status. Very large–scale infrastructure ventures (construction and new construction as well as operation) where financing is arranged by the Bank require environmental

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assessment with emphasis on environmental hazards and compliance with applicable regulation. This includes: requirement for the technical / environmental advisor to refer to environmental impact, estimated cost of the venture and means to minimize risk, compliance with environmental regulatory requirements, objective and future uses of the venture, as well as operational measures to minimize environmental risk.

- Loans to economic sectors with material environmental impact as part of material loan applications by companies in economic sectors identified as having a material environmental impact, reference is made to environmental risks which may affect loan repayment capacity, such as compliance with regulatory provisions, material environmental costs and legal proceedings involving the company. These are taken into consideration as part of the overall risk assessment of the customer.
- Use of environmental databases as part of incorporating environmental risks into the Bank's work, an extensive list has been created of various databases related to environmental protection, to assist business entities as required. The list, created with help from the Bank's environmental consultants, incorporates databases that include information related to planning and construction, legal databases, licenses and permits, ratings and reports, maps and so forth.

Employee training on climate and environmental risks

Another way in which the Bank prepares is ensuring awareness of climate-related and environmental issues among those involved in lending. The Business Banking Division headquarters delivers training in this area to relevant officers within the Division, assisted by external professional advisors from the environmental protection and legal fields. Such training includes identification of warning signs with regard to climate and environmental protection risk, implications of such risk for business aspects, regulatory updates, information sources on environmental risk issues, how they are managed by corporations (investments and expenses in this regard, lawsuits, etc.) and environmental risk aspects in insolvency proceedings. Training is adjusted for the operations of the business units and includes a review of the 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. In 2023, 151 training hours were delivered on environmental risk management, as part of custom training for those in relevant positions. The topic of environmental risk was emphasized in the Business Banking Division, with expanded policy and action in this area, in internal meetings with relevant officers. These meetings included an overview of environmental risks, and in particular climate risks and the growing importance thereof, with emphasis placed on warning signs that would require more in-depth review of environmental aspects.



Environmental Responsibility



As with any business organization, the current operations of Bank Mizrahi Tefahot have a direct environmental impact. The Bank strives to implement responsible environmental practices in its normal operations and to reduce such direct impact with improved operating efficiency. The Bank also strives to generate shared, sustainable value. As the Bank operates inside office buildings, most of the Bank's direct environmental impact is due to energy consumption for its offices and car fleet, as well as consumption of office supplies, primarily paper. The Bank manages these aspects through multi-annual work plans designed to reduce such impact, and frequent monitoring by the relevant teams at the Bank.

Management and Reduction of Carbon Footprint

The carbon footprint of Mizrahi Tefahot Group consists of two key components: greenhouse gas emissions due to the Group's operational activity, and greenhouse gas emissions attributable to the Group's financial activity¹. The Group has been managing its operational carbon footprint since 2012² and has set a long-term reduction target for this footprint. The Group strives to improve its capacity to measure and reduce its footprint every year and assigns significant resources for this purpose.

This is the second year that the Bank is measuring its complete carbon footprint, including financed emissions. These financed emissions are calculated in conformity with international standard PCAF³, currently the leading global standard for calculating

emissions attributable to financial activity. This calculation is part of the Bank's commitment to reducing its emissions and climate impact.

In 2023, the Bank continued its multi-annual improved efficiency plan, designed to reduce its carbon footprint. In this regard, the Bank took action in projects and processes designed to enhance energy efficiency at the Bank, given that energy consumption is the primary source of greenhouse gas emissions by the Bank. The improved energy efficiency program includes diverse steps, including replacement of equipment and systems which are not energy efficient, encouraging employees to transition to hybrid vehicles, regular control and monitoring of energy consumption and promoting green building at Bank facilities. For more detailed information about improved energy efficiency processes, see later in this chapter.

Measuring the Bank's Operational Carbon Footprint

As part of its desire to improve the climate, the Group carefully measures greenhouse gas emissions caused directly by its operations in 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: paper consumption and paper waste sent to be recycled, water consumption, electronic waste sent to be scrapped and business air travel (Scope 3).

This year, too, Mizrahi Tefahot Group has continued to report its greenhouse gas emissions reporting to the Voluntary Reporting Initiative of the Ministry of Environmental Protection, in conformity with a qualified methodology. Measurement of greenhouse gas emissions is carried out in accordance with the Green House Gas (GHG) protocol,¹ using calculation adjustments specified by the Ministry of Environmental Protection. This year, for the first time, the Bank reports its carbon footprint in conformity with the advanced standards, divided into Location Based and Market Based. The data reveals that in 2023, despite the decrease in overall carbon footprint, the footprint intensity, per m2 and per employee, increased due to the significant decrease in the total area and number of employees in the Group.

^{1.} Category 15 in Scope 3 of the GHG protocol taxonomy, the leading global standard for the calculation of carbon footprint.

^{2.} In 2012, the Bank issued its first ESG report, including data on its carbon footprint.

^{3.} Partnership for Carbon Accounting Financials

^{1.} Greenhouse Gas Protocol.

Mizrahi Tefahot Group's carbon footprint (CO₂eq)¹

Market based	Measurement unit	2019	2020	2021	2022	2023 ²
Scope 1	CO₂e tons	2,042	2,052	2,090	2,138³	2,095
Scope 2 (Market based)	CO₂e tons	18,453	20,493	18,875	18,166	18,167
Scope 3 ⁴	CO ₂ e tons	1,012	900	831	845	622
Total carbon footprint – Scopes 1, 2 and 3 (Market based)	CO₂e tons	21,507	23,445	21,796	21,149	20,884
Carbon footprint intensity (CO2eq tons per m², Market based)	CO₂e tons	0.172	0.155	0.143	0.128	0.139

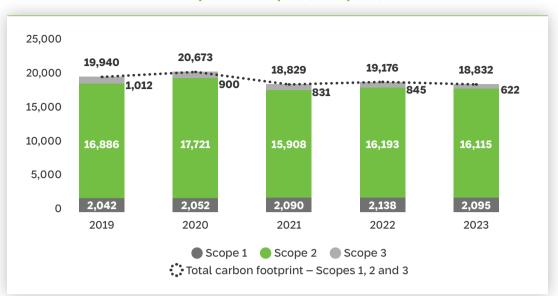
Location based	Measurement unit	2019	2020	2021	2022	2023
Scope 1	CO₂e tons	2,042	2,052	2,090	2,138⁵	2,095
Scope 2 (Location based) ⁶	CO₂e tons	16,886	17,721	15,908	16,193	16,115
Scope 3 ⁷	CO₂e tons	1,012	900	831	845	622
Total carbon footprint – Scopes 1, 2 and 3 (Location based)	CO₂e tons	19,940	20,673	18,829	19,176	18,832
Carbon footprint intensity (CO2eq tons per m², Location based)	CO₂e tons	0.16	0.136	0.123	0.116	0.125
Carbon footprint intensity (CO2eq tons per employee, Location based)	CO₂e tons	3.05	2.726	2.463	2.527	2.595



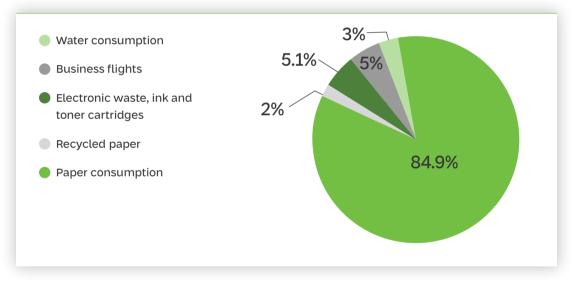
^{1.} The Group's carbon footprint data include Bank Mizrahi Tefahot and major subsidiaries. In 2020–2022, Union Bank was included. As of 2023, Union Bank has been fully merged into Bank Mizrahi Tefahot.

- 2. Emissions data for Scopes 1 and 2 include emissions from the Bank's computer room and DRP backup servers, at 4,467 CO_2 eq tons in 2023.
- 3. In 2022, Scope 1 was re-calculated due to retroactive adjustments.
- 4. Since 2023, the Scope 3 calculation includes water consumption.
- 5. In 2022, Scope 1 was re-calculated due to retroactive adjustments.
- 6. Retroactive adjustments made to Scope 2, due to use of revised emissions data.
- 7. Since 2023, the Scope 3 calculation includes water consumption.

Group carbon footprint (CO2eq tons)¹







^{1.} The Group's carbon footprint data include Bank Mizrahi Tefahot and major subsidiaries. In 2020–2022, Union Bank was included. As of 2023, Union Bank has been fully merged into Bank Mizrahi Tefahot.

Total Financed Emissions

The Bank is reporting for the second year its total financed emissions. This measurement allows the Bank to regularly manage in detail its exposure to emission–intensive financing, and to use this information for high–quality, data–based decision making.

After publishing the data last year, the bank continued to develop its measurement and assessment capabilities for financed emissions, with improved compliance with specific evolving requirements of the PCAF standard. In this regard, the bank acted to expand its financial and environmental data collection capabilities from customers, and this year, the calculation is also based, for the first time, on carbon footprint data collected directly from the Bank's business customers for this purpose, for the first time in Israel. As part of this methodology revision and update, the bank used additional environmental data, the scope of which is growing year by year as the Israeli economy matures in the field. Furthermore, after the previous year, which was the first year in which the bank measured the carbon footprint of its financial operations, and following detailed data analysis, the bank decided this year to increase the materiality threshold of debt included in the calculation. This is for various reasons, including data quality and availability (both financial and environmental) regarding companies with lower debt, as well as the more significant managerial performance capacity vis-a-vis major borrowers. It should be noted that raising the materiality threshold reduced total debt for which emissions are calculated by only 8%.

As part of the improved accuracy process conducted by the Bank, total financed emissions in 2022 were calculated using the revised calculation model for the current year. By this calculation, total emissions in 2022 amounted to 6.25 MTCO_2 eq, and emission intensity was 105.6 tons per NIS 1 million. The data quality rating was $4.3.^1$

The bank continues to refine and develop the methodology by which it calculates and evaluates its carbon footprint, to enrich the environmental database it relies upon, and to collaborate with customers in order to promote a low-carbon economic future in Israel. We currently believe that an update to the methodology on which we rely will also be implemented next year, in line with the evolution of the maturity and knowledge in the Israeli market on climate-related issues.

Total financed emissions out of total commercial credit in 2023¹

Sector	Total financed emissions (MTCO2e)	Percentage of total debt ²	Emission intensity ³ (Tons per NIS 1 million)	Information quality rating⁴
Other	0.252	0.60%	134.5	5.0
Fossil fuel-based energy	1.77	2.19%	257.3	3.3
Commerce and services	1.3	5.47%	75.6	4.6
Real estate and construction	0.58	8.03%	23.0	4.1
Transportation and shipping	0.247	0.71%	110.0	4.7
Industry	2.22	1.83%	386.3	4.4
Infrastructure and environmental protection	0.06	0.69%	29.9	4.3
Total amount	6.44	19.52%	104.9	4.2

Total financed emissions in 2023 include credit data classified as material, out of total on-balance sheet commercial credit extended by the Bank in the Business Division and in the Retail Division. This data excludes credit at the Bank's overseas affiliates, credit extended to municipal authorities and credit in amounts under NIS 1,000,000 (in 2022 report: NIS 10,000). It should be noted that credit extended to municipalities is not included in this calculation, pursuant to directives of the PCAF standard on this matter.

^{2.} Loans to the public at the Bank.

^{3.} Total emission intensity is calculated separately by sector and for total commercial credit. Intensity is the ratio of total emissions to NIS 1 million in debt.

^{4.} The information quality rating is measured in conformity with the PCAF standard, and is assigned to each financing / investment based on the reliability of the information available therefor. The rating range is from 1 (High) to 5 (Low).

Management of Environmental Aspects

in Bank Operations

Responsible Resource Consumption – Improved Energy Efficiency

Energy consumption at Mizrahi Tefahot Group

		2019	2020 ¹	2021	2022 ²	2023
	Total power consumption per m2	248	235	221.5	209.1	228.3
Power (kWh	Total power consumption per employee	4,744	4,701	4,427	4,541	4,541
	Total power consumption	30,983,930	35,656,592	33,846,527	34,453,858	34,286,597
	Total gasoline consumption	715,235	697,703	710,442	678,542	625,829
Fuel (liters)	Total diesel consumption ³	131,881	134,769	162,068	197,345	228,516
	Total fuel consumption	847,116	832,472	872,510	875,887	854,345
	Total power consumption	111,542	128,364	121,847	124,034	123,432
Energy	Total gasoline consumption	24,402	23,804	24,239	23,150	21,352
(GJ)	Total diesel consumption ³	5,088	5,199	6,252	7,613	8,816
	Total energy consumption	141,032	157,367	152,338	154,797	153,599
Energy intensity	Total energy intensity per m² (GJ / m²)	1.131	1.03	0.99	0.93	1.02
	Total energy intensity per employee (GJ / employee)	21.59	20.75	19.92	20.4	21.16

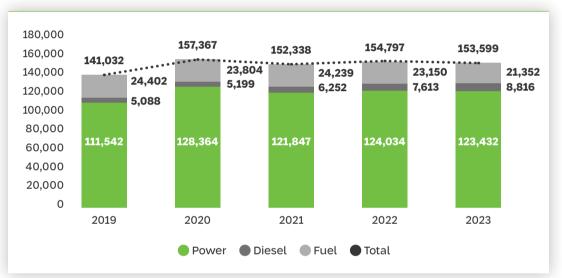
* kWh – Kilowatt hour

** GJ – Giga Joule – energy measurement unit

2. In this report, data for fuel consumption in 2022 was retroactively revised due to expanded reporting.

In 2023, gasoline consumption decreased by 8% due to the conclusion of the Union Bank merger. However, diesel consumption increased due to increased Bank operations, resulting in a 25% increase in cars for the transportation of money and an increase in the number of trips and distance traveled due to a 73% increase in the number of remote customer ATMs handled by the Bank.

Over the course of this year, improved energy efficiency processes continued, as the Group has done in recent years. This resulted in a slight decrease in power consumption and in total energy consumption (GJ). However, due to the decrease in the Group's total area and employees, the energy intensity (GJ) per m² and per employee and the power consumption intensity (kWh) per m² increased.



Total energy consumption (GJ)¹

Power consumption per m² (kWh)



1. In 2020, Union Bank joined Mizrahi Tefahot Group..

^{1.} In 2020, Union Bank joined Mizrahi Tefahot Group. Data for 2019 does not include Union Bank.

^{3.} Diesel consumption includes diesel consumption by generators. The data is actually for procurement, rather than for consumption. Due to the war, the Bank re-filled its reservoirs at the Bank campus in Lod in late 2023, to be used in 2024 as well. Thus, one half of the volume purchased was attributed to 2023, and one half will be attributed to 2024.

Improved Energy Efficiency Measures for Power Consumption

Below is a description of the improved energy efficiency measures for power consumption carried out in recent years and which are still in operation:

- Operation of command and control systems at headquarters buildings to allow for monthly review of power consumption – The Bank conducts monthly analysis of the power consumption cost by building, and in case of any deviation the Bank, assisted by advisors, takes action to identify and address the cause for such deviation.
- Utilization of emergency generators during regular peak hours In conformity with an agreement signed in 2014 with IEC, the Bank takes part in a load shedding program of the Power Utility Authority, selling power back to IEC during peak hours, upon demand, by operating the emergency generators. In 2019, the Bank started gradually replacing lighting fixtures with LED lighting at the Bank headquarters in Lod. This also reduces the time required for self-testing of the generators, as the test now relies on actual operation.
- Installation of diesel circulation systems in generators These systems were installed in order to avoid soil pollution by unusable diesel and to extend the useful life of the diesel. In addition, diesel containers are tested to ensure impermeability so as to prevent any leaks.
- Replacement of AC systems at branches with old, inefficient systems In 2023, old AC systems were replaced at branches relocated to alternative properties.
 Furthermore, AC units in computer rooms were networked for optimized operation of the AC systems.
- Efficient use of area More efficient use of area results in reduced power consumption. In 2023, the Kiryat Malachi branch had its area reduced by 40 m² and the Florentin branch was merged with nearby branches in Tel Aviv. Moreover, 10 work stations were added at existing branches, without requiring any additional space.
- Review of alternative energy at the Bank campus in Lod In 2019, we approved the construction of a power plant at the Bank campus in Lod, operated by natural gas, to generate power to be used by this facility. This is currently under planning and negotiations, as part of the construction of the Bank's new campus.

Construction of the New Campus and the Promotion of Green building

In 2022, work started on the construction of the new Mizrahi Tefahot campus in Lod, which will house all Bank headquarters units. Project completion and relocation of the units are expected by 2025. The construction of the new campus in Lod has been planned in conformity with the most advanced standards for environmental aspects and employee well-being. These standards measure the reduction in carbon footprint and environmental impact, improved working conditions and promotion of employee well-being. The campus is intended to be an innovative center, focused on environmental protection and on creating favorable conditions for employees.

The new campus in Lod has been designed to comply with the LEED standard. This is a voluntary American standard for green building which will help the Bank meet its environmental responsibility and use resources more efficiently. This innovative approach to the construction of the campus incorporates environmentally aware principles throughout the construction and operation of the building. The new campus construction project intends to achieve LEED Platinum certification.

The standard emphasizes the basic structure and critical systems of the building, providing a robust basis for future residents to implement sustainable practices within the building space. During the early design stage, construction materials with green certification were selected, along with correct planning and management of the construction site and the prevention of environmental pollution. This includes construction techniques designed to minimize the consumption of natural resources and the generation of excess waste. Energy-efficient design features, such as advanced insulation, high-performance glazing, efficient AC systems and solar panels, should significantly reduce energy consumption and greenhouse gas emissions. Also planned for the campus are water saving measures, including low flow facilities (electronic faucets and dual flushing tanks) with AC water collection systems for flushing toilets, which will further reduce the environmental impact. Moreover, the building location prioritizes access to public transportation and general services, promotes community connectivity and reduces the need to rely on individual vehicles. Several measures should result in a significant reduction in the use of private vehicles: A Bank-operated shuttle system will be implemented to complement public transportation along with an extensive shuttle system to the railway station that runs throughout the day, as well as a high level of access to inter-city transportation infrastructure, both current and future. Employees will be encouraged to carpool and on-campus parking for bicycles and motorcycles will be integrated. Placing corporate headquarters in a single campus, along with incorporating technology for conducting online meetings and training will enable savings in time and energy resources. Another standard adopted by the Bank is the WELL standard. The campus is designed in

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conformity with the WELL V2 standard, a leading standard for green building, sustainability and employee well-being. The standard is focused on creating healthy and comfortable working environments to promote the users' health and overall well-being. This is achieved by using green design and technologies, managing materials and air quality inside and outside of the building, promoting physical activity and healthy diet among employees, and efficient management and control of energy sources.

In order to qualify for the WELL standard, the campus must include advanced outer cladding, including built-in shading, developed using energy and thermal analysis. These to allow for very high levels of thermal and visual comfort in work spaces, with shading of outer walls and reducing cooling loads. AC systems will be installed with outstanding energy efficiency, some of the highest in the market, also incorporating filtering measures, as well as efficient power systems and design for efficient lighting.

The technology infrastructure for command and control at the new campus will encourage sustainability and efficient use of resources, support improved energy consumption and enable smart operation of the campus. All of these measures will result in significant energy savings and reduce CO2 emissions at the campus. The campus also has planned infrastructure for waste recycling and for charging electric vehicles.

To improve employee well-being, the campus will include garden areas to provide employees with areas for rest and leisure. The landscaping system and plants at the new campus will be designed so as to also contribute to maintaining bio-diversity. Employees on the campus will be able to use the gym, classes and dressing rooms. Moving around the campus would be through well-lit, inviting staircases to encourage employee movement during the work day.

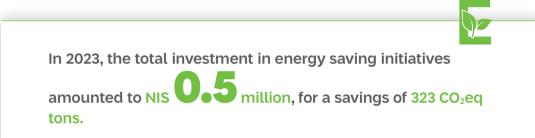
Energy Efficiency Measures for Fuel Consumption

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: It is Bank policy to prefer vehicles with high energy efficiency and to encourage the use of hybrid and electric vehicles.

- Hybrid vehicles In 2021, the Bank set new policy to encourage employees and managers to select hybrid leased vehicles. To this end, the Bank increased the car allowance entitlement at each step, to allow employees to select a hybrid car. In 2023, hybrid and electric cars accounted for 39% of the entire fleet, compared to 25% in the previous year.
- **Transition to digital** The Bank uses digital platforms for remote meetings, thus allowing employees and managers to hold meetings and sessions and to conduct

training online. Holding such meetings allows the Bank to reduce employee mileage, thus reducing total emissions. In 2023, some 150,000 call hours took place on digital platforms, including conference calls and online training (remote learning and selflearning using eLearning kits).

• Shuttle service – The Bank campus in Lod operates a shuttle service for employees arriving from different locations around Israel. We also promote the use of public transportation in general, and the train in particular, by offering shuttle service from the train station to the Bank campus in Lod (additional service during arrival and departure times). In 2023, some 20% of the employees in the Bank campus in Lod used these shuttles daily. The shuttle service should expand in 2025, when all units of the Bank headquarters would be relocated to Lod.



Bank initiatives to reduce energy consumption in 2023

Initiatives to reduce	Estimated powe	er consumption /ed	Estimated carbon	Monetary investment in	
power consumption	kWh	Giga Joule (GJ)	footprint savings	initiatives (NIS)	
Replace light bulbs in offices with LED light bulbs	50,000	180	23	88,000	

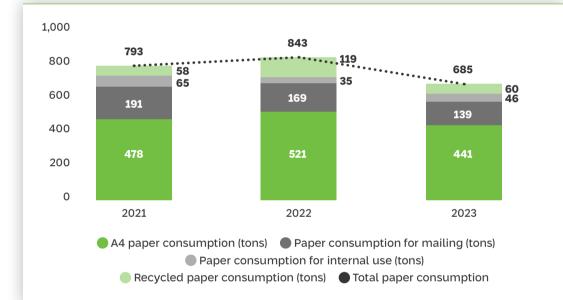
Initiatives to reduce fuel		l consumption /ed	Estimated carbon	Monetary investment in	
consumption	Liters	Giga Joule (GJ)	footprint savings	initiatives (NIS)	
Transition to video-conferencing ¹	49,680	1,695	113	- 320,800	
Transition to digital training	80,398	2,743	187		
Total	130,078	4,438	300	320,800	

^{1.} Data is for some of the digital platforms used by the Bank, which include a monitoring system that provides a measurement of the number of users on the system and an accurate assessment of the total savings.

Paper Consumption

The Group uses paper mainly for printing forms, letters to customers, reports, etc. It should be noted that a considerable percentage of the paper usage is due to printed material produced for customers according to Bank of Israel directives and other regulatory provisions, and which is hand-delivered to customers.

	2021	2022	2023
Total paper consumption (tons)	793	843	685
Recycled paper used as a percentage of the total paper consumption	7.3%	14.1%	8.8%



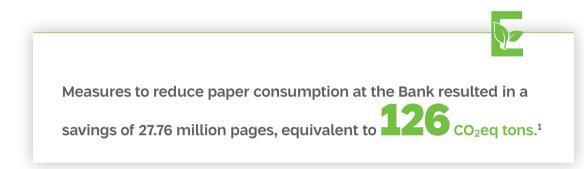
Paper Consumption by the Group

In 2023, the Bank reviewed its entire paper consumption as part of a regular, multi–annual process in this regard: customer mailings, in–house printing, printing of documents delivered to customers, etc. Moreover, business processes were reviewed and improvements were made to the mechanical infrastructure (both internal and between the bank and its customers), allowing for a reduction in printing. One example of this is the presentation of additional documents to customers on the bank's website and apps.

In 2023, the Group's paper consumption decreased by 158 tons, i.e., 19%, from the previous year. The decrease in paper consumption was primarily due to ongoing efforts by the Bank to promote programs to reduce paper consumption, including the Paperless Branch project and the Digital Mortgage File project, whereby customers originating mortgages use tablets or remote signature to sign documents and are prompted to

provide documents digitally insofar as possible. In this way, the Bank helps reduce the use of paper in general. Currently, the Digital Mortgage File project is deployed across the Bank, and all files in the system are digital files, with the exception of a few file types. The Bank also continues to promote online correspondence. Currently, 53% of Bank customers receive correspondence by email. Starting in 2024, digital messaging also expected to be expanded to include the mortgage business.

Along with efforts to reduce paper consumption, the Group is acting to include the purchasing of recycled paper. In 2023, such purchasing accounted for 8.8% of the total paper consumption at the Bank. 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.



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 project	0.86 million	4.3	4
Email correspondence	21.1 million	105.5	96
Digital mortgage	5.8 million	28.9	26
Total	27.76 million	138.8	126

^{1.} This data was calculated on the assumption that a package containing 500 A4 sheets weighs 2.5 kg, based on DEFRA data.

Waste Recycling and Treatment

Waste treatment at the Group focuses on separating waste according to three types: waste paper, electronic waste and ink cartridges.

Waste types	Treatment	Removal destination	Volume in 2019	Volume in 2020	Volume in 2021	Volume in 2022	Volume in 2023
Waste paper ¹	Sent for recycling (tons)	KMM Ltd.	400	486	795	1,157	579
Electronic waste	Scrap (tons)	Shuru Ltd.	46	48	11	41 ²	44 ³
Ink and toner cartridges⁴	Scrap (units)	KMM Ltd. and Kachila Ltd.	9,711	10,889	10,033	9,849	6,376

The Group sends all of its paper and electronic waste to be recycled. The annual volume of electronic waste sent for recycling varies based on the projects for the replacement of electronic equipment, conducted in accordance with the Bank's needs. The Group is compliant with the directives of the Ministry of Environmental Protection

with regard to the disposal of normal and hazardous waste.⁵

Water Consumption

Water consumption at Mizrahi Tefahot Group is primarily for office use. Total water consumption by the Group in 2023 was 85,315 m³. The Group's water consumption intensity is 11.75 m³ per employee – a 22% increase over the previous year. The higher consumption in 2023 is primarily due to water used for the construction work on the Bank campus in Lod. In case of any deviation in water consumption at branches (typically alerted by the local authority), the Maintenance Center immediately sends staff to locate and repair any leaks. Some buildings at the headquarters include a building control system, which shuts off water faucets at night and immediately alerts the supervisor of any excessive consumption (e.g., a leak). Such issues are addressed immediately.

^{5.} As it is a financial institution, hazardous waste at the Bank consists of batteries and light bulbs. This data is shown under electronic waste for the Bank.



Increased Awareness of Environmental Issues – Campaigns to Promote Recycling by Employees

The Bank promotes environmental protection and acts to create environmental awareness among employees. To this end, we provide yearly training on environmental issues, and the Bank promotes initiatives among employees and their family members for reducing and recycling waste.

- Recycling bottles The Bank provides containers for collecting cans and bottles in order to promote recycling by employees.
- **Recycling batteries and electronic waste** Containers are available on Bank premises for collecting batteries and electronic waste.
- **Collecting clothes for donation and recycling** In the Bank's office building in Lod, we placed a container for the collection of clothes donated by employees and their families, in collaboration with with the NGO "Pitchon Lev."
- **Re-use of furniture** When a property is sold or returned by the Bank, the Bank reviews whether the furniture can be used elsewhere at the Bank or donated to the community.

Regulatory Compliance and Control

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

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

- Control over paper consumption and shredding using computer systems by 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 reflecting the fuel consumption data of their vehicles. This increases their awareness of the need to reduce consumption by efficient, proper use of their vehicles.

^{1.} Total waste paper sent for recycling was lower than the consumption in 2023, as it includes paper used for mail sent to customers. In 2021, the Bank started a project to eliminate material stored in old archive containers, which had not been discarded for six years due to legal requirements. Once approved, the Bank began discarding this material in the final quarter of 2021. The project was concluded in 2022. Therefore, in 2021–2022 a large volume of paper was sent for recycling, more than the actual paper consumption for these years.

^{2.} Data for the treatment of electronic waste in 2022 includes Union Bank.

^{3.} Due to the closure of Union Bank and different areas of the Bank campus in Lod vacated due to the construction of the new campus, the volume of electronic waste increased.

^{4.} This data does not include Union Bank.



Specified goal	Response to SDGs	Status
Increase employee awareness about reducing energy consumption.	7 AFFORDATE AND CLEAN ENERGY	Regularly being done.
Promote the signing of agreements and planning for the construction of a natural gas-based power station at the Bank campus in Lod (also resulting in reduced use of diesel for generators).	7 AFORDABLE AND CLEAN ENERGY CONSUMPTION AND PRODUCTION AND PRODUCTION AND PRODUCTION AND PRODUCTION AND PRODUCTION AND PRODUCTION AND PRODUCTION	In progress.
Deploy the Digital Mortgage File project to all Bank branches in order to reduce paper use and expand the use of digital signatures to various services.	12 RESPONSIBLE CONSUMPTION AN OPRODUCTION	Done.
Reduce paper consumption by 30% in three years (after deployment of the Digital Mortgage File project).		Done.
Bank preparations for all local and international regulatory changes, reporting requirements with regard to environment and climate- related issues and formulation of climate- related policy and governance.	13 CLIMATE Action	Done.

Specified goal	Response to SDGs
Specifica gour	
Construction of the new Bank campus in Lod in conformity with the LEED standard for green building, striving to achieve Platinum certification under this standard in order to promote improved energy efficiency.	7 ATERODABLE AND CLEAN ENERGY
Promote the installation of photo-voltaic facilities on the roof of the Eastern Parking on the Bank campus in Lod. Reduce paper consumption by 30% within two years.	12 RESPONSIBLE CONCUMPTION AND PRODUCTION
Further preparation for the application of the Proper Conduct of Banking Business Directive 345 by the Bank of Israel with regard to "Effective management of climate-related financial risk", validation of the climate risk survey and revision of policy documents across all Bank divisions.	13 CLIMATE Action

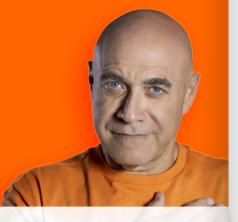
Goals for 2024



Social

Mizrahi Tefahot Group acts with responsibility vis-à-vis the customers, employees and communities in which it is involved. The Bank's concept enshrines the integration of innovation and a human approach to customers.

People first and foremost



Investing in customers



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

- Adapting products and services for customer needs The Bank offers a range of financial products and services, in accordance with the various needs of its customers, their financial situation, their different life stages and the unique needs of different demographics.
- **Customer experience** The Bank views the satisfaction of its customers as a benchmark of success. Therefore it accords great importance to quality of service and works to provide optimized, personal service to all of its customers. This is all done while strictly ensuring customer privacy and attentiveness to their needs.

- **Fairness and transparency towards customers** These values are fundamental to the Bank concept and Code of Ethics. A fair relationship with all stakeholders, and especially with customers who are at the center of business activity, is the foundation for trust, success and high levels of satisfaction.
- Financial inclusion As a leading financial body, the Bank acts to ensure maximum and egalitarian accessibility of its financial services to all. To this end, the Bank acts to develop products and services customized for diverse demographics, for financial education and digitalization. Moreover, the Bank continues to provide physical services at Bank branches to demographics with less access to digital tools.

Personal Banker in the App

It's a winning service!

Bank products and services

The Group offers a range of products according to the various needs of Group customers, their financial situation, their different life stages and the unique needs of different demographics. This is so as to provide value for customers and to allow them to make decisions adapted for their needs in the short, medium and long term.

Key products offered by the Group in different operating segments¹

Mortgages – Mizrahi Tefahot leads the Israeli mortgage market, providing housing loans secured by charges on a residence, both out of the Bank's funds and as part of government aid programs, as well as general-purpose loans. The Bank also provides financing solutions for select demographics, such as a pension mortgage for senior citizens and a business mortgage.

Marketing insurance (insurance incidental to mortgage) – Tefahot Insurance Agency (1989) Ltd. is an insurance agency wholly-owned by the Bank, engaged in the sale of life insurance and property insurance policies to customers with mortgages at the Bank.

Banking and finance – Banking services offered to private, business and corporate customers, including management of checking accounts and current loan accounts, provision of the various kinds of credit and guarantees, receiving deposits, stateguaranteed loans, foreign trade activities (imports, exports, documentary credit etc.), credit operations, syndication transactions, factoring and trading in derivative instruments, including trading in currencies and interest rates.

Deposits – The Bank promotes deposits by offering a wide range of deposits to customers of all banks, with different levels of liquidity and for different terms. The deposits are offered with attractive interest rates, revised in conformity with Bank of Israel interest rates, adapted for customer needs and for market conditions.

Capital market - Securities transactions for customers on stock exchanges in Israel and overseas, consulting for capital market transactions, provident fund operating services, mutual fund operating services, operation and distribution services for trust funds, trust services for trust funds and debentures (which serve as investment avenues for Bank customers, including securities portfolio management for customers). The Bank also has a subsidiary, Etgar Investment Portfolio Management Company from the Mizrahi Tefahot Group Ltd., engaged in the management of securities investment portfolios and in providing investment advice to Bank customers and to customers of other banks.

Credit cards – A range of financial and banking services related to credit cards. These cards are issued to Bank customers by credit card companies in Israel. Various financial solutions are accessible and adapted for the various needs of customers.

Construction and real estate - Extensive banking operations vis-à-vis companies in the real estate sector as well as unique banking services for the real estate sector, including the financing of real estate projects, urban renewal projects using the closed financing method and financing for income-producing property. The Bank offers diverse types of loans. Loan types are adapted for financing needs for the business operations of companies in the construction and real estate sector.

Major infrastructure ventures - The Bank leads the financing of major infrastructure ventures across a wide range of areas. Such as: solar projects, transportation initiatives, water desalinization initiatives, and so forth. In these ventures, the Bank also reviews environmental aspects.

High-tech – The Bank is expanding its operations with high-tech business customers in Israel and overseas (including startup companies), through the High-tech Department. The High-tech Department is part of the Corporate Sector of the Business Banking Division and also operates at overseas affiliates (USA and UK).

Mizrahi Tefahot INVEST - Mizrahi Tefahot operates its real investments arm, used by the Bank to consider making real investments in mature companies, real estate companies, funds and investments in startup companies. When considering such investments, ESG considerations are also taken into account, and the Bank avoids investing in companies that are not aligned with Bank policy in this regard.

Pension advice – The Bank provides free pension advice to all customers, through licensed pension advisors nationwide. The Bank website includes a dedicated section

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



on pension advice, providing information and professional explanations in clear and easy to understand language.

Vehicle financing loans – As part of the Union Bank merger, Mizrahi Tefahot received the leasing operations and established a subsidiary, Mizrahi Tefahot Leasing, which provides car loans to private customers, who may not be Bank customers, as well as financial leasing for business customers.

Innovation in Bank products and services

The Bank acts to encourage and adopt innovation in all its operations. The Bank constantly reviews the pace of technology development and changes in consumer habits and preferences, in Israel and world-wide. The Bank has established cross-unit teams to promote innovation in products and services. These teams deploy innovation in operational processes, review innovation in the Bank's real investment operations, digital and technology innovation and deployment of an organizational culture of innovation is incorporated in the Bank's training programs and in executive training programs. The Bank encourages employees to partner in promoting innovation, in improving work processes and in providing customer service. Innovative ideas are promoted by a unique "accelerator" process applied by integrated work teams. The Bank has launched an internal program to promote innovation, by which it selected and trained a team of Innovation Ambassadors from among Bank employees and managers.

Bank employees and managers also discuss innovation in the various training programs. In 2023, a total of 14,114 training hours on innovation were delivered. The Bank also has a committee on "Promoting initiatives for improvement, cost savings and improved efficiency", tasked with discussing employee suggestions for improvement and streamlining. The committee convenes quarterly to discuss the suggestions submitted. The best suggestions are implemented in the system, providing the employees who suggested them with a recognition award, which is awarded at a special ceremony attended by the Bank President & CEO. This tradition was very successfully deployed at the Bank, and comprises an important value in the Bank's organizational culture. In 2023, employees made suggestions on improved efficiency, some of which were incorporated in the work plans of the various Bank divisions.

New products at Mizrahi Tefahot

- **Deposit without having an account** The Bank has developed a track to allow customers of any bank to deposit their funds with Bank Mizrahi Tefahot, even without having an account at the Bank and without visiting a branch.
- Secure mortgage The Bank developed a new track, which maintains a stable monthly

mortgage payment even when interest rates change. When interest rates increase, the term is automatically extended, and when interest rates decrease, the term is automatically shortened. This product is unique to Bank Mizrahi Tefahot, providing peace of mind and security in a period of uncertainty. This product provides real value to customers, many of whom were afraid of buying a home due to the interest environment and high cost of housing.

- New State-guaranteed fund with Green Track As part of the fund for Stateguaranteed loans to small and medium businesses, in 2023, a new track named "Sustainable Energy" was established, providing loans for the following purposes:
 - Investment in projects to reduce negative environmental impact by making a business's energy consumption more efficient, or transition to generating energy from more considerate sources. For example, replacement or upgrade of old lighting and climate control system (HVAC systems) and installation of thermo-solar energy systems, along with upgrading to electric vehicles and installation of vehicle charging stations.
 - Investment in projects that promote the environmental objectives of the State of Israel with regard to sustainable energy, such as improved energy efficiency of industry and buildings, conversion of fossil fuel-based systems to electricity-based systems, promoting production processes from clean energy sources, energy storage and use of clean transportation.

Mortgage products

Mizrahi Tefahot is the leading mortgage bank in Israel. The Bank acts to customize financial solutions for its customers and for the Israeli public that will allow them to balance their needs and their financial capabilities over the short and long terms. The Bank strives to provide customers with personal assistance from an expert banker, who helps them select the ideal track for them. This is intended to make the process easier for customers, to create a positive, simple, clear and convenient experience. Moreover, the Tefahot Touch app, unique to the Bank, makes things easier for customers on the journey to obtain a mortgage, with close assistance from an expert banker throughout the process. The Bank provides service to customers who wish to change the date of their monthly mortgage payment, replace a guarantor, make changes to their payment schedule due to financial difficulties, repay their mortgage ahead of time, and so forth. Inter alia, the Bank offers the following selection of tracks to customers:

Mortgage at your own pace – In this track, the Bank allows customers to obtain a flexible mortgage loan. In this track, the repayment schedule is created in advance, prior to loan origination, personalized to customer needs. For example, if repayment is more onerous

at the outset of the mortgage period, you may pay less and make up the difference later on. This product is suitable for families with lower income at the outset, or with multiple high financial obligations for the household, making ongoing financial management more onerous. Later on, when income increases, the repayment is raised.

Mortgages for various demographics – The Bank expands the product market in accordance with the characteristics of each sector and its specific needs, including the Haredi sector, Arab sector, foreign residents, the elderly and Kibbutz members.

"Mortgage for businesses" – A targeted, innovative product offered by the Bank, which helps the business owner in acquiring property for their current operations, in lieu of leasing. The loan is repaid over many years.

Products for the business sector and high-tech industry

In the business sector, where financial management is complex and has unique attributes – the presence of a human, personal banker is highly important. The hybrid banking system at the Bank is available across all digital channels, in order to allow customers to have direct contact with their personal banker, who knows the business and its owner and provides an important professional anchor for them. In 2023, the business customer base increased, due to the growth in the number of new business customers at the Bank. In addition to the extensive professional infrastructure serving customers in the business sector, the Bank has developed direct banking tools and customized products that provide added value for business customers.

Real estate credit for small businesses – Wishing to provide a fast, professional response to credit applications by small businesses, small purchase groups and small development projects, the Bank operates two specialized business units: a dedicated department in the mortgage arm to serve such customers, and the Real Estate Development Department of the Business Banking Division, which assists small projects and initiatives.

Foreign trade – The Bank offers diverse solutions for operating in many countries across the world, including in emerging markets, for import and export. Customers receive all the foreign trade services they require under one roof, including assistance and advice, from negotiations through closing of the transaction.

Promoting high-tech industries – The Bank provides services to high-tech business customers (including startup companies) via the High-tech Department of the Business Banking Division and with the assistance of Bank affiliates overseas. The Bank also provides financing for growth-stage startup companies through various financing models, aimed to promote entrepreneurship and innovation in the Israeli economy and to help them achieve success. The Bank provides financing to startup companies in diverse areas, including agricultural technology, medical equipment, climate-related technologies and technologies for the elderly.

Adapting products for changes in interest rates and inflation

Given the interest rate increase and its impact on customers, the Supervisor of Banks issued letters with regard to "Taking consumer-oriented steps in a changing financial environment". These letters stress the importance of having customers understand the implications of changes to interest rates and inflation over the past months. Further to these letters, management discussed this matter, established a steering committee and conducted a survey on management of fairness risks. In addition, training was delivered to all bankers, so as to increase awareness of this matter, and they received auxiliary material on how to guide and assist customers in this regard. The objective is to ensure that customers are familiar with investment products, get the full picture on various terms and conditions, and understand all implications of their financial decisions. The Bank also took some measures to make it easier for customers to go through this high-interest period:

- Mortgages The Bank took some measures in regard to mortgages, including monitoring and proactive calls to customers who sustained a significant increase in their repayment, intended to offer diverse solutions. These measures were taken so as to align the mortgage with customer needs, to provide information about maintaining interest rates over time and to present transparent comparison data with regard to Bank of Israel forecasts, including total anticipated interest. The Bank also launched a new benefit: "Overdraft interest on us". This benefit is provided for two years. Mortgage customers who also have a current account with Bank Mizrahi Tefahot (used to repay the mortgage) who sign up for the benefit would not pay interest on the debit balance in their current account, up to the monthly repayment amount and not to exceed NIS 6,000. In addition, a NIS 1,200 credit was applied towards mortgage repayments. The credit was paid in 4 guarterly installments, directly to the account, and offered customers the option of spreading the Prime component of their mortgage over up to 30 years, without charging any commission and with no change to the Prime interest provisions. This credit was provided to customers with a loan paid in good standing, for purchase of a sole residential apartment, which includes a Prime component. This is in addition to the following criteria, as they were upon loan origination: property value - up to NIS 2 million; LTV ratio - 60% or higher; payment to income (PTI) ratio - 30% or higher.
- Deposits The Bank strives to fully understand customer needs and attributes, while adapting deposits to needs and providing proper, detailed disclosure to the customer, focusing on deposit interest, deposit term and windows for withdrawal from the deposit. The Bank also launched a range of deposits offering customers attractive interest, based on the Prime lending rate, deposits linked to the CPI and

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high liquidity in response to market uncertainty. In this framework, Bank branches were assigned monthly objectives for select deposits.

• **Credit** – There is specific reference to a volatile interest environment when extending a loan bearing variable interest (Prime), along with ensuring that the credit type and repayment terms requested by the customer align with their needs, their financial standing and their capacity to make loan repayments. At the end of May 2023, the Bank sent notifications to household customers (based on criteria), informing them that they may contact the branch for a loan deferment, without paying any commission. The Bank also took the step of reducing interest rates on credit facilities and proactively offering an offset of credit balances against debit balances, up to NIS 10,000.

Development of social products with shared values

The Bank recognizes the importance of identifying the risks and opportunities faced by the Bank, extending credit for development, construction or launch of products with positive social and community impact. Thus, the Bank takes part in creating shared value for the Bank and its customers.

In 2023, the Bank extended social credit amounting to NIS 9.09 billion to promote social causes:1

Promoting small businesses

- **Credit for small businesses "The Northern–Southern Fund" –** The Bank promotes small and medium businesses in outlying areas, by turning them into attraction hubs. This is achieved by creating employment opportunities, increasing revenues and improving the quality of life for residents in the region. In the fourth quarter of 2023, two funds were established to help small and medium businesses financially impacted by the war, focusing on towns in the South and North regions, as well as on the industrial sector.
- **Development of micro and small businesses in socially outlying areas**² The Bank extends credit to micro and small businesses located in towns ranked low and medium on the socioeconomic index, thus helping to promote the economy and employment in these areas.

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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. Over time, the Bank was awarded other tenders issued by the State in this area. In the fourth quarter of 2023, the fund added the Swords of Iron track, which assists businesses financially impacted by the war.

Community development

- Extending credit for community services and infrastructure in socially outlying areas¹ – The Bank extends credit to promote education, healthcare, welfare and culture, and for development of infrastructure in outlying areas.
- Social investments by US affiliate In 2023, Mizrahi Tefahot USA made social investments, as stipulated in the Community Reinvestment Act (CRA), helping small businesses with low to medium revenues and promoting affordable housing.
- Social bonds The Bank's core investment portfolio includes a designated portfolio for holding bonds issued to support social causes:
 - o Teaching math and Hebrew to youths in Rahat (Rahat Bond) In 2019, the Bank became an anchor investor in a social bond issued to finance the "Math in Rahat" project, initiated by SFI. The bond purchased by the Bank are used to invest in a project to enhance matriculation-level studies (4/5 study units in mathematics) and reinforce Hebrew language studies at 7 high schools in Rahat (some 1,200 students). To date, a total of NIS 3.2 million was transferred for investment, of which a total of NIS 0.6 million was transferred in 2023. The total amount to be transferred by the conclusion of this project is NIS 3.6 million.
 - Training Jewish Haredi men for the high-tech market (Developers Bond) –

In 2021, the Asset and Liability Management Committee approved Bank investment in another social bond – the Developers Bond. In 2022, a sum of NIS 1.25 million was transferred. The bond issuer is a sister-company to the issuer of the current social bond in the portfolio held to maturity (Rahat Bond). This bond is designed to promote an increase in the share of Jewish Haredi men in the high-tech market, by training them as programmers and helping them find a job after completion of their training. In 2023, no new funds were invested in this bond.

^{1.} The stated credit amount is for on-balance sheet credit only.

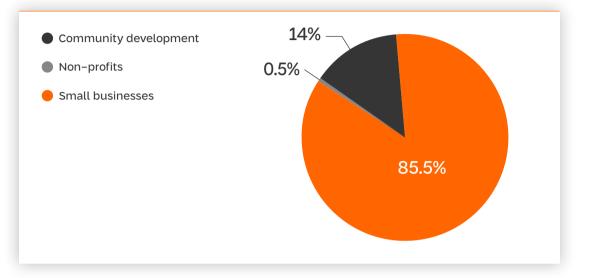
^{2.} Businesses in towns included in ranking clusters 1 to 5, based on the socioeconomic scale of the Central Bureau of Statistics for 2019. Micro and small businesses, as defined by the Bank of Israel.

Composition is based on the Community Reinvestment Act (CRA) in the USA, as guided by the SASB standard and in conformity with features in Israel. The category includes credit extended in towns included in ranking clusters 1 to 5, based on the socioeconomic scale of the Central Bureau of Statistics for 2019, for services in education, healthcare, culture and welfare, for community and public installations and for development of infrastructure in such towns.

Community assistance services

 Credit for non-profits and assistance organizations – The Bank extends credit to non-profits operating to benefit Israeli society. The Bank also extends credit to businesses providing assistance in healthcare and welfare-related areas.

Social credit in 2023





Bank activity to benefit customers affected by the war

In order to help customers in general, and residents of the conflict regions in particular, the Bank set out an outline of banking relief efforts and benefits, which are significantly larger in scope than the baseline stipulated by the Bank of Israel.

- Deferment of loan repayments For households and small businesses.
- Deferment of mortgage repayments The Bank automatically waived mortgage repayments for several months by customers in towns near the Gaza envelope and in Sderot. The Bank also expanded on the Bank of Israel outline with regard to deferment of mortgage payments, allowing deferment for 6 months (3 months longer than specified in the Bank of Israel outline), with no interest or linkage fees. This benefit is for customers in towns near the Gaza envelope, in Sderot and customers evacuated from towns in the North.
- Zero interest for current account facility Up to a debit balance of NIS 10,000 for private customers, and up to a debit balance of NIS 30,000 for business customers, with commissions waived.
- Grants to businesses in South and North regions The Bank launched a voluntary campaign, offering grants of up to NIS 20,000 to business customers resident in the South (up to 7 km from the Gaza Strip) and in the North (up to 5 km from the Northern border).
- Loan on your side As part of the assistance provided by the Bank, it decided to offer a loan, free of interest and linkage fees, to individual and business customers resident up to 40 km from the Gaza border (up to NIS 25,000 for private customers and NIS 50,000 for business customers). This offer, which is subject to underwriting as customary at the Bank, was later extended to also include customers called for military reserve duty, who own businesses nation–wide ("Business on reserve duty loan"), up to NIS 50,000, free of interest and linkage fees, based on business need, for a term of one year. They were also offered the option of increasing their current credit facility by 10%, up to an additional NIS 50,000.

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- Assistance and care for families of Bank customers murdered or taken hostage The Bank appointed a person responsible for handling all accounts of customers murdered or taken hostage during the war. Each family was offered personal assistance and a quick response for all their banking needs arising from the war.
- Bridging loans on vehicle purchases (Mizrahi Tefahot Leasing) As part of the benefits to those harmed by the war, Mizrahi Tefahot Leasing in collaboration with UMI Group offered bridging loans on vehicle purchases, up to 100% financing free of interest or linkage fees, until compensation is received from the Property Tax Authority.
- **Protection loan** Loan for construction of a bomb shelter or for protection of an existing room, for customers who do not have a bomb shelter in their home.
- **Closing deposits** The Bank allows clients to close deposits and make withdrawals from deposits, up to a total of NIS 100,000, without a deposit closure fee, by customers resident near the lines of engagement.
- **Current account facility** Increase in current account facility by up to NIS 30 thousand for private customers at Bank branches in the Southern region.
- Service to evacuees Service to customers evacuated from their homes due to the war, provided via traveling branches visiting hotels around the country where evacuees were hosted.





The Orange Israel initiative – a digital business arena to bolster businesses during the war

Businesses in the North, in the South and business owners called up for reserve military duty faced challenges in operations and demand. Therefore, some three weeks after the war started, the Bank launched its Orange Israel and Orange Miluim initiatives, combining a digital platform with a physical presence, designed to allow businesses to continue to survive and make a profit. This was achieved by bringing together businesses from war zones, business owners called up for reserve military duty and the public at large wishing to support these businesses by buying from them.

The Orange Israel site is available on the Bank website, listing hundreds of businesses in various sectors, and it is a non-profit initiative. For each business, we created a separate area listing the business's information, contact information, and links to their website and social media pages. The Bank advertises and promotes this initiative on its various media channels to raise awareness of these products and lead visitors to purchase from these businesses. The Orange Israel website lists over 245 businesses in war zones in the South and North, of which 40 are owned by owners called up for combat duty from across the country. Over 350,000 web users visited the website and were exposed to it. In order to enhance exposure and awareness and promote the businesses on this platform, the Bank took several actions:

- Unique campaign This campaign was entirely dedicated to promotion and exposure for businesses from the South and North and businesses whose owners were called up for reserve military duty. These businesses were promoted on TV, on social media and on all of the top websites.
- Orange Israel trucks A traveling fair featuring branded trucks, reaching towns across Israel with goods for sale from those businesses. The trucks were accompanied by opinion leaders, who came to these locations and promoted the participating businesses, as well as by PR operations of the Bank. The trucks traveled across Israel for 10 days, visiting many cities. Tens of thousands of people came to support



business owners, who offered their made-in-Israel goods for sale. Consequently, the business owners posted strong sales and gained exposure among the local populations.

• Business advertising and exposure – As the venture was launched, the Bank launched an advertising campaign designed to provide a venue and exposure for these businesses. Over 40 articles were published about businesses in war zones and businesses owned by people called up for military service, including personal interviews with business owners. These articles were published on the Bank website, on websites and in leading newspapers.





Customer experience across the diverse service channels

Sit

Bank Mizrahi Tefahot sees great importance in quality of service, striving to provide optimized, personal service to all customers. The Bank places the customer at the center of its endeavors, listens to their needs and wants and strives to constantly improve their service experience. The human service concept allows each customer to receive in-person service customized precisely for their needs and aspirations, with fair, professional, reciprocal, and transparent treatment.

Diverse service channels

206 Service locations¹ – Service is made accessible to wide audiences, based on Group branches located nation-wide. Branches are primarily aimed at providing professional, high-quality service to customers of all banking segments, close to the location where the service is required. The Bank's unique growth strategy is reflected in consistent growth in the number of branches and in providing solutions for diverse segments. The Group's service locations include business centers, branches and affiliates. Branches are located in conformity with the strategic plan, with locations selected based on the ambition to provide optimal customer service and economic viability considerations. Except for three branches, all Bank branches offer full cashier service. Most Bank branches also offer financial and retirement savings advice customized for customer needs, provided by a qualified advisor. All Yahav branches offer queue-replacement services. In addition to the regional branch network, the Bank operates 6 "Live" branches, offering banking services to customers by using direct digital channels, rather than in person, during extended business hours: 7am to 8pm.

^{1.} Including Bank Yahav.

Hybrid Banking – Banking service across a range of key channels, which optimally integrates personal and digital banking, offering all customers direct access to their personal banker at the branch. In this framework, the Bank expanded its customer communication channels to include WhatsApp (expanded initially to new customers of Live branches, and then gradually to all customers in 2024).

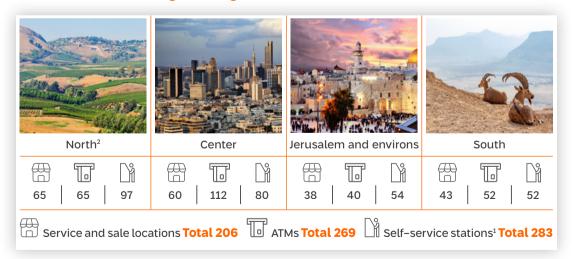
283 Self-service stations – Customers may use 210 self-service stations at Bank Mizrahi Tefahot, and 73 at Bank Yahav. These stations allow for a range of transactions to be conducted, including deposit of cash and information to be obtained by self-service. Most of these stations are available 24 hours a day.

269 ATMs – Of these, 213 are at Bank Mizrahi Tefahot and 56 at Bank Yahav. Some ATMs are not adjacent to branches.

Online communication channels – Bank Mizrahi Tefahot offers its customers diverse apps for convenient access to all Bank financial products and services, including the most advanced mortgage app in Israel, and an app for managing activity on the capital market. The Bank also operates an advanced website, incorporating ways to contact your personal banker. The website is also accessible in Arabic and in English.

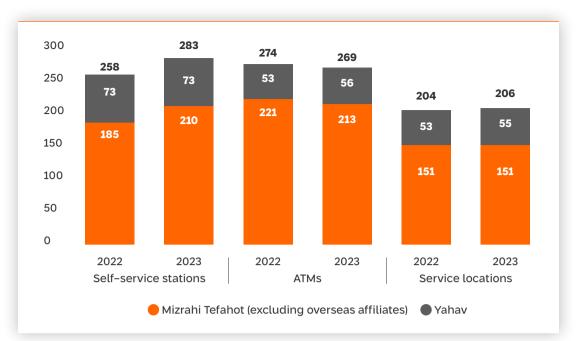
Multilingual response – Customers who contact the call centers may obtain service in multiple languages, including Arabic, French, Russian, Amharic, Spanish and English. Some Bank branches, primarily those located in the vicinity of new immigrant hubs, also provide service in various languages.

Channels for obtaining banking service





2. The North region was re-classified to now include most of the Sharon region in 2022-2023.



Enhancing customer satisfaction

In order to assess customer satisfaction and keep it high, the Bank uses focus groups and conducts regular surveys. These include satisfaction surveys, image surveys, interest surveys, customer experience surveys with regard to the contract process and so forth. Such surveys are conducted and presented to various relevant parties at the Bank, from professional units to Bank management. Based on findings from these surveys and focus groups, the Bank formulates strategic plans, establishes action plans and adapts its conduct, both internally and vis–a–vis customers. In 2023, 70,000 current and potential customers took part in customer surveys.

Customer satisfaction survey – A customer satisfaction survey conducted by the Brandman Institute for 2023 shows that customer satisfaction with Mizrahi Tefahot bankers continues to be very high and stable over time, among both private and business customers (with no difference in rating between audiences). Satisfaction with bankers was rated 8.6 (out of 10) by private and business customers.

Bank friendliness benchmark – Bank Mizrahi Tefahot leads the Bank friendliness benchmark for small and medium businesses published by the Ministry of Economy, for the fourth consecutive year. In May 2023, the Ministry of Economy published the 2022 Bank Friendliness Benchmark. This benchmark is calculated based on data obtained from the different banks, total lending to small and medium businesses out of each bank's total business lending, interest to risk ratio of such loans and bank profitability from non-interest revenues. Also included are data from surveys conducted among business owners and financial advisors. Mortgage market – External studies of the customer experience are also conducted in the mortgage sector. An external study conducted by the Kantar Institute in 2023 ranked Mizrahi Tefahot first among mortgage banks and in perception of mortgage bank expertise in Israel. Mizrahi Tefahot is also rated as the fairest bank in the banking system. Marketest customer experience benchmark – Mizrahi Tefahot was ranked first in this May 2023 benchmark, as the Bank providing the best service and personal contact. The Bank provides the most professional service to its customers, and provides the best professional advice for making financial decisions. Mizrahi Tefahot was ranked the most highly available bank, providing diverse contact methods for customers, and the bank that offers customers the most appropriate products.

Bank of Israel survey on customer satisfaction among households and business owners with the quality of service provided by banks

According to findings in the 2023 survey, Bank Mizrahi Tefahot is ranked first in satisfaction with service and with waiting times at the branch, as well as in call center service. The Bank also leads in satisfaction with banker knowledge of the business' operations and needs. The findings of this survey also indicate that Bank Mizrahi Tefahot is the leader in perceived fairness, and that customers believe the Bank conducts itself fairly with them.

Awards and recognition

In 2023, the Bank was ranked first in the service and customer experience excellence competition by the Israeli Management Center ("MIL") in the "Service simplicity" category. This title was awarded for the Bank-led strategy, as part of the "Making progress while remaining human" concept. The Bank also received top ranking in the "Service technology" category, for its innovative Tefahot Touch app and the specialized area for mortgage advisors. This year, the Bank was also awarded two BRAVO awards, following a comprehensive customer survey conducted by the research institute Kantar Media. These awards were won by Mizrahi Tefahot for excellence in customer service and experience in the "Banks" category. The Bank received the top rating in this category. The Bank received another award for excellence in customer service and experience, in the "Bank loyalty clubs" category. Moreover, in 2023, the Mizrahi Tefahot brand was ranked, for the tenth consecutive time, a Superbrand in Israel by the international Superbrands organization, which operates in 70 countries world-wide. This prestigious title is evidence of the strong bond between the brand and consumers in the country, and of the fact that the brand provides consumers with higher tangible and emotional benefit, compared to other brands.

Handling customer inquires

Customer inquiries are an opportunity to reinforce and improve the relationship between the customer and the Bank, while increasing customer trust in the Bank. Inquiries are of key importance in improving service, eliminating deficiencies and improving banking process efficiency. Based on this viewpoint, the Bank has set itself the goal of optimally handling public inquiries. Public complaints may expose to the Bank occurrence of a failure event, including failure to comply with Bank procedures. The Public Complaints Ombudsman acts to address the failures which led to the complaint, so as to avoid recurrence, and specifies the projected schedule for remedial action. This is done in collaboration with the relevant professional parties at the Bank. Twice a year, the Ombudsman presents an overview of the handling status of public complaints to Bank management. The Ombudsman periodically reports the number and topics of such inquiries to the Bank Board of Directors, to management, to the Bank of Israel and to the public on the website. This is done, naturally, in detail as stipulated in Bank of Israel directives and in internal procedures. Reporting includes, inter alia, data for public inquiries at subsidiaries and overseas affiliates, including comments on lateral issues arising from such complaints. Based on the established work processes, each inquiry received by the Public Inquiries Unit is entitled to feedback regarding its receipt within two business days, and receives a complete, professional response within 45 days after receipt (except for a small number of cases which require a longer time to review and respond to).

How complaints are handled and lessons are learned

Client inquiries are directly received at the Bank (at the Public Inquiries Unit and various stakeholders at the Bank), or via the Bank of Israel or other external entities. The Bank website presents the Customer Service Treaty, which elaborates, inter alia, the Bank approach to customer inquiries and the different ways to contact the Public Inquiries Unit. The Unit is headed by the Public Inquiries Ombudsman, reporting to the Bank's Chief Internal Auditor, The Public Inquiries Ombudsman and Unit staff are responsible for objectively and impartially addressing any customer inquiry, thoroughly reviewing it, and quickly responding to the customer. The Bank is committed to handling all inquiries according to the values in our Code of Ethics and organizational culture, which promotes the values of reliability, integrity, fairness and transparency. At Bank Yahay, the party in charge of customer inquiries is part of the Legal Counsel and Compliance Division. In accordance with the work processes specified at the Bank, each complaint received by the Bank shall be answered and justified by the Bank, in as much as possible, with reference to allegations made in the complaint, supported by references as the case may be. In its response, the Bank clarifies to the customers that they have the right to appeal the Bank resolution of their complaint to the Supervisor of Banks, if the matter lies within its purview. If the complaint review process should find that the complainant is entitled to monetary relief or to equivalent compensation, the response provides justification as to how this compensation was determined.

As part of the lesson learning process, the Bank monitors any deficiencies found until the issue has been resolved, communicates to employees any sensitive matters and delivers training to employees on fairness towards customers. For the purpose of lesson learning, training is delivered to employees, presenting examples of incidents that occurred and common mistakes, to aid learning, improvement and reduction of justified complaints. In 2023, employees attended 26,112 training hours on customer service topics.

Information about customer complaints in 2023

The Bank publishes information, with full transparency, on public inquiries handled during the year on the Bank website. Below is data for all inquiries received by Bank Mizrahi Tefahot and by Bank Yahav in 2023, and handled by the Public Inquiries Bureau:

- In 2023, 6,724 inquiries were handled.
- Of these inquiries, 87% were complaints and 13% were requests.

	Requests	Complaints
Mizrahi Tefahot	720	5,000
Yahav	108	896
Total	828	5,896

	Mizrahi	Tefahot	Bank Yahav		
Subject	Percentage of complaints in 2023	Percentage of justified complaints in 2023	Percentage of complaints in 2023	Percentage of justified complaints in 2023	
Methods of Payment	13%	31%	29%	16%	
Housing loans	16%	21%	-	-	
Quality of service	14%	29%	19%	10%	
Current accounts (including overdraft accounts)	14%	29%	9%	8%	
Loans (non-housing)	14%	31%	21%	7%	
Other activity of the corporation	7%	17%	5%	9%	
Deposits and Savings	6%	15%	6%	8%	
Foreign currency	2%	24%	5%	13%	
Securities	1%	28%	3%	17%	
Information	1%	22%	1%	14%	
Other	11%	50%	2%	10%	
Dormant account	0.1%	75%	0%	0%	

Findings with regard to complaints in 2023

In 2023, the justified complaints rate was 28% at Bank Mizrahi Tefahot¹ and 11% at Bank Yahav (all other complaints were found to be unjustified, were processed without establishing a position², or the complaint topic was outside the unit's purview). The increase in the percentage of justified complaints at Bank Mizrahi Tefahot is also affected by the Union Bank merger, primarily inquiries by Union Bank customers for whom the account migration process was incomplete. The Bank tracks all justified complaints and deficiencies found up to the end of handling.

^{1.} In weighting that includes inquiries regarding the Union Bank merger, which were assigned a stricter classification, the share of justified inquiries is 25%.

^{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 customer relief and resolve the issue.

^{3.} Complaints relating to the branch failing to approve credit, commission benefits, or debt settlement.



Customer inquiries due to the Swords of Iron War

Challenges arising from the Swords of Iron War resulted in an increase in the number of inquiries made to the Public Inquiries Unit, especially inquiries with respect to credit. Handling these inquiries included assistance and attentiveness, as well as attempts to find creative solutions in the more complex scenarios.

During the war, the Unit was involved in providing a response to various entities (the Bank of Israel, the Hostages and Missing Families Forum, and others) with regard to locating accounts, referring inquiries to the appropriate branch, and responding to inquiries from the families of kidnapping/murder victims. Moreover, close to the outbreak of the war, relief and adjustments for banks were published in some Proper Conduct of Banking Business Directives, including Directive 308A. Such relief primarily involved the level of detail required in the response to the customer and the manner of documentation thereof. Having said that, the Unit continued its regular operations and made as little use of such relief as possible.



Fairness and transparency



Fairness and transparency are cornerstones of the Bank's Code of Ethics and its corporate responsibility concept. A fair relationship with all stakeholders, and especially with customers who are at the center of business activity, is the foundation for trust, success and the creation of shared value. The Bank has a fairness policy and procedure, whereby the Bank undertakes to maintain a fair relationship with the customer. Consequently, the Bank undertakes to provide customers with structured, transparent explanations of the financial products and services offered at Bank branches and digitally, including any repercussions for customers in case of failure to comply with product terms.

The Bank adheres to the fairness values detailed in the documents (policy, procedures and the Code of Ethics). Processes and automated systems help bankers in applying these fairness values. The Bank manages fairness risk as part of compliance risk at the Bank. The concept of fairness and transparency towards customers is based, first and foremost, on providing all of the required information regarding the financial products and services. This is done in a way that is clear and accessible to all customers, allowing them to make the best decisions for them. The Bank makes sure that agreements with customers comply with legal requirements and the directives of the Supervisor of Banks regarding proper disclosure, and are clear and easy to understand. The agreement includes making sure that the customer understands the products and services offered to them, with a clear, simple and detailed explanation of the costs, conditions, risks, and opportunities deriving from the product or service. The agreement must also include receipt of prior consent to conducting transactions in the account. As part of the Internal Audit Division's work plan, audits are conducted of the information provided to clients with regard to various products and services. These audits also sample agreements vis–à–vis clients. In case agreements are found to be in need of an update, including with regard to proper disclosure and fees, this issue is reflected in the Audit Report. In addition, the Compliance Division performs controls regarding fairness as part of the annual control plan. The findings of these controls are discussed with the appropriate divisions, addressed, and in case of any systemic deficiency – the matter is addressed as needed.

The publication of marketing messages, and the transmission of updates to customers, are also made in accordance with Group values and the provisions of the law and of the Supervisor of Banks, and include all of the information required in accordance with mandatory proper disclosure. The Bank monitors the fairness perception and sense of fairness towards customers to investigate the Bank's position and image as a fair bank relative to other banks. This is also in order to monitor the customer experience in this regard. Similar to previous years, Bank Mizrahi Tefahot is perceived by respondents as being very fair towards its customers. This came up in the Bank's internal image survey, conducted quarterly among customers of major banks. The Bank deploys comprehensive measures to implement the values of fairness across all Bank units, through the use of eLearning kits, professional training courses, and leaflets that are published from time to time. The Bank applied some consumer-related measures in the past year, due to the increase in the interest rate and its impact on customers.

Responsible marketing and advertising

The Bank acts to create transparency and clarity with regard to its products and services, so as to help customers make informed decisions based on understanding. In order to promote fairness and transparency, the Bank also ensures that its marketing messages are respectful and not offensive, as well as in conformity with the provisions of the law and the Proper Banking Conduct Directives of the Supervisor of Banks. The Bank acts according to clear standards on all issues relating to marketing communications, advertising, sales promotions, and sponsorships. These standards are anchored in the marketing procedures and are reviewed regularly in each campaign or in an organized fashion once a year – and even more often when required.

As a leading market player, the Bank engages in marketing and advertising to potential and existing customers while adhering to the requirements of the law and ensuring compliance with mandatory full disclosure, and maintaining respect and sensitivity to the various demographics of Israeli society. The Bank operates in conformity with the fair marketing policy across all channels, including social media. Moreover, prior to the launch of marketing campaigns, an orderly risk assessment is conducted, as well as an analysis of the potential impact of the planned communications. These issues are presented for approval by management, and sometimes by the Board of Directors as well. The field of marketing communications is managed according to all the codes accepted in this domain, both in terms of rules of ethics and the voluntary codes. The Group ensures that its advertising adheres to the rules of ethics of the Second Authority of TV and Radio.

In accordance with the marketing procedures, all messaging published in the Bank's name comply with legal requirements and accord with the following principles:

- Respectful advertising that does not offend The Bank adapts its messages for various segments of the population, so as to align with norms and cultural codes. These messages reflect the principles guiding the Bank's ongoing operations reliability, loyalty, maintaining human dignity, professional integrity, and commitment to the customer.
- Clear language Use of clear language is an essential foundation for providing high-quality service to customers. The Bank strives to have customers properly understand their financial rights, their obligations, and the terms of the products and services, so that they can make informed financial decisions.

Fairness in products and services

The Compliance Officer is responsible for the implementation of fairness and transparency towards customers. Controls related to fairness are also applied as part of the Compliance Division's work plan. The Bank acts to inculcate the issue of fairness among all Bank employees, and the issue frequently arises in the Compliance Officer's quarterly reports. An integral part of the work processes related to new products or services involves obtaining approval from the Compliance Function, which reviews, inter alia, the matter of fairness and non-discrimination in any new Bank product or service. During planning and approval of a new financial product (deposit or loan), the product and its various components are reviewed, including in terms of its fairness to consumers. This review is conducted as part of an orderly process, including reference from all relevant business parties, gatekeepers, management and, in some cases, the Board of Directors' Risks Management Committee. In this regard, the Bank ensures that compliance risk and fairness risk (of which it is a part) are properly managed, and that the Bank applies appropriate controls and work processes to reduce the risk. The Risks Management Division annually presents a review of new products or operations that underwent the Bank's various certification tracks, for discussion by management and by the Board of Directors' Risks Management Division. The Bank also maintains extensive control plans for its lines of business and acts to maintain effective enforcement programs adapted for the Bank, as part of the general risk mechanism for managing risk at the Bank, including fairness risk.

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The Bank uses a number of tools to assist bankers in optimal matching of customer risk level and repayment capacity with their needs and the banking products they can be offered. Bankers are required to annually undergo eLearning kits, training and knowledge tests, in order to ensure that they are very familiar with operating procedures, and can optimally match products and services with customer needs. The Bank also delivers quarterly ethics training to Bank employees, including, inter alia, reference to ethical aspects of sales and service situations, as well as distributing leaflets to increase awareness. Given the Bank of Israel's publication of Proper Conduct of Banking Business Directive 501 regarding "Management of a Service and Support System for Customers", the Bank is preparing to implement the Directive. In 2023, 22,319 hours of training on the issue of fairness towards customers were delivered across the Group.

In 2023, the Bank did not commit any breaches of non-compliance with regulations on the issues of fairness in products and services or on the issue of marketing communications.



Financial inclusion and financial education

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Financial inclusion means creating equal access to financial services, for everyone, at reasonable cost. Financial inclusion matters for both the wellbeing of the individual and the stability of the overall financial system. It may improve individual well-being by creating conditions allowing people to exit from poverty, reducing social inequality, and promoting business opportunities and economic growth. Mizrahi Tefahot Group acts to enhance financial inclusion, by providing targeted solutions for various demographics according to their needs, promoting under-privileged demographics and customers in crisis, making Bank services accessible, and by means of financial education.

A unique solution for different demographic groups

The Bank has defined the Arab sector, the Haredi sector and senior citizens as demographics on which the Bank wishes to focus over time and with which the Bank would like to strengthen relations. This is based on the understanding that these demographics have unique social and cultural attributes as well as financial needs, which require tailored solutions.

The Arab sector

The Bank sees great importance in providing a solution customized for the unique needs of the Arab sector, and is ramping up operations in branches in Arab areas. To increase the accessibility of Bank services for this demographic, and to promote the elimination of obstacles deriving from language and culture, the Bank is working to recruit Arabicspeaking staff, as part of its employment diversity strategy. In recent years, the Bank has offered a range of solutions designed to make its mortgage products accessible to the Arab sector, and has expanded the presence of mortgage bankers to branches in Arab towns. The Bank also held conferences and roundtable meetings at branches in the Arab sector, and took steps in terms of targeted advertising, in order to introduce the public to the range of available options. Moreover, in 2023, the Bank participated in and sponsored conferences to promote the Arab sector (such as the Arab Economic Forum Committee for Economic Development and an employment conference for the Arab sector).

At the end of 2023, the Bank had branches in these Arab towns: Kfar Yassif, Nazareth, Shefaram, Sachnin, Baka Al Garbiya, Umm El Fahem and Kfar Kassem, as well as remote ATMs in Arara Council and Kseyfeh. The Bank also has branches in cities with mixed populations.

The Haredi sector

The Bank is intensifying its ties with the Haredi community by expanding operations in existing branches and opening new ones. In 2023, a new branch was opened in Ramat Bet Shemesh, and in Modi'in Ilit, operations were expanded to include commercial activity aside from mortgage operations (which were already in place). The Bank targets the Haredi sector through specific media, by adapting its language and marketing messages. This targeting is performed through a range of channels, such as the Haredi press, radio, online and mobile websites, and billboards and posters in cities identified with Haredi society. The Bank has developed solutions for sector-specific needs: dowry loans, determination of income taking into account scholarships from studies at Kollel, adapting the repayment schedule to current and future capacity, and a pension mortgage. The Bank also creates partnerships to finance dedicated residential compounds. Likewise, the Bank continued to include activities focused on the Haredi sector. In 2023, various marketing activities were conducted to establish the Bank position in the Haredi sector, including roundtables for consultants and real estate operators active in this sector, as well as targeted marketing activities on the subject of mortgages, such as "Tefahot and Chulent". Moreover, two lectures on mortgages were delivered to the Haredi sector, attended by about 200 participants.

Senior Citizens

As part of its plan to expand operations among senior citizens, the Bank is acting in a number of channels:

- Making banking services accessible Customers aged 70 or older are prioritized in service over the phone and at branch locations, in accordance with regulation and even exceeding what is required by law. Moreover, a dedicated section of the Bank website collates information and services for senior citizens.
- Pension consulting services The Bank offers a pension advisory service, provided by licensed pension advisors, which is customized for the needs of senior citizens, at no additional cost.

- Digital banking empowerment for senior citizens The Bank issued 3 training brochures on "The easy way to bank digitally". These brochures are aids for senior citizens on the use of the Bank's digital services. In addition, interested customers may receive in-person training at Bank locations on digital bank transactions.
- Pension mortgage A unique financing program, with maximum flexibility, meeting the needs of customers aged 60 or older. This program makes it possible to finance ongoing current financial plans with a monthly income supplement, or to finance a one-time major expense, with a pledge on a residential apartment where the borrower retains the property. In 2023, the Bank continued development of this product, expanding it for the purposes of housing loans, and for housing loan purpose, as well extending the branches that support the product. The Bank also promoted awareness of this product on the various media channels and through dedicated conferences expounding the topic. Moreover, the Bank delivered lectures on the issue of a pension mortgage at select branches.

Promoting disadvantaged populations and assistance to customers in crisis

The Bank is committed to supporting disadvantaged populations in Israel. This is due to its status as a leading financial institution in Israeli society as well as its commitment to help those of its customers who belong to these populations. Moreover, the Bank is working to proactively identify individual and business customers in difficulty and provide unique, customized solutions to help them get through this period.

Promoting under-privileged populations

The Bank provides support for under-privileged populations in Israeli society, including debtors, female victims of violence, and populations in need, both directly and through organizations that work with these populations.

Assistance for female victims of violence – The Bank takes part in the voluntary treaty for providing financial relief for female victims of violence staying in shelters or interim housing or who are being treated in the community due to difficulties. Initiated by the Banking Union in collaboration with the Bank of Israel, the Bank helps female victims of violence via a dedicated contact person at the Public Inquiries Unit who can provide assistance in real time, as well as by an agreement in principle, in specific situations, to delay taking legal action against them. In 2023, Bank Mizrahi Tefahot received 38 inquiries from social workers who assist women in the community, from aid centers for women and from shelters for female victims of violence, which were handled by the dedicated contact person. Bank Yahav received 17 such inquiries.

- Maintenance of interest rate for customers who receive reparations (Holocaust survivors) – A program to maintain a uniform, attractive interest rate for customers who receive reparations (Holocaust survivors) and the option for unlimited renewals on these deposits.
- Voucher payment service for the Supervisor of Insolvency The Bank was awarded a tender to provide voucher payment services to individuals or businesses in insolvency proceedings. As part of this service, the Bank allows debtors to pay the vouchers at cashiers in some branches. These are debtors required to make monthly payments as part of their bankruptcy proceedings.
- Mortgage payment deferral Aid provided to customers who need it at any time, such as mortgage payment deferral ahead of holidays or in unusual situations, such as pandemic or war. Assistance is also provided in periods when household expenses increase, and there is occasional difficulty in making mortgage payments.
- Services for those eligible for Ministry of Construction and Housing Assistance
 Program The Bank is the State's operational arm in the provision of services to those entitled to assistance from the Ministry of Construction and Housing. These services include loans within the Ministry's assistance program, including location-based loans and contingent grants and loans for specific populations (such as: those living in outlying areas, immigrants, persons with limited mobility, etc.) Note that Bank Mizrahi Tefahot is the key player in performing loans of this type. The Bank's extensive branch network makes it available and accessible to the diverse populations eligible for this assistance program.
- Deposits for foreign workers and asylum seekers The Bank has been awarded a tender by the Israeli Government to provide deposit services for foreign workers and asylum seekers. As part of the service, the deposits transferred by the employer for the foreign worker are accrued by the Bank until termination of their employment. When the employee has terminated their employment in Israel, they get the deposit balance as requested by them (in cash or by wire transfer to their account overseas).

Assistance for customers in crisis

The Bank believes in treating customers fairly, according to their situation, especially in cases of financial hardship and in times of crisis. The Special Customers Sector of the Business Banking Division is tasked with handling customer debt collection and managing controlled accounts. This sector ensures conformity with the Code of Ethics, including in terms of human dignity, reliability and fairness. This is done while providing respectful, sensitive service to customers in crisis. In order to reach a debt settlement agreement that customers can comply with, the Bank conducts an extended and orderly proceeding for handling such customers before making recourse to the courts. First, the branch holds discussions and meetings with the customers, designed to have them repay their debt without the need to take legal action against them. If the branch exhausts this process, the account is referred for collection to the National Collection Center, for further attempts to settle the debt. Only if this fails is the customer account in debt referred to the Special Customers Sector. The Special Clients Sector staff operate in conformity with the Legal Debt Collection Procedure, which is revised from time to time based on economic and regulatory changes and on Bank policy. In addition, employees are trained to improve their professional knowledge of the legal, economic and regulatory aspects, through both internal and external training.

In order to promote agreements with debtors, representatives of the Special Customers Sector and attorneys representing the Bank meet with customers and conduct joint campaigns with the Enforcement and Collection Authority. They also review applications for settlement from both customers and relief organizations. The Bank is in constant contact with organizations providing assistance, including Pa'amonim and Yadid, which assist customers in debt. An annual report is submitted to the Board of Directors with regard to the legal handling of customer accounts in debt.

Bank activities to benefit customers in crisis in 2023 and during the war

In the mortgage field, out of all cases of payments in arrears sent to the Collection Center in 2023, only a negligible percentage were referred to the unit for legal handling. All other cases handled by the Collection Center resolved their debts and returned to payment tracks in good standing or continue to be handled by the Collection Center, most with active arrangements in place and a high level of compliance with such arrangements. As a rule, the Bank makes every effort to avoid evictions (from customer property), and strives to reach a settlement with borrowers, even during litigation.

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Promoting accessibility for persons with disabilities

Mizrahi Tefahot Group believes in providing equal service to all its customers, adapted to the individual needs of each and every customer, including to customers with disabilities. To this end, the Group strives to make its products and services accessible, thus allowing anyone who so wishes to become a Group customer. Mizrahi Tefahot Group ensures compliance with the Equal Rights for Persons with Disabilities Act, and accordingly emphasizes the accessibility of buildings, infrastructure, and the environment, as well as the accessibility and adaptation of the service provided to the public, so that it can be used freely and conveniently by persons with disabilities. The issue of accessibility is managed by an Accessibility Coordinator, who is duly certified. Accessibility of banking products and services is reflected at all levels:

- Making facilities physically accessible The Group acts to make branches, ATMs, service stations and its website and app accessible for customers, so that persons with disabilities can also use them conveniently. As of the end of 2023, 99% of all Bank Mizrahi Tefahot branches and 100% of all Bank Yahav branches are accessible to persons with disabilities, in terms of the building and auxiliary devices. The branch yet to be made accessible has been approved by the Equal Opportunity Commission and is in the process of being made accessible vis–à–vis the relevant authority. The Bank regularly handles any case of a problem through the Logistics Division, which operates the branch maintenance call center. Call center representatives regularly tour branches and resolve logistics issues.
- Accessibility surveys As part of a comprehensive survey of the maintenance at Group branches, and in conformity with operating procedures and established work plans, maintenance supervisors conduct visibility surveys at branches, which also cover accessibility aspects, twice annually. In 2023, these surveys found no material deficiencies and no accessibility issues. Moreover, any new property leased by the Bank immediately receives the required adaptations for accessibility, as recommended by an authorized accessibility advisor. In 2023, the survey was conducted at 7 Bank Yahav branches.
- Making banking services accessible The Group acts to make banking services accessible, in conformity with the Equal Rights for Disabled Persons Act. As of the end of 2023, all Bank Mizrahi Tefahot ATMs and all Bank Yahav ATMs are accessible to persons with disabilities.
- Making service stations accessible Service stations of bankers and automated service stations across the Group are accessible for persons with disabilities, both physically and in terms of technology, as required by law. Accessibility software

was deployed at automated service stations, and accessible banker service stations have inductive loop systems and supporting tray installed for the hard of hearing.

- Making online services accessible Mizrahi Tefahot Group makes the required adaptations for accessibility of the website and app, in conformity with the Equal Rights for Disabled Persons Act, the regulations enacted pursuant thereto, and its service values. The websites of Bank Mizrahi Tefahot and of Bank Yahav have been made accessible to persons with disabilities, as recommended in Israeli Standard 5568 for accessibility of online content, and in conformity with guidelines in the WCAG 2.0 standard at level AA, as defined by international organization W3C.
- Accessibility by phone The Bank offers accessible service to customers who find it hard to obtain service by phone, such as customers with hearing disabilities. To this end, the phone service was adapted – the voice response system was recorded at a slower pace, in clear language, and with no background music.
- Training employees to promote accessible service Group banks deliver annual training on accessibility for employees, to make employees aware of the Bank's accessibility services and refine correct service provision to customers with disabilities. Annually, Group employees go through a refresher eLearning kit on providing accessible service, and new employees go through extended eLearning kits on this topic. Training on this topic is delivered as part of the onboarding course and introduction. In 2023, some 2,200 hours of training were delivered to Bank employees with regard to serving customers with disabilities.

In 2023, the Group in Israel received 3 justified complaints with regard to accessibility, which were properly addressed in conformity with Group procedures.



Financial education

Bank Mizrahi Tefahot sees great importance in promoting financial education among the Israeli public. The Bank makes considerable efforts to provide our customers as well as the public at large with tools for proper financial conduct, tools for economic empowerment and proper budget management. Providing tools for smart, responsible financial conduct helps reduce the cases of financial crisis and supports the financial robustness of Bank customers. Sharing the Bank's knowledge and expertise in the financial world allows for the development and advancement of its private and business clients as well as of the nearby community.

Bank activity among the public at large

"Let us meet at Mizrahi Tefahot" – Out of its conception of itself as a humane bank that strives to bring customers closer to the Bank and to Bank branches, the Bank has created a social project designed to empower, enrich and reunite residents in the vicinity of Bank branches. As part of the "Let us meet at Mizrahi Tefahot" project, special activities take place at Bank branches, after business hours, with leading lecturers visiting these branches. They deliver presentations on diverse topics, including general interest topics as well as financial ones. Residents of the neighborhood and areas adjacent to the branch are invited to attend these activities, and participation is free of charge for clients of all banks. In order to make information about the various activities accessible to the community, the Bank operates a dedicated website listing information about lecturers, lecture schedules and details of activities for various audiences. As part of these activities, the Bank conducts meetings that provide content adapted for the target audiences from diverse demographics, in response to their needs. Some of these meetings take place outside of branches, to allow for a larger audience.



- "Let us meet Sixties" A series of meetings and lectures targeted at 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 for this demographic.
- Preparing for Apartment course Dedicated meetings held nationwide, with invitations sent to customers about to purchase an apartment. Each meeting included relevant content, presented by external and Bank lecturers, who provided value-added information in their fields that should be taken into account when preparing to buy an apartment: from a review of the residential environment, through apartment selection and considerations in taking out a mortgage, through to home design.
- Financial Education Forum: Avoiding financial fraud As part of the Bank's membership in the Financial Education Forum as well as a joint activity by the Supervisor of Banks at the Bank of Israel, the Banking Union and Israeli Police, in 2023, the Bank again participated in raising awareness of the issue of financial fraud. Volunteer guides from the Bank, who had been specially trained, delivered presentations to senior citizens across the country. Furthermore, the Bank website included a banner with a direct link to sign up for this activity and presentations, inviting them to enroll in online presentations in Hebrew, Russian and Arabic. This activity was offered at no cost.
- Promoting financial education with regard to mortgages The Bank believes it is the Bank's responsibility to promote knowledge in this area. Its objective is to assist diverse demographics in real estate purchases based on understanding and in exercising judgment based on knowledge. To this end, the Bank offers a range of activities and presentations related to mortgages, for customers of all banks. Bank employees with expertise in the domain deliver this content in order to help the populations taking out mortgages. Likewise, a work format was rolled out in which a personal banker serves as a point of contact for customer inquiries on any matter.
- Training on economic recovery The Bank initiated a partnership with Pa'amonim, which holds training on economic recovery for families, helping them succeed and achieve financial robustness. Bank employees were also invited to volunteer as advisors nationwide, with their training being financed by the Bank, as a donation to this NGO. In 2023, the Pa'amonim association received a charitable donation from the Bank, as part of the "Shutafim MeBchira" (Partners by Choice) project. The

charitable donation is designated for economic training at social organizations that serve populations such as soldiers, people with mental illnesses, and National Service participants, as part of the Pa'amonim College.

Training for business owners – As part of the Bank's support for business owners, the Bank delivered three targeted lectures for business owners, designed to help them promote their business.

Bank activity for youth and young persons

The Bank believes that the promotion of the communities in which the Bank does business, as well as the promotion of its customers, is affected by the Bank's positive social activity and by its activities to provide 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 customers. Sharing the Bank's knowledge and expertise in the financial world allows for the development and advancement of its private and business clients as well as of the nearby community.

- "Money Road" training kit A program which provides youth with training on financial issues. The new, up-to-date kit is available on the Bank website, designed to allow a wide audience of teachers, guides and advisors to study this content and train youths in the subjects detailed in it. This kit has also been translated into Arabic. In 2023, "Money Road" kit training was delivered by Bank employees and by students who received tuition scholarships from the Bank. In return for these scholarships, the students tutored youth groups at high schools.
- "Money Road" kit for elementary schools This kit is adapted for activities in elementary school (grades 3 to 6). This kit is designed for Bank employees who wish to deliver activities at their children's schools.
- Financial training for volunteers from the "Volunteering Association" – A collaboration between the Bank and Volunteering Association, as part of the "Bonim Atid" (Building a Future) program. The goal of this program is to provide tools for smart economic conduct for young people, soldiers leaving the army, and graduates, as they embark on civilian life. In the framework of this program, Bank representatives trained about 45 staff members of the Volunteering Association, who delivered financial education content to some 3,000 students and volunteers across the country.
- **Reinforced financial education for students –** The Bank intensified links with institutions of higher education, by cooperating with colleges and universities, lectures to students by volunteer employees and managers, and scholarships for students at several universities and colleges in financial subjects. At Tel Hai

College, Breathe Easy at Tel Hai College - a center for providing financial advice to students – operates with Bank sponsorship. 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 is staffed by students who received a tuition scholarship and financial training from Bank employees. Students who receive scholarships from the Bank go on to volunteer in the community, providing financial education. In 2023, 130 students attended workshops on proper economic conduct offered by the center.



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Community and volunteering

Bank Mizrahi Tefahot's social strategy is derived from its business strategy, which is grounded in the "People first" principle. The value of humanity cuts across all Bank operations, and is reflected to all stakeholders – customers, suppliers, employees and the community. Mizrahi Tefahot's activity in the community promotes this strategy via three key values: acceptance of the other, promotion of equality of opportunity, and solidarity among Israeli society. These activities promote society and the community, helping in reducing social gaps and in avoiding discrimination. This social endeavor takes place in partnership with social NGOs and organizations, and is reflected in the involvement and collaboration of Bank employees and their families.

Social strategy

Bank Mizrahi Tefahot updated its social targets in the beginning of 2023 in a structured process to build a social strategy aligned with the Bank's business strategy with respect to the needs of society and the community. The Bank promotes social projects and activity for the community, focusing on the values of acceptance of the other, promotion of equality of opportunity, and solidarity.



Acceptance of the other



Promotion of equality of opportunity



Solidarity

Acceptance of the other

This value was selected to support and meet the needs of populations with various disabilities: physical, mental, cognitive and communication. Our goal is to help these special populations and raise awareness of this issue among the public at large.



One activity, conducted this year for the first time to promote this value, was "Race for equality", a social summer gathering, in collaboration with the "Simcha LaYeled" NGO. Over 450 Bank employees and their family members took part in this event. At this gathering, participants learned about the world of people living with disabilities, through practical experiences. These activities were facilitated by alumni of the "Simcha LaYeled" NGO, who live with chronic disease or various disabilities. Furthermore, during the war the Bank donated operation of a "Race for equality" event for children from Sderot, who were evacuated to Herzliya, attended by about 100 children and parents.

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Promotion of equality of opportunity

This value was selected in order to promote equal opportunities for all, in social and geographical outlying areas and all sectors of Israeli society. The Bank acts to provide practical tools to underprivileged demographics, so they have equal opportunities in the community.



Since 2022, the Bank has participated in the "Gedolim BeMadim" program, operated by the "Yad LaYeled HaMeyuchad" NGO. In 2023, the Bank adopted a second cohort in this project. In this project, the Bank adopts two cohorts of young people with special needs, who volunteer for military service and who serve in the Homeland Command base as the "Mizrahi Tefahot Unit". Volunteering for military service allows these young people to have an equal start and promotes their integration into society. The units are adopted by groups of employees, who are in constant contact with the young people on military service, and who meet them at key times throughout the year.

Solidarity

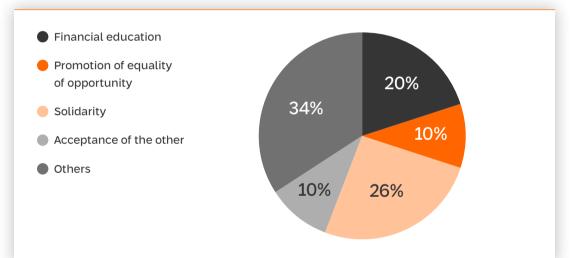
This value was selected in order to help underprivileged demographics in Israeli society, through involvement and encouraging customers, employees and their family members to take part in shared activities.



This year, too, the Bank offered its "Partners by choice" project, inviting Bank customers to vote for NGOs and organizations who would benefit from a monetary donation by the Bank. This charitable donation by the Bank is intended to promote social projects that benefit people in need, in collaboration with the recipient NGOs. Bank customers selected from a list of NGOs that reflect the Bank's social policy and promote the issues of acceptance of the other, equality of opportunity, and solidarity. The 13 NGOs selected in this project each received NIS 50 thousand, designated for promoting social projects in collaboration with the Bank.



Community investment budget by activity type for 2023





Mizrahi Tefahot Group – impacting the community

Mizrahi Tefahot's activities in the community produce major waves and significant impact; they affect diverse communities. Thus, in 2023 we succeeded in making a difference through diverse activities. Here are some examples:

Purchases from NGOs and social businesses valued at hundreds of thousands of NIS

The Bank customarily purchases gifts for employees from NGOs and social businesses, and encourages employees to do the same when shopping for holiday gifts.



750 participants took part in the "Merkaz BeChevra Tova" activity – The Bank, together with Midot–SFI, launched "Merkaz BeChevra Tova", a virtual center for the benefit of promoting social businesses and organizations.





1,700 students from **41** towns took part in projects to benefit communities – The Bank is a partner in an educational program for social entrepreneurship, volunteering, and youth empowerment, in cooperation with the NGO Latet. Youths from all parts and sectors of society across the country launch and operate social projects to benefit their communities.

60 youth projects won Bank funding – As part of the "Zazim" project. This is a joint venture of the Bank, in co-operation with the Youth Movement Council, intended to encourage youth movement cadets to volunteer for the benefit of society and the community. This year, we emphasized projects for communities in the Northern and Southern regions who were evacuated from their homes.

77 meetings of "Let us meet at Mizrahi Tefahot" were held with 9,000 participants – The Bank offers a wide range of enriching activities and lecturers at the Bank's various branches, facilitated by lecturers who lead in their fields. These activities are open to the public and free of charge.



were awarded to outstanding students in higher education from outlying areas.

Employee volunteering

The Bank recognizes the importance of volunteering as a tool for community involvement. Therefore, the Bank works to create partnerships with social organizations and institutions, and reinforce these long-term relationships. The "Mizrahi Tefahot in the Community" unit is tasked with finding needs for volunteer work, contacting social partners, initiating projects, integrating activities, supporting volunteers and managing the budget for volunteering and charitable donations.

The Bank acts to expand the range of volunteer activities, in terms of both the nature and scope of such activities, to allow each employee to find a place and to reinforce their involvement in and commitment to such activities. In order to enhance employee commitment to volunteering, each unit / branch which 'adopts' a social organization appoints a contact person: a community relations liaison. These unit liaisons are in charge of maintaining regular contact with the adopted organization and launching the activity plan, generally as part of the workday of Bank employees.

Moreover, employee involvement is also manifested in various projects such as financial training, mentoring for social businesses, purchasing products from NGOs, volunteering to promote social causes and so forth.

Types of employee volunteering and involvement

- Unit 'adoption' A long-term volunteer activity, in which Bank units and branches 'adopt' social organizations and various institutions in their cities that work for the benefit of under-privileged populations. This link is reflected in regular assistance and mentoring activities by volunteer employees, social events, unique activities in advance of holidays, and centralized activities for under-privileged populations in various regions in Israel. Currently, about 90 units and branches at the Bank participate in the adoption program.
- "Volunteering in the community" Concentrated volunteering days for branch and headquarters employees. In 2023, concentrated volunteering days were held at all Bank regions and headquarter units. Each region held separate group volunteering activities in a geographic region and field of volunteering that suited them. In addition, the Bank held concentrated days as part of the Good Deeds week. Some 1,000 Bank employees took part in all of these activities.
- Employee involvement in community relations projects In the spirit of the values of volunteering and giving to the community, and of course to educate the young generation in these values, the Bank also encourages ad-hoc activities for employees. The Bank continue to invest, year-round, in diverse projects, initiated by the Bank or by the units themselves. Thousands of Bank employees and their families take part in these activities.

- Individual volunteering The Bank collaborates with NGOs and organizations, such as Zikaron BaSalon, Eran and Pa'amonim. The Bank delivers training to employees, enabling them to volunteer with the NGO even outside of work hours. Participating employees underwent professional screening processes for suitability.
- Encouraging Bank retirees to volunteer Maintaining a connection with retired Bank employees is a key focus at the Bank, which believes that they can contribute significantly to the community even after retirement. Retirees are invited to take part in volunteer activities, such as providing financial assistance in the framework of the relationship with Pa'amonim. The Bank also holds a special fair prior to the retirement of employees, presenting volunteer options at various social organizations.
- Encouraging family members to volunteer Beyond encouraging Bank employees to volunteer, the Bank also invites their family members to volunteer for social initiatives. For example, the "Kaitz Tzair" venture encourages the children of employees in middle school or high school to volunteer with social NGOs and organizations over summer vacation.



Employee volunteer activity in 2023

Group employees volunteered for **44,000** hours as part of community activity.

This year, **6,000** employees volunteered on the various projects.

On average, **7** hours of volunteering per employee.

30% of employee volunteers do so regularly.

50% of all volunteering hours across the Group were during work hours.

150 children of employees volunteered this summer in the "Kaitz Tzair" project.



Bank activities for the community during the Swords of Iron War

As this report is being written, Israel is still in the midst of the Swords of Iron War. As a leading entity in the Israeli economy, even as the War broke out, the Bank committed to help and support various needs arising in the field vis–à–vis the various stakeholders. We emphasized our social commitment during wartime and meeting the changing needs of the community. The Bank's support during this period was expanded to new areas in addition to those we support at routine times, with a significant amount added to the Bank's annual charitable donation budget. We chose to focus on three key spheres of support:

- Help and support in the immediate term during the first days of the War.
- Long-term adoption of communities affected by the October 7 massacre.
- Continuing projects with a change in nature and additional ventures, as a result of the War.

Help and support in the immediate term during the first days of the War

The Bank decided to allocate an initial amount to help those affected by the Swords of Iron War. To this end, charitable donations and monetary support were increased, both to entities regularly supported by the Bank and to new NGOs involved in helping populations affected by the War. These donations were primarily provided to NGOs and organizations helping evacuated towns, military forces, security and rescue forces and to directly affected populations.



MIZRAHI TEFAHOT



Adoption of the communities of Sderot and Kfar Aza

By the second week of the War, the Bank adopted Sderot and Kfar Aza and committed to helping the residents over the immediate, medium and long terms. This help is focused on areas where the Government is not involved, designed to help these communities return to their normal activity and growth. As part of this adoption, beyond the significant amounts given to rehabilitate these towns, a personal relationship was forged with those holding key roles in these towns, and plans were put in place to assist the residents.

In the immediate term, the Bank helped these communities in their initial recovery and rehabilitation by means of diverse activities:

- Over 4,000 Hanuka gifts were donated by Bank employees and management to children in Sderot and Kfar Aza.
- Bank employees formed an "educational commando unit", to help children from Sderot in their education in Tel Aviv.
- Fun days were held in Kibbutz Eilot, to provide relief for evacuees staying in Eilat.
- Bank employees held handicraft fairs for Sderot residents evacuated to Jerusalem.
- Sweet gifts were purchased for educational and well-being support staff from the Gaza envelope.
- A Hanuka party was held for Kfar Aza children evacuated to Shefayim.

Total charitable donations, support and financial assistance allocated by the Bank for the adoption of Sderot and Kfar Aza and other activities to benefit residents of the Gaza envelope

and Northern border areas is estimated at NIS 📕 🧡 million.

Together all the way



Assistance provided to small businesses owned by Kfar Aza residents

As part of the adoption of Kfar Aza, a plan created to help business owners from Kfar Aza, to assist their return to work and to grow their business. The biggest challenges faced by these business owners were moving to live elsewhere, lack of equipment, as well as emotional and personal hardship due to their terrible experiences on October 7. The plan that was designed helps business owners with comprehensive professional, marketing and financial consulting, as well as through financial solutions to help them as they return to full-time work. The plan assists all business owners resident

in Kfar Aza, regardless of where they do their banking.





Projects that changed or added characteristics due to the War

Uncertainty during the War created opportunities for development of new projects and collaborations. This was in addition to reinforcing its connection with entities and NGOs through new project that replace projects conducted prior to the War. The Bank made an effort to find creative solutions for the needs of the different entities with which the Bank collaborates throughout the year. This was based on the idea that these needs may change due to the War.

"Back to life" volunteer initiative – The Bank
decided to expand its volunteer activity to
also include adoption of those wounded
in the Swords of Iron War and their family
members and has created the "Back to life"
teams. These teams of volunteers, some 100
Bank employees and managers, regularly
visit and help soldiers at special rehabilitation



wards in Sheba (Tel HaShomer), Soroka and Bney Zion / Rambam hospitals, which have the largest concentrations of wounded undergoing rehabilitation. The volunteers visit them once every week or two, for two hours, at the hospital and are in personal contact with the wounded in these special wards. The hospital visits emphasize getting to know those in hospital and creating a personal relationship with them, trying to understand which of them require ongoing assistance in one of two ways: either banking assistance (for customers' banking needs, such as their account status and re–scheduling of loan repayments), or financial aid, by way of gift cards. The Bank also holds large events at hospital wards, such as a performance by lvri Lider for soldiers in the Sheba rehabilitation center, or a Sabbath ceremony with Guy Zuaretz at Soroka hospital.



"Adopt a soldier"

In 2023, the Bank continued its patronage of the Givati brigade's Tzabar battalion, under the "Adopt a soldier" project. Beyond the monetary donation, the Bank is in close contact with the battalion, including participating in conferences for discharged soldiers and sports days, purchasing gift cards for lone or needy soldiers for holidays, sending drawings by the children of Bank employees for holidays, and so forth. The Bank's relationship with the battalion grew stronger during the Swords of Iron War: the Bank was in constant contact with the battalion and helped with various needs as they arose: equipment, snacks, visiting wounded soldiers, attending funerals and condolence visits and so forth.

- "Hanuka gift candelabra" In 2023, the target audience changed for the Gift Candelabra project, which the Bank has run for many years. The gifts were now targeted at children from the South and Gaza envelope area. The amount of the donation given in this project for the purchase of gifts doubled compared to the previous year, allowing us to purchase more than 4,000 Hanuka gifts, which were distributed to children from Sderot and Kfar Aza.
- The Youth Movement's "Zazim" initiative Operations of youth movements in combat zones were suspended, and the priorities for those which continued have changed. The Bank has collaborated for many years with the Youth Movement Council on the "Zazim" initiative, whereby the Bank supports social projects led by members of various youth movements. The Bank, together with the management of the Youth Movement Council, reviewed the required adaptations to keep "Zazim" on the move during the War as well, with emphasis on providing a custom solution for youths evacuated from towns in the South and North.

Encouraging volunteer work during the Swords of Iron War

With the outbreak of the War, Bank employees stood out remarkably for their volunteering spirit and great desire to help with ventures and projects created to help during the War. There was a greater need to expand volunteering options at the Bank, and the Bank encourages employees to go out and contribute to the community. To this end, the Community Relations Unit established a volunteer center, which located potential



places for volunteer work, while taking requests from units looking to volunteer. The team coordinated between the parties, devoting many hours of volunteer work, during work hours. The Bank also encourages employees to volunteer outside of work hours, and rewards volunteer employees and their family members for their efforts.

Bank employees pitched in to help and opened their hearts, embracing, helping and contributing to the civilian and human endeavor:

- Employees were offered options for individual and unit volunteer work through the Bank: packing food baskets, baking and cooking meals for soldiers and security forces, helping in agricultural work, painting bomb shelters and so forth.
- Volunteer activities took place at Bank headquarters, including the preparation of sandwiches for soldiers and emergency crews and donation of previously-loved gifts to evacuated children.
- To encourage Bank employees who volunteered independently outside of the Bank, they were awarded gift cards.
- Bank management and employees donated Hanuka gifts valued at hundreds of thousands of NIS to children from Sderot and Kfar Aza.
- Senior management at the Bank picked fruit and vegetable baskets at Leket Israel NGO, to help families in need.
- Bank employees purchased products made by NGOs and small businesses from the South.
- A Doughnut Unit was established to visit the wounded in hospitals and share doughnuts with them for Hanuka.

Some 2,000 Bank employees volunteered during the war on diverse volunteer activities: helping evacuees, helping farmers, packing food and medications, painting bomb raid shelters, supporting soldiers and visiting the wounded, and so forth. In total,

employees carried out 6,500 hours of volunteer work.¹

^{1.} Data current as of October-December 2023.

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. After each activity is concluded, the Bank sends out surveys to relevant respondents to evaluate participant satisfaction and for the purposes of continuous improvement. Upon completing a major activity, a lesson learning process takes place with all relevant parties, based on feedback received from people in the field.

Monetary donations

The Bank provides monetary donations to NGOs, designed to promote causes aligned with the Bank's social strategy. The Bank sets an annual budget for charitable donations, and decisions on approving charitable donations and the amount thereof are made by the Bank's Charitable Donation Committee, which is convened periodically. An application for charitable donation must meet one basic condition: the applicant must be a registered NGO authorized to receive charitable donations (Section 46A to the Income Tax Ordinance) and holding a valid certification of proper management. The charitable donation is made for a specific purpose, and the NGO undertakes to only use the Bank's charitable donation for the purpose indicated in the application. The charitable donation is not designated for political activity. Applications can only by submitted to Bank Mizrahi Tefahot's Charitable Donation Committee by email, to the address listed on the Bank website.¹

Community involvement at Bank Yahav

As part of its involvement in the community, Bank Yahav works to establish long-term relationships with organizations and social partners, focusing primarily on empowering at-risk youth or youth with disabilities. In this spirit, the Bank operates to reduce disparities and promote equality of opportunity. In the final quarter of 2023, activity focused on providing assistance to needs arising from the war – assistance to battalions, evacuees, security forces, and medical teams.

Community involvement at overseas affiliates

In 2023, Bank Mizrahi Tefahot invested USD 7 million in social investments, as required by the Community Reinvestment Act (CRA), helping small businesses with low to moderate income and promoting affordable housing. Additionally, as part of the CRA initiatives, employees of the US affiliate volunteered in the field of financial literacy for students with low to moderate income. The branch donated to seven organizations that provide services to low- and middle-income populations and to economic development.

In 2023, 45% of affiliate employees in the USA volunteered for 83 hours in the local community. Moreover, overseas affiliates help support social businesses and disadvantaged populations, to promote financial education, to promote education and social activity, and to empower children and youth.

In 2023, total investment in the community by the London affiliate, including charitable donations and community development, amounted to tens of thousands of NIS.

^{1.} https://www.mizrahi-tefahot.co.il/about-mizrahi-tefahot-he/for-the-community/donation-requests/



Responsible supply chain



Mizrahi Tefahot Group is a significant player in the Israeli economy, and therefore strictly adheres to structured and responsible supply chain management. The Group integrates ESG criteria into its procurement policy and supply chain management, understanding that the Bank impacts environmental and social aspects through its suppliers and its entire supply chain. Most of the procurement at the Bank is done through the Logistics Division, responsible for procurement processes and for conducting major transactions. Moreover, direct purchasing is carried out by headquarters units and branches, subject to professional supervision by the Procurement Department.

Responsible supply chain management

Responsible supply chain management is applied as follows:

Promoting local procurement – The Bank contracts with Israeli suppliers, such that the great majority of Group suppliers are local suppliers.

Promoting procurement from small businesses across Israel (distributed procurement) -

The Bank recognizes the important role of small business as a business growth engine in the economy and acts to promote them. The Bank sees an advantage in choosing small and medium suppliers, due to their flexibility and ability to provide quick, professional solutions to Bank needs. In general, when purchasing specific products, preference is given to local suppliers in the same geographic region, thus expanding the list of suppliers from outlying areas. Furthermore, the Bank works to expand its supplier database to include small businesses, and holds conferences for small and micro businesses in collaboration with external parties. **Preference for responsible suppliers and supplier control** – The Bank insists on reviewing the conduct of business owners with whom it contracts, including their conduct in social and environmental aspects. The Bank's supplier contract processes with suppliers are governed in procedures, including the use of various methods to ensure fair contracting and prevent fraud and embezzlement.

Responsible payment policy – The Bank has a known payment policy for suppliers, and strictly pays suppliers on time as agreed in advance, typically faster than guidance provided in the Ethical Payment Act.

Group promotion of responsible procurement in 2023¹



In 2023, total procurement orders amounted to NIS **1.2** billion The Group has **2,8448** active suppliers. Of all suppliers, **29%** are new suppliers.

Of all suppliers, **69%** are micro and small businesses.³

33% of total procurement is paid to small and micro businesses.⁴

Of all suppliers, **97%** are local Israeli suppliers.

Of all suppliers, **29%** are from outlying areas.²

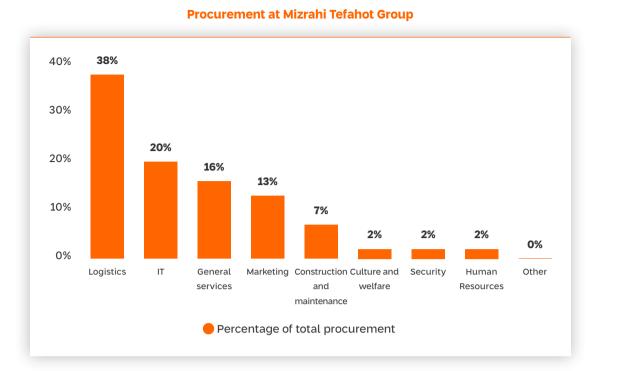


^{1.} Data is estimated, based on available information with regard to suppliers.

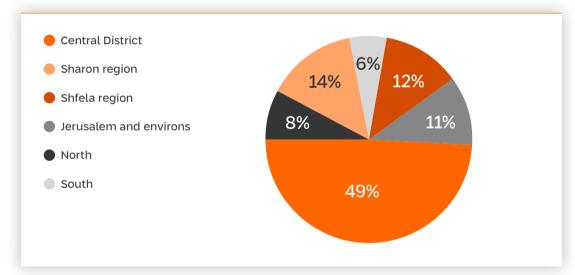
^{2.} Clusters 1 to 5 are based on the socioeconomic scale of the Central Bureau of Statistics for 2019.

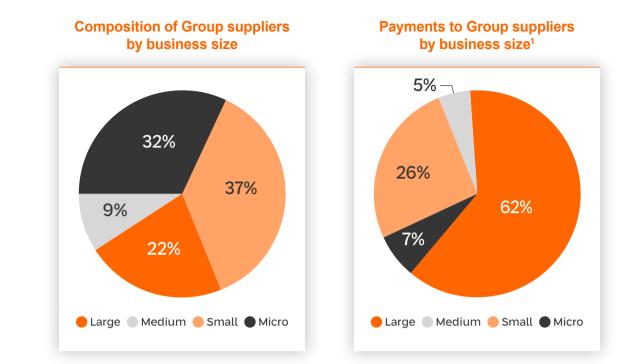
^{3.} In conformity with Government Resolution 2190.

^{4.} The decrease in payments to small and micro businesses in 2023, compared to the previous year, is due to a significant payment made to a major construction supplier for construction of the new Bank campus in Lod.



Distribution of Group suppliers by geographic region





Preference for responsible suppliers

- Abiding by laws and human rights The Bank strictly contracts only with suppliers who abide by all laws and regulations relevant to their field of business. The Bank's procurement policy includes threshold conditions for suppliers, including: a business license and permits, maintaining appropriate employment conditions, including compliance with protective legislation, preserving employees' health and safety, payment of a minimum wage, no employment of under-age children, preventing discrimination, and safeguarding employee rights. 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 and/or anyone on their behalf. This includes the supplier's obligation to comply with all statutory provisions with regard to providing equality of opportunity, preventing discrimination and preventing bribery and corruption across all areas of their business operations.
- Supplier preference related to ESG aspects The Bank wishes to contract with suppliers who recognize the importance of their social and environmental impact. When considering contracting with suppliers, the Bank reviews various parameters, such as contribution to the community and preference for equipment with a high energy efficiency coefficient.

^{1.} The significant increase in payments to major suppliers in 2023, compared to 2022, is primarily due to a payment transferred to a supplier for construction of the new Bank campus in Lod.

- Purchase of products and services from social suppliers The Bank purchases products and services from suppliers and NGOs that promote social causes. This includes gifts purchased by the Bank from various NGOs, for employees and customers. The goal is to purchase from NGOs whose operations combine social values such as diversity, equality of opportunity, and acceptance of the other. Furthermore, the Bank allows employees to purchase products from various NGOs ahead of holidays.
- Code of Ethics The Bank gives preference to suppliers who operate based on an organizational code of ethics. Bank contracts with suppliers include an undertaking by suppliers to act according to values of reliability, professionalism and service, excellence, transparency, fairness, and respect for human dignity as part of their regular work for the Bank. These values are in line with the Bank Code of Ethics.

Supplier control

- Supplier control for lawful employment Contracting managers at the Bank, including the Manager, Logistics Division, and the Bank's Procurement Manager conduct visits to major Bank suppliers. They review the suppliers based on criteria specified by the Bank. Suppliers who do not comply with criteria can expect a termination of engagement proceeding. In recent years, visits were made to all major suppliers, as well as return visits to some suppliers. The visit is accompanied by a questionnaire developed in order to examine suppliers in accordance with criteria that were set out. Voluntary topics (such as: is there a Code of Ethics in place) are also covered during such visits. In 2023, one supplier was visited, and in addition, the Bank is also in regular contact with regular suppliers.
- Control over employment terms of cleaning, security and catering employees In accordance with the law, the Group makes sure that the employment terms of cleaning, security and catering staff are in conformity with all laws and regulations. This review is conducted by an authorized wage reviewer, in conformity with statutory provisions; employees can also request specific reviews. Employees can use an anonymous, discreet mechanism to report violations and non–compliance by their employers. As of the end of 2023, all Bank suppliers in these fields were in compliance with the reviewed legal provisions.
- Supplier control 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). Suppliers who do not comply with criteria can expect a termination of engagement proceeding.

- **Supplier risk management and control** The Bank has policy with regard to supplier and outsourcing management (outsourcing is managed in conformity with Bank of Israel Proper Conduct of Banking Business Directive 359A) stipulating inter alia the corporate governance aspects for supplier risk management, including specification of the Risk Owner role and the roles and responsibilities of relevant units in the various lines of defense. It also stipulates principles for risk measurement and management, including a periodic revision of the risk assessment. The Bank performs risk assessments, including with regard to corruption risk, among the suppliers and subcontractors it engages on a regular basis. The final invoices from these contractors for refurbishment work and cleaning services are specifically and regularly reviewed by the supervisor in charge of these operations. In addition, contracts signed with architects, planners and supervisors include a specific clause forbidding them from accepting any direct or indirect benefit from any third party.
- Safety training and control The Bank acts on an ongoing basis to control safety and to provide safety–related training for supplier staff. A safety expert on behalf of the Bank performs this control and provides guidance with regard to work safety to contractors on various projects. In addition, regular inspections are conducted proactively by the Bank's safety consultant, at any site where a construction project or construction works for the Bank are carried out. From time to time, training is delivered to all external supervisors working with the Bank on this matter. Additionally, the Safety Forum is convened quarterly, with representatives from the Bank's Logistics Division, a safety consultant and supervisors on behalf of the Bank's maintenance service provider. In July 2023, a conference of supervisors was held with regard to work safety.



Assistance to suppliers and preservation of the supply chain during the Swords of Iron War

The Bank is in constant dialogue with its suppliers. This is part of the Bank's responsible supply chain policy, and therefore the Bank continued to operate accordingly even during the war. The Bank continued to work with all its regular suppliers. One of the Bank's regular suppliers is Dfus Be'eri. The Bank committed to assisting them and provided an armored car to drive employees from the Dead Sea hotel to which they were evacuated, to their workplace at Dfus Be'eri.



Investing in employees

Mizrahi Tefahot Group continues to grow and to lead in business excellence, and regards its employees as the key factor in its success, and in achieving its business strategy and growth targets for operations and profitability, while providing fair and professional service to customers. The Group is committed to the professional development and personal growth of its employees, to providing them with a proper and fair work environment that safeguards their health and well-being. All this is in addition to providing options for growth and professional development, and to hiring employees on equitable basis from all parts of the Israeli population.

Mizrahi Tefahot employees in 2023



Mizrahi Tefahot Group has 7,256 employees and managers. Of these, 85% are employees of Bank Mizrahi Tefahot, 13% are employees of Bank Yahav and 2% are employees of overseas affiliates of the Bank.

Some 9 **4%** of Group employees are full-time employees.

The average age of all Group employees

Some 73% of Group employees have a university degree.

9% of them are students.



The average seniority at the Group is **12.7** years.

36% of employees are new employees at the Group (up to 5 years, inclusive).

37% of employees are headquarters employees, and the others work at branches.



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Segmentation of Group employees over the years by age:

	Age		2022 ¹			2023	
	group	Women	Men	Total	Women	Men	Total
Group	Up to 30	1,206	371	1,577	1,186	361	1,547
employees	31–50	2,290	1,193	3,483	2,202	1,171	3,373
not in management	51 and over	630	338	968	578	326	904
positions	Total	4,126	1,902	6,028	3,966	1,858	5,824
	Up to 30	11	3	14	8	3	11
Group	31–50	544	430	974	504	401	905
managers	51 and over	250	322	572	233	283	516
	Total	805	755	1,560	745	687	1,432
	Up to 30	1,217	374	1,591	1,194	364	1,558
Total employees	31–50	2,834	1,623	4,457	2,706	1,572	4,278
	51 and over	880	660	1,540	811	610	1,421
	Total	4,931	2,657	7,588	4,711	2,546	7,256

Geographic segmentation of Group Employees in Israel and Abroad, 2023:

	Place of residence in Israel and overseas	Percentage of total employees
	South	10.7%
	Jerusalem region	17.5%
Israel	North	10.6%
Israel	Shfela	22.4%
	Sharon	11.6%
	Greater Tel Aviv	25.7%
Tota	l in Israel	98.5%
UK	London	1.1%
USA	Los Angeles	0.4%
Total – ove	1.5%	
Total – Mizra	100%	

Hiring of locals for management and other roles is strictly ensured at Bank overseas affiliates. Local employees
account for 90% of management at the London Branch, and for 100% of management at the Los Angeles Branch.

Contractors

As a rule, the Bank implements a policy according to which, as soon as their first day, all employees are defined as Bank employees for all intents and purposes.¹ From time to time, the Bank receives services from external companies for projects for a limited time, including engaging a very small number of employees. In 2023, the Bank received services rendered by 28 external contractors in professional positions.² As part of Bank training, external contractors receive the same training as all employees with regard to: protection of privacy, preventing sexual harassment, AML, the Economic Competition Law, preventing fraud and embezzlement, prohibited use of insider information, consumer-related directives and fairness.

Group employee turnover by gender and age³

Employee turnover

		2022				2023				
	Age group	Employees and managers hired by the Bank	Employees and managers terminated	Employees and managers resigned	Retirees (including early retirement)	Employees and managers hired by the Bank	Employees and managers terminated	Employees and managers resigned	Retirees (including early retirement)	
	Up to 30	157	18	102		107	17	54		
Men	31-50	100	21	91		81	25	57		
	51 and over	13	4	5	46	13	2	12	46	
Total	male	270	43	198	46	201	44	123	46	
	Up to 30	324	46	168		252	34	135		
Women	31-50	156	24	139		100	39	85		
	51 and over	8	1	7	38	7	0	9	40	
Total	female	488	71	314	38	359	73	229	40	
Total up	to age 30	481	64	270		359	51	189		
Total	31-50	256	45	230		181	64	142		
Total 51	and over	21	5	12		20	2	21		
То	otal	758	114	512	84	560	117	352	86	

Retention of Bank employees, development of their capabilities and ensuring their satisfaction is a key part of the Bank concept to be a leading bank in Israel that provides high-quality, professional service to its customers. The table shows employee turnover rates for each

age bracket, an indication that the Group is a desirable and stable workplace.

^{1.} Data for 2022 retroactively revised due to re-calculation. In 2022, Union Bank was merged with Bank Mizrahi Tefahot, therefore this composition includes Union Bank employees. The merger was completed on December 31, 2022.

^{1.} This policy does not apply to the Technology Division.

^{2.} In 2023, the measurement methodology for external contractors at the Bank changed in accordance with the staff count standard report as of the end of the calendar year.

Data in this table exclude call centers (banking centers), where the turnover is high due to the nature of the work, which primarily includes students.

In 2023, the departure rate for the Group (excluding banking centers) was 7% (employees terminated / resigned), or 8.4% including employees who retired.¹ The total departure rate for Mizrahi Tefahot Group (including Banking Centers) was 10.4% (employees terminated / resigned), or 11.6% including employees who retired. These departure rates show significant improvement compared to 2022.

In 2023, out of employees and managers who ended their work at the Bank only (excluding banking centers), 234 employees resigned, of which 191 non-tenured employees. In addition, the Bank did not extend the employment of 108 non-tenured employees. All other employees retired upon reaching the retirement age, or as part of voluntary retirement campaigns. One employee and 2 managers who were tenured were terminated. In total, 49 tenured Bank employees resigned or were terminated.

		Vacation ²	Military reserve service ³	Absence days due to sickness (including work accidents)	Absence rate due to sick days (in %)
	Women	75,633	845	62,619	6.3%
Mizrahi Tefahot⁴	Men	38,329	18,653	24,314	4.3%
Terunot	Total	113,962	19,498	86,933	5.5%
	Women	12,577	435	10,106	5.5%

1,329

1,764

21.262

2,578

12.684

99.617

4%

5.1%

5.5%

Absence data (in days) in 2023 for the Group in Israel



Human resource management



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

As part of the Bank's commitment to its employees, a specific policy document was developed outlining key principles relating to human resource management. These principles include: the Bank's commitment to promote a fair work environment and employment conditions, protection of employee rights, a commitment to comply with all labor laws in the countries where the Bank operates, and even to provide better working conditions than required by labor laws. Moreover, this policy document deals with work relations with employees and managers in a collective framework, and in the maintenance of a continuous dialogue with employees and their representatives. Moreover, the Bank commits to only employing employees of working age, in conformity with the law in its countries of operation, and does not engage in forced labor practices.

As part of policy on human capital risk management, Bank management receives various reviews on human resources in the Bank, starting from the top level, standards and monthly staff movements, to details of departure and absence rates. These reviews are presented based on the schedule specified in the policy, including specified risk thresholds. The Manager, Human Capital and Resources Division, assisted by the Manager, Human Resources Department, is responsible for policy and control with regard to labor relations at the Bank. Human Resources managers within the units are responsible for employee care. There are

Bank Yahav

Total – Group

in Israel

Men

Total

Total

4,351

16.928

130.890

^{1.} Data for retiring employees on page 126 of this report, under the heading "Caring for employees approaching retirement", in separate table "Departure and taking retirement upon reaching retirement age at Mizrahi Tefahot Group in 2023".

^{2.} In April–May 2024, paid leave is reimbursed to certain employee groups entitled to such reimbursement with respect to October–December 2023, in conformity with a war–related extension order.

Days of military reserve service increased significantly due to the Swords of Iron War that broke out on October 7, 2023.
 Including Technology Division, excluding overseas affiliates.

automatic control mechanisms to ensure that employees' rights are preserved, including preventing excessive working hours, verifying utilization of annual leave and so forth.

The Human Capital and Resources Division manages human capital through data analysis (People Analytics) for all staffing needs at the Bank, including workforce strategy, identification of skill gaps among employees, measurement of the employee recruitment process, performance evaluation, employee departure risk and so forth. This data analysis is regularly reported to management. This analysis includes a constant review of the Bank's organizational structure, conducted by a special unit. Recommended changes are implemented by adapting staffing for new positions. There are also various organizational surveys conducted, including surveys of new employees within 2 weeks, 2 and a half months, and a year after their start of work. This survey reviews their satisfaction with the onboarding process, their job and the Bank.

Dialogue with employees and managers

The Bank accords great importance to maintaining a constant dialogue with Bank employees and managers to expand the conversation with employees as part of the Bank's "responsible employment environment" policy. The Group acts in diverse ways, as follows:

- Roundtables with the Bank President & CEO In 2022 and later on in 2023, the Bank President & CEO met with some employees in 10 roundtable sessions that included open discussion of the Bank's operations, at the Bank headquarters, and at branches.
- **Breakfast Club** In 2023, division / unit managers met with branch and department managers. The purpose of the meetings was to create an ongoing and direct dialogue between middle management and Bank management, while raising ideas and insights.
- Employee surveys The Bank collaborates annually with BDI, to determine the Bank's ranking among the most desirable employers, and conclusions are presented to management. The survey results are also reviewed by gender, job level and age group. Survey insights are reviewed by the Bank, with proposed improvements suggested to the work plan.
- **Provision of feedback to employees** The Group ensures that employees receive regular feedback on their performance. In a personal conversation or meeting. Soon before the feedback date, workshops on the topic are conducted and a manual explaining the evaluation process is distributed. 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.
- **Communication with new hires** The Bank portal includes a designated area for new hires, listing aspects and professional and personal milestones that will

accompany employees throughout their careers. This area includes a brochure for new hires, providing information with regard to their rights, explaining their pay slip and pay components at the Bank, as well as information with regard to promotion, remuneration and incentives.

 Direct discussion with Bank employees at branches – Human Resources managers regularly visit Bank branches and hold discussions with managers and employees.

Right of association

As part of ensuring employee rights, the Bank ensures employees' right to unionize. Employees of Bank Mizrahi Tefahot are represented by one of three different unions: Bank Mizrahi Tefahot Employee Union, Managers and Authorized Signatories Council at Bank Mizrahi Tefahot and the Technology Division Employee Council at Bank Mizrahi Tefahot. Employees of Bank Yahav are represented by a labor union. The employment agreement anchors employment aspects for employees not employed pursuant to an individual contract, and relate to the customary terms of employment at the Bank, including working hours, employee remuneration and equality of opportunity. Bank managers are aware of the guidelines and procedures that ensure the area of operation of these unions and act accordingly. Collective bargaining agreements apply to 92% of Bank Mizrahi Tefahot employees, 94% of Technology Division employees and 90% of Bank Yahav employees. All other Bank employees, who are not employed according to the collective agreements, are employed in conformity with individual employment contracts. On June 26, 2023, the Bank and Mizrahi Tefahot Employee Union signed a special collective bargaining agreement for 2022–2026.¹

Promoting employment security

The Group strives to promote employment security among its employees. As such, the Bank implements a policy according to which, as soon as their first day, all employees are defined as Bank employees for all intents and purposes. This policy also applies 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 "Provisional", and after a relatively short three-year period, the Bank decides to grant tenure to employees, in accordance with procedure. 94% of employees work full-time; most part-time employees are students, employed pursuant to the collective bargaining agreement and entitled to the same rights and benefits as full-time employees. As of the end of 2023, 69% of Group employees were tenured. Under the collective bargaining agreement signed by the Bank and the Employee Union in June 2023, the Bank may extend the period for being tenured up to 5 years, for a certain percentage of employees.

^{1.} For more information with regard to collective labor relations and the new collective bargaining agreement, see the 2023 Annual Report, page 293.

Segmentation of Group employees by employment contract

Employment contract		2021			2022			2023	
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Regular	3,440	1,874	5,314	3,397	1,817	5,214	3,267	1,771	5,038
Provisional	1,230	524	1,754	1,287	477	1,764	1,170	422	1,592
Employees subject to individual contract	236	342	578	246	364	610	274	352	626

Maintaining employee safety and security

The Bank attaches great importance to maintaining employee safety and security, both physical and emotional, as an integral part of their employment conditions. To manage these aspects properly, the Bank has procedures, communicated to relevant employees. The Bank also performs measurements, investigations, controls and training for the purpose of continuous improvement.

Safety at Bank facilities

The Bank has an external Safety Supervisor who is employed on an ongoing basis. Quarterly meetings are held at which the Supervisor presents conclusions and recommendations based on the safety surveys conducted at the Bank. These meetings are attended by branch maintenance supervisors, and include a refresher on safety. In the third quarter, a safety conference was held for construction and maintenance supervisors working with the Logistics Division, and for relevant security staff. This conference included presentations as well as key points on maintaining safety during construction and maintenance work at the Bank. The presentations were delivered by the Bank's Safety Supervisor, the assisting attorney and the Logistics Division. Moreover, during this period of construction of the new Bank campus in Lod (the Bank's Lod HQ), weekly meetings are held on–site, attended by the external Safety Supervisor, to discuss inter alia safety issues in this project. The discussion covers areas where construction is carried out, as well as areas adjacent to buildings where bank employees are present. At the end of 2023, all safety events that occurred during the year were analyzed and assessed, in collaboration with the Safety Supervisor, in order to draw conclusions and to refine procedures for all relevant parties at the Bank.

Road safety, driving and car maintenance

Safeguarding employee safety is also reflected in road safety. As part of the road safety work plan, the Bank makes sure to deliver training to employees about car safety systems and careful driving (for employees driving a company car or a leased car). In 2023, practical

driving training was delivered to professional drivers with high mileage, at the discretion of the Road Safety Officer, alongside regular personal training sessions for drivers and members of management. Moreover, an eLearning kit on road safety was sent to all regular drivers, in addition to safety–related briefings, driving in winter conditions and a refresher on safety procedures. The safety of Bank cars is regularly mapped by the Road Safety Officer, who sends out ongoing updates on winter driving, driving during the holidays, etc. Moreover, the Bank sends an annual postcard to employees whose children have reached the legal age for a driving license, with key points for supervising new drivers and adapting driving to environmental conditions. In 2023 we delivered 5,057 training hours on safety.

Work accidents

In 2023, there were 67 work accidents at the Bank, of which 46 accidents occurred enroute to / from work. As a result of the work accidents, all of the affected employees were absent from work for a total of 761 days. The Lost Time Incident Rate (LTIR) is 1.14.¹ In 2023, there were no deaths of any Bank employees due to work accidents at the Bank or elsewhere.²

Emergency preparations

The Bank prepares for emergencies such as fire, flood, pandemic, earthquake and war, and complies with the Bank of Israel Proper Conduct of Banking Business Directive 355 concerning "Business continuity". Emergency procedures specify the division of authority and responsibility as well as the order of actions to be taken to address the various situations. The equipment required for incident handling is reviewed in the various audits, and procedures are in place for collaborating with and reporting to the various authorities such as the Bank of Israel, Israeli Police, the Fire Department and Magen David Adom. Drills are held for the various scenarios from time to time.

Emotional resilience and coping with situations of operational stress

As part of safeguarding employee safety and security, Bank employees attend training on dealing with operational stress situations at the branch. As part of the training of branch staff upon their recruitment to the Bank, they receive training on coping with cases of robbery. The Bank also disseminates auxiliary materials and E-learning kits, delivers training on this topic at branches and conducts a lessons learned procedure. Bank units have appointed Safety Trustees, who are trained and briefed on providing solutions for various scenarios.

The Bank also sees importance in coping with stress and maintaining the emotional resilience of employees. In 2023, we delivered 2,495 training hours to 1,038 employees and managers on emotional resilience, coping with stress, and crisis situations.

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^{1.} Lost Time Incident Rate – calculated for 200,000 work hours per 100 employees.

^{2.} Note that two Bank employees were deceased in 2023, unrelated to their work at the Bank.

Preventing abuse and sexual harassment in the workplace

The Bank sees importance in ensuring a safe and pleasant work environment, and therefore takes care to prevent employee abuse, harassment, and sexual harassment. The Bank has appointed a Supervisor for Prevention of Sexual Harassment, who was trained for this role and attends training from time to time. The Supervisor is tasked with handling inquiries related to sexual harassment, in conformity with the specified procedure on the issue. The Supervisor's responsibilities also include handling inquiries filed by outsourcing employees who work on Bank premises. Every year, all Bank employees are sent the procedure for preventing sexual harassment, including the Supervisor's contact information. Bank management and the Board of Directors receive an annual report on sexual harassment at the Bank. All new hires participate in training on this subject, through mandatory eLearning kits.

Courses and conferences for managers at the Bank include workshops on prevention of abuse and sexual harassment. New managers attend a workshop on prevention of abuse and respectful employment, as part of their first managerial course at the Bank. The Human Resources Department is entrusted with receiving inquiries on prevention of abuse from Bank employees. When a complaint is received alleging abuse at work, it is reviewed by an external entity or by a Human Resources employee. The review and resolution are based on guidelines in legislation proposed on the topic in 2015 (which was not enacted). The Bank provides an anonymous hot line for bank employees, which they can contact in case of any issue that requires clarification, including sexual harassment, discrimination, infringement on employee rights or issues related to compliance with the law, corruption, and so forth. In 2023, only a handful of complaints were filed at the Group with regard to sexual harassment or abuse in the workplace. Each case was reviewed and appropriate actions were taken to avoid any recurrences as well as to increase awareness of this topic. In 2023, we delivered 3,595 hours of training on preventing sexual harassment and abuse in the workplace.

Maintaining employee privacy

As part of the employment security provided to employees, the Bank also ensures the privacy of the employee information stored in various systems. These systems are managed in a database with the same protection as the customer information database (the highest level of information security). Thus, information in employees' personal files is compartmentalized and the access permissions thereto are in accordance with need and the authorization level specified for each role. Furthermore, work processes in the Human Resources Department for all issues related to protection of privacy match Bankwide standards for handling information. When a new Bank employee is onboarded, they are made aware of the privacy protection procedure, and they confirm that they are aware that their personal information is stored in Bank databases in conformity with this procedure. Additionally, for external contracting or operations that require sharing information about employees with an external supplier, the contracting party is required to follow an appropriate procedure, and the matter is referred for review by the Legal Division and the Privacy Protection Officer as required.

Maintenance of employment conditions

Ensuring wages and social benefits in conformity with legal requirements

In all areas of operation, including at its overseas affiliates, the Bank ensures employees are paid in conformity with statutory provisions and consequently also with the binding minimum pay. Note that for employees employed under the collective bargaining agreement, pay is updated annually. The minimum wage stipulated in the collective bargaining agreement signed in June 2023 with the Employees' Association is NIS 6,000 – higher than required by law. The collective bargaining agreement anchors, inter alia, terms and conditions with regard to work hours and employee remuneration. The Bank also provides increased social benefits; for example, the convalescence pay paid to Bank employees is higher than what is set out in the law, as is their cap of sick leave days. During onboarding of new employees, the Bank fully describes to each employee their rights and terms, with full reference to the requirements of the position, organizational affiliation, direct supervisor, pay components and terms, working hours, social benefits including pension contributions, benefits and reference to the sensitivity of their position and the requirement of continuous leave.

Parental leave data¹

		2022		2023		
	Women	Men	Total	Women	Men	Total
Went on parental leave	464	8	472	469	5	474
Of which, number of employees who returned to work after completing parental leave	182	7	189	190	4	194
Took parental leave during the year and remained on parental leave / unpaid leave after the end of the calendar year	234	1	235	249	-	249
Took parental leave during the year and chose not to return to work	45	-	45	31	-	31
Number of employees who took parental leave in the previous year and remained employed 12 months after returning to work	392²	1	393	332	5	337

1. Data refer to the Group as a whole, excluding overseas affiliates.

^{2.} Retroactively amended

Organizational changes and career development

The Bank makes sure to notify employees ahead of time of any organizational changes, so that all parties involved can find the most suitable solution cooperatively. All organizational changes are performed with professional supervision together with management. Employees required to move to a new position due to organizational changes receive prior notice of this, and if training is required – it is provided by the Bank to the employee. In cases of employment termination, the advance notice period takes into consideration the employee's needs and system constraints – but no less than required by law.

Job offers at the Bank and tenders for management positions are regularly communicated to all Bank employees, who are invited to offer their candidacy for any position. Each employee may review, with their supervisor or with the Training, Development, and Learning Center, their current knowledge gaps, so as to progress to their next position, and may ask to leave for professional training to help cover these gaps. Moreover, the Human Resources manager of each unit proactively strives to identify employees for various roles, collecting data for examination when staffing future positions. Managers hold personal conversations with employees periodically as well as during the annual feedback sessions, during which they discuss employee ambitions for development in their work at the Bank. Based on employee desires and skills, the unit manager and Human Resources manager may recommend to employees a development track via the training offered by the Training, Development, and Learning Center.

Employee remuneration

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

- Salary increase Once a year, in accordance with the recommendation of management, the Board of Directors decides on a promotion or pay increase process across the organization, based on performance in the past year. This is done in conformity with the various agreements: employees in collective bargaining agreements, employees and managers employed by individual contract, managers based on the agreement signed with them, and tele–bankers with "experienced" status at the Banking Centers.
- Individual bonus Once a year, 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 target achievement and on their supervisors' recommendation. The majority of the bonus is based on the personal performance of the employee and their contribution to the Bank's success, and the remainder is paid uniformly to all employees.

- Options for managers Award of options to officers and managers at the Bank Group (department / branch managers or higher) is designed to align remuneration incentives with the Bank's strategic plan, with long-term objectives of the Bank, with Bank results over time and with the actual contribution of Bank employees to achievement of Bank objectives. The Bank Board of Directors may approve, from time to time, the outline of options for employees, whereby the Bank may award options convertible into shares to managers (including to the President & CEO and to officers) at the Bank and subsidiaries thereof.
- Outstanding employees The Bank recognizes outstanding employees and accords them special respect. Outstanding employees receive a special bonus, on top of the annual bonus. They are invited to attend a tribute day – an experiential day and a meeting with the Bank President & CEO and with Bank management, where their achievements and contribution to the Bank are recognized. 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. Typically, rewards are provided at branch level, for team building and leisure activities for branch employees. At Bank HQ, individual awards are allocated in recognition of employees with impressive work-related achievements.

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Diversity, equality and prevention of discrimination in employment

Bank Mizrahi Tefahot believes that diversity and equality in the workplace generate social and economic value for the Bank, for its employees, and for Israeli society as a whole. Hiring employees of diverse demographics allows the Bank's various customers to receive service tailored for their unique needs. The Bank works on an ongoing basis to promote equality in the work environment, and does not discriminate against any employee based on religion, nationality, race, ancestry, sex, age, gender identity, place of residence, or any other characteristic.

High-quality, egalitarian recruitment and retention of human resources

Bank Mizrahi Tefahot strives to recruit and retain high-quality human capital, in accordance with job requirements and the necessary skills. The Bank remains in constant contact with various entities in order to locate potential candidates of quality for the various positions. Candidates are identified through multiple recruitment channels (staffing companies, job sites, social media, universities and colleges, NGOs, employee referrals and so forth), so as to expand the candidate pool and to recruit the most appropriate candidate for the required position. The cost of the Bank's investment in recruiting human capital in 2023 was NIS 3.9 million.

Beyond the social benefit of employee diversity, it also allows the Bank to achieve social and business objectives. Recruitment from diverse demographics offers business advantages, and diverse employment allows the Bank to provide a professional solution to the unique needs of Bank customers. Thus, for example, recruitment from the Arab sector has a positive business impact, by meeting the needs of Arabic speakers at branches and call centers (banking center). Likewise, in order to provide custom service to the Haredi sector at branches located in Haredi cities, employees have been recruited from the Haredi sector, who are familiar with the needs of such customers. The Bank enjoys a high level of commitment by these employees, due to recognition of their unique skills and creation of a work environment with characteristics that suit them.

In order to give managers a refresher on this issue, in 2023 managers at the Bank received an eLearning kit on equality of opportunity at work. The kit was designed to provide managers with information and practice with regard to the Equality of Opportunity at Work Law, which prohibits any kind of discrimination. This prohibition applies to the onboarding phase and then throughout the employment period, as well as in promotion, training and remuneration.

This area is managed by a dedicated Diversity Officer at the Bank. In order to expand equitable recruitment, the Bank promotes specific plans for recruitment from the local community. The Bank makes sure to apply a recruitment process which provides equal opportunity to candidates from different demographics in Israeli society, and which does not discriminate against any employee by national, religious, cultural or ethnic affiliation, or by age, sex, gender, sexual orientation, disability of any kind, or any other characteristic. Moreover, in order to adjust the recruitment processes for all candidates, adaptations are made to recruitment and selection processes so as to ensure equality of opportunity, so that candidates are recruited based on their qualifications and the on needs of the Group. These adaptations generally involve added time and the option of being tested in the candidate's mother tongue (such as Arabic). The Bank actively recruits employees from various demographics and from sectors typified by underrepresentation in the labor market as a strategic measure. To this end, the Bank also collaborates with specialized NGOs and organizations, such as:

Employees from the Haredi sector

As part of its strategy to create a diverse work environment, the Bank works to integrate employees from the Haredi sector. As part of this effort, the Bank joins forces with Bereshit (the employment guidance institute in Bnei Brak), Kivun (the employment guidance institute for the Haredi public in Jerusalem), and Mafteah (JDC Israel's development centers for Haredi employment). The Bank also participates in targeted employment fairs for the Haredi sector, including at Lev Academic Center in Jerusalem and at the Haredi campus of Ono Academic College. The Bank also advertises on the Glatt Jobs website – a dedicated job site for the Haredi population. These recruitment methods are used based on the Bank's needs.

Dedicated teams of Haredi women were established at the Banking Center (mortgage call center). Most of the candidates have no professional background or experience,

and receive their banking training on the job. During team setup and throughout their employment, the required adjustments were made to integrate them in the workplace, by way of adaptations to shift times and work environment.

Employees from the Arab sector

As part of its strategy to create a diverse work environment, in 2023 the Bank continued to recruit employees from the Arab sector. As part of this recruitment effort, the Bank maintains a partnership with the NGOs "Kav Mashve" and "Al Fanar", that refer candidates from the Arab sector to the Bank.

Integration of employees with disabilities

The Bank is committed to promoting equal opportunity employment for persons with disabilities. As part of compliance with the provisions of the Employment of the Disabled Act, the Bank put in place a strategy for onboarding employees with disabilities and locating relevant positions for them in the various units. The Bank has also appointed an officer responsible for the employment of persons with disabilities. Thus, the Bank maintains contact with the Ministry of Labor's Equal Employment Program, as well as with various NGOs which specialize in assisting in the 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 the integration of employees with disabilities, the Bank's work environment is accessible. Further adaptations are made when specific needs arise. In 2023, the Bank received a certificate of recognition from SheKulo Tov Group for the partnership and for opening the door to employment of persons with disabilities.

The Bank operates a forum for managers who supervise employees with disabilities to provide administrative tools for optimal management of their employees. The forum consists of 25 managers from various Bank units. The forum provides for a collaborative dialogue on managerial issues raised, and provides managerial workshops in response to issues raised by the managers. Bank Yahav is a member of The Valuable 500 project which promotes accessibility and the integration of persons with disabilities at the world's biggest companies.

Integration of students

The Bank has multiple programs designed to promote students and integrate them in the job market.

• Training of Computer Science students – In 2015, the Technology Division created a special training program for computer science students, whereby select students are trained to specialize in computing fields required by the Division. This four-year program includes in-person studies, a major project, a period of on-the-job

training and a mentoring period, concurrently with completing their university degree studies. Those graduates who successfully complete this course are integrated in the Technology Division's permanent staff. To date, about 70 students participated in this project, most of whom were hired by the Bank and are employed on various projects.

 From studies to career – Bar Ilan University has launched a new undergraduate program in social sciences with a specialization in banking and finance, in collaboration with Bank Mizrahi Tefahot, which offers scholarships to students. This degree accredits students to take on management and operations positions in the banking system. The program allows students to engage in practical work at the Bank, as of their first day at university, and thus start their professional training at call centers or at a Bank branch, concurrently with their studies.

Employee diversity

Bank Mizrahi Tefahot treats all employees equally and without discrimination. Therefore, there is no employee classification or records of employees grouped by sector or ethnicity. However, based on an analysis of auxiliary data and according to declarations by the employees themselves, below are estimated data for Bank employees from demographics that are underrepresented in employment. It is important to note that it is likely that the Bank may have more employees from these and other demographics not included in this data.



19% of all Bank employees are from various demographics under-represented in employment, including employees from the Arab sector, the Haredi sector, people of Ethiopian descent, and people with disabilities.

25% of all new hires at the Bank in 2023 are from diverse demographics underrepresented in employment.

5% of all managers at the Bank are from diverse demographics.





6.2% of all new hires at the Bank in 2023 are from the Arab sector.

3% of all employees are from the Arab sector.

9% of all employees from the Arab sector are managers.

13.4% of all new hires at the Bank in 2023 are from the Haredi sector.

14% of all employees are from the Haredi sector.

5% of all employees from the Haredi sector are managers.

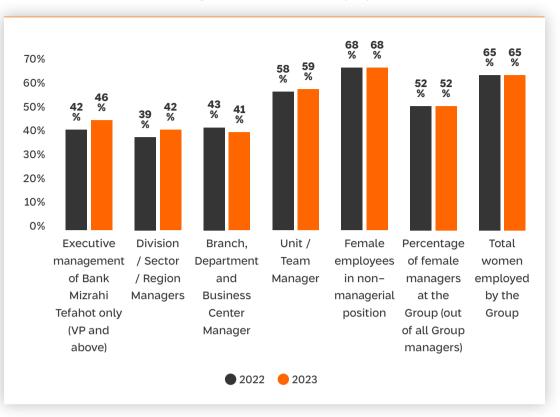


Promoting a diverse and equitable work environment

The Group strictly complies with statutory requirements regarding equal and fair employment, and acts on an equal basis with regard to the benefits granted to employees, subject to the various employment agreements. Part-time and full-time employees are eligible for the same benefits, and their employment scope does not affect standard benefits. These benefits include: vacation pay, holiday gifts, gifts to employees, and so forth. Other than standard benefits, some specific benefits are based on scope of employment, with differences between full-time and part-time employees, such as convalescence pay, clothing allowance, vacation days and sick days. Moreover, the integration of staff from different sectors requires a work environment that shows cultural sensitivity and adapts itself to the religious and cultural needs of its employees. Once a year, non-Jewish employees may take five paid leave days at the Bank's expense for their holidays, in addition to the holidays in the Jewish calendar (which are not business days at the Bank). As part of promoting principles of equality, the Bank adheres to a policy to prevent discrimination. This policy includes action designed to reduce inequality between the sexes, prevent harm due to preferences based on ethnic or cultural background, shatter prejudice against persons with disabilities, and so forth. The Bank operates an anonymous hotline for employee inquiries as needed. In 2023, no complaints of discrimination were received from employees or from external contractors.

Promoting gender equality

The Bank sees great importance in promoting gender equality in the workplace, and equitable employment for men and women, allowing women to reach key positions at the Bank throughout the management chain. The Bank implements an equal opportunity employment policy, with employees hired and promoted based solely on their skills and on the needs of the Bank.



Percentage of women in the Group, by rank

The percentage of women managers at revenue-producing

divisions (Retail, Business and Finance) is 50.3%, higher than in the previous year.

Of all employees promoted to a management position, **We**re women.



Pay differences between men and women

Each employee's pay, in all ranks and positions, 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. Group employees receive pay promotions based on equal criteria and on their skills, with only practical and relevant considerations taken into account. 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 examined differences between the average salary for women and men at different ranks for the Bank as a whole.

Salary ratio for women / men at the Bank, 2023

Rank	Salary ratio
Executives	0%
Senior managers	6.56%
Branch / department managers	2.64%
Employees ¹	11.54%
Employees in similar roles (up to 3 years' seniority)	0%

The data shown refers to full-time employees who have worked at the Bank for at least 12 months. 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, supplements for children, and so forth.



^{1.} Employees in STEM (Science, Technology, Engineering, Mathematics) roles apply their knowledge in science, technology, engineering or mathematics in their daily duties.

^{1.} Includes managers of units and departments. Differences are due to maternity leave / furlough. There is no difference in pay between men and women upon hiring.



Support and assistance for employees during the Swords of Iron War

Since the war started, the Bank did the utmost to ensure the personal security and emotional well-being of employees, some of whom faced the hard reality of evacuation from their homes, with family members killed, abducted or wounded. Moreover, hundreds of employees and their family members were called up for military reserve duty, at the same time as constant rocket attacks struck across the country. Throughout the war, the Bank assisted employees and provided solutions for the various needs arising from the field. As part of this support effort by the Bank, the Bank also supported the families of employees called up for military service and employees whose spouses were called up. The Bank took steps to lighten the load on employees in these challenging times, including the following:

- **Regular updates** Starting from the outbreak of the war, communications and updates were sent to all employees to keep them informed of everything they needed to know during the emergency. Employees also received communications with regard to the Bank's activity in the community and with customers.
- Support for managers During the war, we emphasized support for managers and employees in various ways, such as: Zoom management courses on resilience in periods of uncertainty, podcasts on this topic, a kit on communications management during emergencies, and a kit on service experience and managing a shared dialogue during the war.
- Visits by executives Senior management regularly visited branches and call centers, to meet and encourage employees.
- **Payment for workdays** The Bank paid full salaries to employees whose families were evacuated from their homes and who were therefore unable to work some or all of the time.
- Psychological support After the Swords of Iron war broke out, the Bank launched a psychological support line, operated by the Shay Institute, to help Bank employees who experienced mental or emotional distress.

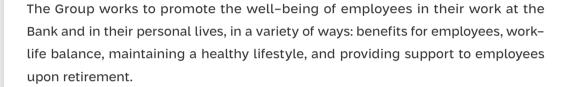


- Remote work Employees from border regions (South and North), evacuated areas, and closed branches, were permitted to work remotely. Thus, the Bank provided laptop PCs to employees to allow optimal work.
- **Regular contact with employees on military reserve duty** Managers of HR departments were in daily contact with employees on military reserve duty and with their families.
- Gift vouchers for families of employees on military reserve duty The Bank sent gift cards to the family members of employees and employees whose spouses were called up for military reserve duty, or who serve on the military and security forces. They were also invited to attend an event in their honor.
- Activities for children As the school system was out, all Bank employees received a play kit for their children, and Zoom activities were offered, such as a cooking workshop, the Amazing Race, and more.

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Responsibility for employee well-being



Employee benefits

The Bank emphasizes various circles that accompany the employee at work throughout the years, in professional development, at personal joyful occasions and, if needed, in times of crisis and distress. All Bank employees are entitled to benefits, regardless of whether they are provisional, working part time, or tenured.

- Work circle Various benefits upon reaching milestones during employment by the Bank: upon hiring, upon reaching tenure, upon promotion, at milestones based on seniority and upon approaching retirement.
- Annual cycle Benefits, gifts and gift cards 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, and births as well as upon reaching first grade and starting military / national service, as well as events intended for employees' families. Furthermore, all female employees are automatically entitled to one hour for breastfeeding for a one-year period, and female employees with seniority of more than one year can receive approval for breastfeeding every quarter until the child reaches the age of two and a half. Employees also benefit

from copays for daycare and kindergartens for employees' children and tuition reimbursement for their children's higher education.

• **Banking benefits** – Bank employees also enjoy various benefits in management of their bank account, credit facilities and loans at preferential terms.

Support in maintaining a healthy lifestyle

- Fun days and team building The Bank ensures that all employees go out on fun days and team building activities.
- **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, practices, and competitions.
- Medical screening tests for all employees aged 40 or higher As part of caring for employee health and well-being, the Bank pays for medical screening tests for all employees above the age of 40. Of the employees eligible for this benefit, 30% take advantage of it. Starting in 2024, employees over the age of 35 are eligible once every two years, and employees aged 50 or higher are eligible once every year.
- Awareness of illness and pandemics In case of concern with regard to an outbreak
 of illness or pandemic in Israel, the Bank informs all employees on how to stay
 protected. Handling of such cases is incorporated in the Bank's business continuity
 plan, in conformity with Bank of Israel directives.
- Assistance to employees suffering from severe medical conditions The Bank appointed a Well-being Manager, tasked with contacting employees with severe medical conditions, supporting their requests and needs. Care and assistance are also provided to employees whose families require financial support for medical reasons.
- Assistance during crisis As part of our concern for the family circle, unit managers, with help from the Human Capital, Resources and Operations Division, accompany the employee and their immediate relatives, supporting them when facing difficulties and in times of crisis. In addition, 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.

Benefits for Bank Yahav employees

Bank Yahav makes sure to provide benefits to employees: eligibility for a study fund, summer camp, scholarships, daycares, newspapers, convalescence, annual bonus, benefits from the well-being fund, and clothing. They also receive benefits and bonuses on holidays and for various events, such as a bonus to mark seniority anniversaries, gifts on holidays, gifts for personal events and so forth. Also on offer is an increased severance pay track for employees taking early retirement. Retired Bank Yahav employees enjoy various benefits, such as holiday gifts, birthday gifts, and copays for courses or leisure activities. The Bank also provides a budget for retiree representatives, to fund trips and lectures for Bank retirees. The Bank offers a contribution towards payment of a pension advisor's fee to employees retiring upon the retirement age.

Work-life balance

A proper balance between career and family directly affects employee well-being. We also strive to balance development of skills and professional progress, with the development of personal hobbies and individual growth.

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

- 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. For control purposes, the Bank monitors excessive work hours, and provides alerts to employees who deviate from the allowed number of work hours, sending a copy to their supervisor. The Bank also ensures that employees utilize their paid leave and continuous leave, in conformity with the Annual Paid Leave Act, by means of control mechanisms. The Bank individually considers accommodating employee needs with regard to part-time work, under special circumstances.
- Additional days off at the Bank's expense The cap for vacation days complies with and even exceeds legal requirements and is based on seniority.
- Support for employees caring for a sick relative (caregivers) The Bank is considerate of employees and shows flexibility in crisis situations, when employees are required to care for a sick family member.
- Vacation voucher Once every year, employees receive a voucher with a specified value, for booking a vacation in Israel or overseas, at the employee's choice.

Support for employees approaching retirement

As part of its responsible employment policy, the Group supports employees about to reach retirement age (or as part of early retirement arrangements). Employees retiring at the retirement age are eligible for an allowance from the pension fund. Contributions on behalf of Bank employees are made in accordance with the law.

Employees retiring before the retirement age (early retirement) are offered a choice of two tracks: the early pension 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 pension advisor to claim their benefits.

Employees approaching retirement or early retirement are entitled to a retirement plan that includes individual guidance, a workshop in preparation for retirement and counseling from the Bank's retirement advisor, entitlement to monetary reimbursement for tax/retirement advice, and professional training according to the employee's choice. All retiring employees are eligible to benefits in account management and gift cards on holidays, as well as cultural events organized by the Retiree Council – which is also supported by the Bank. 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.

By law, men and women are entitled to work until the age of 67, and so it is at the Bank. In general, the Bank does not employ anyone beyond the retirement age, but in cases of employees who are a critical font of knowledge and if desired by the Bank and the employee, their employment beyond age 67 may be considered. Currently there are 40 such employees, including in the Technology Division, mostly in senior management roles.

Departure and retirement at Mizrahi Tefahot Group in 2023

	Women	Men	Total
Number of employees who retired	17	34	51
Number of employees taking voluntary retirement (in conformity with voluntary retirement program)	23	12	35
Total	40	46	86

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Staff training and development

Bank management sees great importance in the development of its human capital and enshrines the continuous improvement of the professional and personal skills of Bank employees and managers, while offering options for promotion. Human capital development is a critical component in implementing the Bank's business strategy, as well as a tool for reinforcing Bank values. The Bank aims to provide its employees with learning and personal/professional development experiences that will help them stay updated in the ever-changing work environment.

The Bank's Training, Development, and Learning Center is a strategic partner for Bank-wide infrastructural measures with regard to change management, deployment and training. The Group's training program includes courses, training and enrichment for employees and managers. These courses cover professional topics (whether or not required by regulation) and managerial topics to provide skills to managers. In addition, the Training, Development, and Learning Center provides knowledge in general and behavioral subjects, so employees can expand knowledge and acquire various personal skills and abilities. Each Bank employee (at branch or headquarters), including part-time employees, has a designated training track assigned to them, including training that is relevant for their job. The Training, Development, and Learning Center uses advanced, diverse, and innovative training methods for learning. Learning is done using a "hybrid" method, which includes a combination of remote online learning, in-person learning and digital self-learning.

Human capital development at the Bank is based on two main pillars:

Training and mentoring of employees and managers – Training and personal and professional development processes, led by the Training, Development, and Learning of the Human

Capital and Resources Division, are provided throughout the employee's employment by the Bank. Starting from training and qualification tracks upon starting in the position, through participation in a variety of training programs while in the position, preparing for the next position by being part of professional or managerial cadres, and through activities to prepare for retirement.

Career development and employee promotion tracks – The Bank offers career development tracks for employees and managers, as part of the Bank's policy that values employee promotion, long-term nurture, and internal promotion of Bank employees.

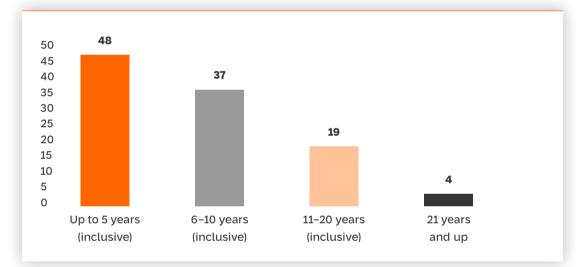
Training and mentorship for employees and managers

- 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 for the position holder. Employees attending managerial courses are mentored by other managers at various levels. Similarly, trainers at the Training, Development, and Learning Center deliver personal classes at the employee's workstation and online classes directly to the employee's workstation, after identifying needs and topics for study specified vis–à–vis the manager.
- Learning organization The Training, Development, and Learning Center develops diverse projects, designed to instill a "learning bank" culture where managers and employees regard learning as an ongoing activity, which takes place at their workstation as well as at the initiative of branch managers. Auxiliary material is made available to managers and employees on the Bank's learning portal, mentoring is provided as part of starting in a new position, online kits for independent learning are distributed, training kits are given out at team meetings, "breaking study updates" are sent to managers' training groups, and so forth.
- Training, seminars and continuing education The Bank offers training and seminars with the professional, behavioral and management skills required for the various positions at the highest standards. The courses are conducted in various banking professions, management, leadership and so forth. During training delivered to employees, special emphasis is placed on regulatory training. The training covers both the dissemination of new content among employees and managers as well as skill retention, providing refreshers and knowledge reinforcement over time.
- Personal support and advice Branch / department managers receive, upon starting in a managerial position, personal support and advice and also attend individual consulting meetings as part of select training courses. Consultation and support are provided continuously and also in the context of specific events, such as organizational change.

- Platform for senior staff meetings In 2023, the Bank resumed meetings of the "Forum of 100" for leading senior executives. The forum serves as a platform for meetings of senior staff, enriching knowledge, and holding discussions and debates on strategic topics.
- Enrichment courses The Bank offers its employees enrichment courses and eLearning kits, beyond their job requirements, such as language courses, negotiation skills, innovation and creative thinking, and Office training.
- Self-learning The VOD library is accessible to all employees and includes instructional videos to enrich knowledge on various banking topics. Furthermore, an array of podcasts is available for learning and enrichment on a variety of topics, alongside specific enrichment for managers through dedicated communications distributed from time to time.
- Enrichment lectures In 2023 as well, the Bank continued with the "Tree of Knowledge" project, in which enrichment presentations are delivered by senior lecturers from business and academia. This content was delivered online. In 2023, 3 presentations were delivered. Each session was attended by about 100 managers and employees. During the war, 4 presentations were delivered to managers and employees on topics of support in emergency situations, and enrichment activities were also offered to employees' children and their families.
- External training for employees In addition to courses offered within the organization, employees are occasionally sent to external studies to expand their professional knowledge. In 2023, employees attended 1,000 hours of external training provided in conferences, courses and seminars. Conferences were held on labor laws, cyber risk and so forth, as well as a privacy protection course, a risk management convention, renewable energy, taxation and so forth.
- Academic education The Bank encourages activities for the completion and expansion of academic education among employees, and has contributed towards tuition fees of 86 employees in the past five years. In 2023, 20 employees received funding for academic studies, of which 4 were studying towards an undergraduate degree and 16 were studying towards a master's degree. The development of these employees is evident: of employees who received funding for academic studies in 2023, 17% were promoted in rank over the past year, and 30% moved to a new role over the past year.
- Training at Bank Yahav Bank Yahav creates an annual training plan for all employees, based on the Bank's work plans and needs. This plan is disseminated to all employees. Overseas affiliates deliver training programs in line with Bank values and in conformity with regulatory requirements in their territory.



Average hours of training in 2023 at the Bank, by seniority



Average training hours per employee in 2023 by rank

	2022			2023		
	Men	Women	Total	Men	Women	Average – overall
Managers	25	24	24	45	51	48
Employees	48	47	47	41	42	42
Headquarters	13	12	13	25	25	25
Branches	71	61	64	55	52	53
Overall average	42	43	43	42	43	43

^{1.} One training day is equivalent to 9 academic hours. The average is unchanged compared to 2022, as the number of employees decreased in 2023.

Career development tracks

The Bank sees great importance in professional development and promotion. Typically, Bank employees are hired for an initial position and progress along multiple career development paths within the Bank. The Bank offers multiple career development tracks for both employees and managers and reviews training effectiveness over the years.

- Promoting employees to management positions The Bank encourages promotion of its employees to management positions and provides them with tools for this purpose. In 2023, 97% of management appointments were promotions of Bank employees, of which 52% were women. The percentage of positions at the Bank staffed by candidates or employees not classified as management rank stood at 99.6%.
- Manager development program This program is intended for area, subject, branch, and department managers. The program consists of multiple courses, individual consulting and workshops to teach management skills. The effectiveness of the courses and training is also evident in the percentage of managers promoted over the past 9 years: 68% of branch managers and 42% of department managers are graduates of management cadre programs. Of managers promoted to senior management in the past 6 years, 39% are graduates of the Target program for training managers for senior management positions.
- Training program for management cadre The Bank has developed programs to train suitable employees for future positions, in both professional and managerial fields. 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).

- Training program in professional tracks The Bank has developed training programs for employees in future professional roles. As part of this cadre, bankers study content with regard to all branch positions, and obtain tools that would enable them to take on other roles, so as to develop their career.
- Professional teams The Bank has created teams for various occupations, such as the analysts team, economists team and so forth, in order to create knowledge groups and professional communities for mutual enrichment. The teams meet periodically on seminars and for enrichment in their field.
- Manager training at Bank Yahav Bank Yahav operates programs for the development and retention of managers at the Bank, by delivering management development courses at headquarters and at branches throughout the year.

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Specified goal	Response to SDGs	Status
Review of employee well-being in terms of work-life balance and emotional well-being, both in their regular work and as part of design of the new Bank building under construction in Lod.	3 GOOD HEALTH AND WELL-BEING 	Done and to be continued in 2024.
Lifesaving initiatives – expand number of schools participating in program to promote initiatives by children and youths related to road safety.	3 GOOD HEALTH AND WELL-BEING 	Done.
Expand access for financial education kits for elementary schools.	4 CUALITY DUCATION 10 REQUESTION 10 REQUESTION	Done.
Approve and start implementation of supplier management policy document in terms of ESG aspects.	B DECENT WORK AND ECONOMIC GROWTH	In progress.
Incorporate innovative learning methods to improve employees' learning experience, in person or virtually, through virtual content hubs, dedicated workshops and so forth.	8 DECENT WORK AND ECONOMIC GROWTH ECONOMIC GROWTH MIDISTRY MINOVATION AND MYRASTRUCTURE	Done.



Status

Expand recruitment of employees from underemployed demographics.	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED	Done.
Implement innovation at the Bank via support and training from the Innovation Team.		Done.
Expansion of digital projects and digital acceleration, to help build a new customer experience, by means of diverse services provided remotely as well.	9 AND INFRASTRUCTURE	In progress.
Deploy a new Service Language to promote service delivery to all demographics, and expand service channels.	10 REDUCED REQUALTIES	Done.
Real investments – review Bank investments based on criteria for ESG aspects in target companies.	10 REQUEED REQUALTIES 13 CLIMATE CONTROL	Done.
Enhance professional toolkit for social NGOs and businesses.	10 REQUALTIES	Done.
Incorporate ESG aspects, primarily climate risk, in considerations and deliverables of the investment advice staff.	13 CLIMATE	In progress.
Increase number of employees participating in volunteering activities.	17 PARTNERSHIPS FOR THE GOALS	Done.

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Specified goal	Response to SDGs
Upgrade employee wellness and well–being services at the new campus and for all Bank employees.	3 GOOD HEALTH AND WELL-SEING
Prepare for relocation to an advanced campus, building with green LEED certification, adapted for employee well-being in conformity with the WELL standard.	3 GOOD HEALTH
Money Road training for financial education, focusing on students in outlying areas as the target audience.	4 CUALITY EDUCATION 10 REQUELD 10 REQUELD 10 REQUELD

Specified goal	Response to SDGs
Create custom career paths for professional roles	
at branches as well.	
Expand training on service professions and create	
uniform Service Language across the Bank.	
Expand awareness at the Bank of the topics of	8 DECENT WORK AND
Acceptance of the Other and Diversity.	
Recruit bankers from Arab society, to make Bank	10 REDUCED INEQUALITIES
services accessible in Arab society.	∢ ≙⊁
Expand activity in Arab society and make products	
and services tailored for its unique characteristics	
more accessible.	10 REDUCED INEQUALITIES
Expand activity in providing pension mortgages	₹
for housing, as a solution customized for senior	
citizens.	
Expand the scope of volunteering by employee families.	17 PARTNERSHIPS FOR THE GOALS

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Governance

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Mizrahi Tefahot Group makes sure to maintain responsible conduct. The Group upholds statutory provisions and implements proper corporate governance rules. The Bank adheres to ethical conduct by employees and acts to prevent corruption.



Group commitment to responsible conduct



Stable, reliable, and high-quality corporate governance is key to the success of the Group and the trust of investors and stakeholders. Proper corporate governance is required, inter alia, for maintaining Group stability and implementing its strategy over time. This is supported, among other things, by an independent Board of Directors, high-quality management and clear reporting principles among the various organs. All these ensure effective supervision within the corporation. Furthermore, corporate governance is supported by remuneration based on proper benchmarks, independent and effective oversight and ethical conduct of employees towards all stakeholders.

Mizrahi Tefahot Board of Directors

As part of corporate governance management at the Bank, the Board of Directors sets Bank policy and supervises management performance, and is accountable for Bank business and for its financial resilience. The Bank Board of Directors operates in conformity with statutory provisions, including the Bank of Israel Proper Conduct of Banking Business Directives. The Board of Directors also enforces statutory provisions to ensure the absence of conflict of interests among members. These duties include, inter alia, the duty of diligence and fiduciary duty, including the duty to act with no conflicts of interest.

Profile of Board members¹

• The Group Board of Directors consists of 10 Board members: 8 men and 2 women.

- Eight Board members have accounting and financial expertise (on Audit Committee: five Board members have such expertise), in conformity with provisions of the Companies Regulations.
- The Board of Directors includes four external Board members, as this term is defined in the Companies Law, and pursuant to Proper Conduct of Banking Business Directive 301. All external Board members are also independent Board members.
- The Board includes Board members with experience and knowledge of risk management, including credit risks. The Risk Management Committee of the Board of Directors counts Board members with considerable knowledge and experience in the field of risk management, including a Board member with seniority and proven experience in information technology, information security, and cyber.
- All Board members do not report to the CEO, directly or indirectly, and have no executive capacity with the Bank.
- In 2023, the average attendance rate of Board members was 98.1%.
- No indictments were brought against any Board member, and there have been no ongoing or pending proceedings or convictions thereof in the past ten years.

Below is the list of the members of the Bank Board of Directors as of December 31, 2023¹:



Board of Directors independence and appointment of Board members

The Board of Directors operates in conformity with the Companies Law and in conformity with Proper Conduct of Banking Business Directive 301, which stipulates the list of topics under Board authority and which it discusses and passes resolutions on. Thus, the Board of Directors maintains its independence. This is reflected in the detailed procedures of the Board of Directors, which involve, inter alia, the Board composition and its many roles, including actions that the Board must take to realize this status.

For more information about members of the Bank Board of Directors, including qualifications, education and experience and other information about their office, as well as other information about Board members with accounting and financial expertise and professional qualifications, as required pursuant to the Public Reporting Directives and the Securities Regulations, see Regulation 26 on the Bank's 2023 Annual Report on the ISA MAGNA website.

^{1.} In 2023 there were no changes to the composition of the Board of Directors and its committees, except for Mr. Eli Alroy who started his term in office as a member of the Board of Directors' Credit Committee on January 1, 2023.

Pursuant to Directive 301, Bank employees may not be appointed Board members; Board members may not have any executive capacity at the Bank and must avoid taking part in ongoing management of the Bank. Moreover, Board members may not attend discussions by management or management committees, other than attend discussion of the Bank's overall strategy. Furthermore, Board members may not approach Bank employees with regard to any business matter, other than in meetings of the Board of Directors or committees thereof, except for approaching the Bank President & CEO in specific cases, to be documented pursuant to Directive 301. Furthermore, as a corporation with a controlling stake - a controlling shareholder may not serve as Chair of the Board of Directors. No person may serve as a Board member whose regular business or occupations form a permanent conflict of interest with the Bank, or give rise to concern that they may form such a permanent conflict of interest. Moreover, at least one third of Board members must be external Board members. External Board members at the Bank, each from the date of their appointment, are appointed for terms in office of three years, by law. Note that in corporations with a controlling stake, as is the Bank, this would hinder any hostile takeover.

On December 24, 2020, the General Meeting of shareholders approved amendment of the Bank Bylaws with regard to term in office of Board members, whereby Board members would be appointed by the annual General Meeting of shareholders for a term (other than external Board members) through the third next annual General Meeting. This would take place after the annual General Meeting which approved their appointment, or through an earlier date approved by the Supervisor of Banks. The Bank may, by an extraordinary Meeting, appoint additional Board member(s), whether to fill any vacant office (for any reason) or as additional Board member(s), provided that the total number of Board members does not exceed the maximum number set forth in the Bylaws. Shareholders may nominate candidate Board members; the nominated candidate will be brought for approval by the General Meeting, and the candidates will be included on the agenda of the General Meeting, pursuant to Bank Bylaws and statutory provisions.

Ahead of the appointment of a new Board member, whether external or internal, a special ad-hoc committee will be appointed, composed of persons with no personal interest in this matter. Its role is to consider Bank needs with regard to composition of the Board of Directors and to the suitability of candidates. In 2023, the ad-hoc committee convened ahead of re-appointment of an external Board member. An officer, as defined in the Companies Law, may not act to appoint or to prevent the appointment of a particular Board member, other than putting forward their candidacy for Board membership. No individual may be appointed as a Board member at the Bank or serve as a member of the Board who does not have the required qualifications or does not commit to allocating the appropriate time for discharging the office, with reference to the specific needs and size of the Bank.

Other than anyone serving as Board member until the annual General Meeting date, no Board member shall be appointed at the annual General Meeting, unless the Board of Directors has recommended the appointment or if a Company shareholder has proposed him as a candidate. Nevertheless, the Board of Directors may appoint Bank Board members if any position on the Board of Directors should become vacant, after the previous annual General Meeting or by approval of the Supervisor of Banks, provided that the term in office of the previously appointed Board member shall expire at the next annual General Meeting. Voting in a General Meeting of shareholders, on appointment or termination of Board members, shall be for each candidate or Board member separately. Such resolutions shall be passed by a simple majority of votes of participants in the vote, and abstaining votes shall not be taken into account. If more nominees are elected than open positions, the nominees with the highest number of supporters in voting by the General Meeting shall be elected.

The process of Board member onboarding at the Bank is extensive, and includes regular updates to materials in the Board member onboarding file received by each Board member upon appointment. The onboarding process is structured and clear, and includes scheduled meetings with all members of Bank management. Furthermore, the Bank Secretariat implements a focused process for identifying and addressing needs.

Each Bank subsidiary has its Articles of Association, stipulating how its Board members are appointed and the number of independent Board members, as applicable. Moreover, some subsidiaries are subject to regulation governing rules for corporate governance, based on their operations. Transactions with interested parties are governed by law and incorporated in procedures, and the subsidiaries operate in conformity therewith.

Gender diversity in the Board of Directors

In July 2022, after discussing the importance of the value of gender equality, the Bank Board of Directors approved policy on gender diversity, including appropriate gender representation on the Bank Board of Directors. According to the approved policy, there shall be fair representation for both sexes, with the portion of women Board members at the Bank being no less than 30% of all Board members. This policy shall be fully implemented by the end of the annual General Meeting to be convened in 2025, and no later than three years after this policy was set (that is, July 17, 2022). In 2023, 20% of all Board members were women.

The work of the Board of Directors

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. In 2023, the Board of Directors held 19 Board meetings and 58 meetings of Board committees.

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Various matters are brought for discussion and reporting before the Board of Directors and Board committees, the overriding majority of which have previously been discussed by the professional parties and control functions at the Bank, as well as by Bank management. Management recommendations, as the case may be, are included in background material sent to Board members.

In the framework of the procedures of the Board of Directors, a series of matters and issues are stipulated, with emphasis on the management of risks at the Bank, regarding which there is a duty of reporting to the Board of Directors; these procedures also specify the frequency and format of such reports. The procedures also include reference to the types of events which require immediate reporting to the Board of Directors. Once a month, the Bank President and CEO presents the CEO's Report, which surveys all Bank operations and special incidents, including ESG-related aspects as required. Once a quarter, a comprehensive risk overview is presented to the Board of Directors and to its Risk Management Committee, including a discussion of all risks facing the Bank, developments in risk management and control in the reported quarter and, occasionally, ESG-related issues.

Any exceptional material events which may affect the Bank in economic, social or environmental areas are presented to the Board of Directors in the quarterly risks document and in regular reporting by Bank management to the Board of Directors. In 2023, the Board of Directors received reports on changes in the business environment, the continued repercussions of higher interest rates and inflation on the Bank and its customers, and on the repercussions of the Swords of Iron War on the business environment. At all Board discussions since October 7, 2023, the Board of Directors receives current reports on business continuity, preparations and work during wartime, aspects of credit risk and financial risk, human capital and cyber.

Training and continuing education

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The Board of Directors has in place an extensive and varied annual training program. From time to time, Board members participate in professional training delivered by internal or external instructors on various topics. The program focuses on training in technological aspects, information security and cyber, environmental risks, climate risks, local and foreign legislation and regulation, credit rating methodologies at the Bank, models at the Bank, AML and terrorism financing prohibition, Proper Conduct of Banking Business Directive 301, transactions with related parties, credit aspects of various types, Basel IV directive, capital management and market risks.

In 2023, the training program included 18 courses for Board members (on 9 dates), including ESG-related training focused on global ESG trends and the climate risk map. In

the coming years, there are plans to intensify the training program delivered to the Board of Directors, so as to expand their knowledge in this field, and assist in supervision of climate-related aspects of the Bank's business activity. Additionally, training sessions on technological, strategic, financial, and regulatory topics were facilitated by an extensive mix of internal and external lecturers.

Consulting for the Board of Directors

The right of Board members to obtain information and to consult with various entities while discharging their duties is established in conformity with the provisions of the Companies Law and the provisions of Proper Conduct of Banking Business Directive 301 by the Supervisor of Banks with regard to "The Board of Directors". This right is incorporated in the procedures of the Board of Directors. In justifiable cases, external advisors may assist the Board of Directors, in the manner and circumstances set forth in the Companies Law and in Directive 301. In special cases, Board members may also obtain professional advice at the Bank's expense, if the Bank's Board of Directors has approved such expense reimbursement, all in conformity with and subject to provisions of the Companies Law and Directive 301. In 2023, the Board of Directors was assisted by external advisors on various issues.

The effectiveness of the Board's work

The effectiveness of the Board's work is assessed in conformity with provisions of Proper Conduct of Banking Business Directive 301, once every two years. In late 2022, the effectiveness of Board operations was assessed with help from an independent external advisor, using structured, anonymous questionnaires. The outcome of these questionnaires is a document listing points for improvement in various content areas. The Board of Directors discussed this document, and at the end of the discussion, formulated a list of recommendations to be implemented. The Bank Secretariat monitors the implementation of the recommendations.

General Meetings

- The Bank shall hold an annual General Meeting attended by shareholders, no later than fifteen months after the most recent annual General Meeting.
- The Bank Board of Directors shall convene an extraordinary General Meeting by passing a Board resolution, or on demand from any of the following:
 - Two Board members.
 - One or more shareholders holding at least 5% of the issued share capital and 1% of voting rights in the Company; or one or more shareholders holding at least 5% of voting rights in the Company.

- Subject to provisions of the Companies Law or provisions of Bank Bylaws, a resolution may be passed by the General Meeting and by the deferred General Meeting by a simple majority of votes of shareholders present at the General Meeting, who are allowed to vote and who voted at the General Meeting, excluding any abstaining votes. A shareholder may vote at a General Meeting or at a class meeting, whether in person or by proxy, in conformity with Bank Bylaws and subject to provisions of the Companies Law.
- One or more shareholders holding at least 1% of voting rights at the General Meeting, may ask the Board of Directors to include a topic on the agenda for a future General Meeting, provided that such topic is suitable for discussion by the General Meeting. Shareholders may vote separately on each matter on the agenda of the General Meeting. The Bank has no preferred shares.
- In 2023, three General Meetings were held on these matters: approval for payment of an additional monetary bonus for 2022, that was not in conformity with the Bank's remuneration policy, to two Bank officers; an amendment of Bank Bylaws, including amendments with regard to insurance and indemnification, approval of the waiver and commitment to indemnify Board members and other officers by the Bank; the re-appointment of the Chairman of the Board of Directors; and approval of the revised remuneration policy for Bank officers.

Board of Directors committees

In 2023, the Board of Directors operated six permanent committees:

Name	Credit Committee
Composition	Moshe Vidman (Chairman), Hannah Fayer, Joseph Fellus, Jonathan Kaplan, Ron Gazit, Eli Alroy
Role	This committee is authorized to discuss general policy issues concerning credit, to formulate recommendations to be brought before the Board of Directors plenum. Also, 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
Attendance rate at meetings	96%

Name	Risk Management Committee	
Composition	Moshe Vidman (Chairman), Gilad Rabinobich, Avraham Zeldman, Jonathar Kaplan, Joseph Fellus, Ilan Kremer	
Role	This committee is authorized to discuss issues and policy related to ris management and control at the Bank, capital planning at the Bank and internal control. The Committee discusses recommendations to be brough before the Board of Directors plenum prior to discussion of these matter by the Board of Directors. 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 quarter risk document. The Committee discusses and makes recommendation to the Board of Directors on approval of policy documents for various ris types, including: overall management of financial risks; operating ris management, including management of business continuity; reputation risk management; online banking management; ESG policy; protection of privacy; the report by the Compliance Officer; and uniform compliance policy. The Committee is authorized to approve new products that are subject to approval by the Board of Directors plenum.	
Number of Committee meetings	10	
Attendance rate at meetings	98%	
Name	Remuneration Committee	
Composition	Hannah Fayer (Chairperson), Estheri Giloz–Ran, Gilad Rabinobich, Joseph Fellu:	
Role	the Board of Directors regarding remuneration policy and procedures, a required by the Companies Law 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 a year to examine implementation of the remuneration policy. Once every three years, this committee makes recommendations to the Board of Directors on the issue of approving or changing the established policy. This committee also employment and retirement conditions of Bank executives and employees.	
Role Number of Committee meetings	This committee is authorized to discuss and make recommendations to the Board of Directors regarding remuneration policy and procedures, as required by the Companies Law 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 a year to examine implementation of the remuneration policy. Once every three years, this committee makes recommendations to the Board of Directors on the issue of approving or changing the established policy. This committee also employment and retirement conditions of Bank executives and employees. This committee also approves officer remuneration, prior to approval by the Board of Directors and by the General Meeting, as the case may be	

Name	Audit Committee
Composition	Joseph Fellus (Chairman), Estheri Giloz–Ran, Hannah Fayer, Avraham Zeldman, Gilad Rabinobich
Role	The roles and responsibilities of this committee are: to 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 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 Companies Law and to approve transactions with related persons in conformity with Proper Conduct of Banking Business Directive 312 regarding transactions with related parties. 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 with regard to information privacy, execution of the enforcement plan of securities laws and anti-trust laws, as well as its implementation. The Audit Committee supervises the Independent Auditor's fee and the type of services requested. The Audit Committee supervises any corruption-related occurrences.
Number of Committee meetings	23
Attendance rate at meetings	98%
Name	Technology and Innovation Committee
Composition	Gilad Rabinobich (Chairman), Eli Alroy, Ron Gazit, Estheri Giloz–Ran, Moshe Vidman, Jonathan Kaplan
Role	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 databases, technology innovation, business innovation, and aligning these with the overall strategy and policy of the Bank Group. Setting targets, annual work plans and resources.
Number of Committee meetings	6
Attendance rate at meetings	100%

Name	Union Bank Onboarding Committee
Composition	Avraham Zeldman (Chairman), Gilad Rabinobich, Eli Alroy, Jonathan Kaplan, Joseph Fellus, Moshe Vidman
Role	This committee was established in 2020. Upon the closing of the purchase offer to purchase Union Bank shares and turn into a wholly owned subsidiary of Mizrahi Tefahot, the Bank Board of Directors resolved to establish an ad-hoc committee for onboarding operations of Union Bank and supervising the implementation thereof. The Committee concluded its work in the first quarter of 2023.
Number of Committee meetings	1
Attendance rate at meetings	100%

Remuneration policy

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

Officer remuneration policy

On July 6, 2021, the General Meeting of the Bank, after approval by the Board of Directors and as recommended by the Remuneration Committee, approved a remuneration policy for Bank officers (hereinafter: "Officer Remuneration Policy"), effective for three years, through December 31, 2023. The Officer Remuneration Policy is in conformity with the Companies Law, 1999 ("the Companies Law"), 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 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 the currently accepted employment terms for 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 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 Officer Remuneration Policy effective through December 31, 2023, the maximum remuneration for the Chairman of the Board of Directors, as defined in

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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 NIS 2.5 million (plus linkage differentials to the Consumer Price Index, as set forth in the Executive Remuneration Act).

In conformity with the 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, which is not performancedependent, equal to two salaries per year. Remuneration for officers who are not Board members consists of two main components: monthly salary (and associated components) and performance-based variable remuneration (based on the Bank's performance targets, on individual performance benchmarks and including discretionary remuneration, including objectives that promote goals related to ESG), including a monetary bonus and which may include long-term equity-based remuneration not to exceed one half of the performancebased variable remuneration. In conformity with the Officer Remuneration Policy, the eligibility of officers to receive options would be determined based on company-wide benchmarks, with a weighting of up to 43% for gatekeepers, and up to 55% for other officers. Also based 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 bonuses) and the long-term remuneration are designed to align the interests of officers with those of the Bank, to strengthen the link between overall Bank performance and to bolster the officer's contribution to achievement of such performance, in line with the Bank's risk profile. According to the revised officer remuneration policy, once the conditions set forth in the policy have been fulfilled, part of the variable remuneration payment would be divided into multiple installments. The policy further stipulates that the variable remuneration may be subject to restitution, in whole or in part, under circumstances listed in the remuneration policy.

The Bank's remuneration policy applies to certain Bank subsidiaries, mutatis mutandis. On December 20, 2023, the Bank's General Meeting approved, after approval by the Board of Directors and recommendation by the Remuneration Committee, the revised officer remuneration policy at the Bank ("Revised Officer Remuneration Policy"), effective for the years 2024–2026 as of January 1, 2024. The revised remuneration policy, as the one preceding it, incorporates provisions of the Corporate Law and the Supervisor of Banks' directives on remuneration, as well as provisions of the Executive Remuneration Law. The remuneration of officers, other than Board members, will include two major components: monthly salary (and associated components) and performance–based variable remuneration (based on the Bank's performance targets, on individual performance benchmarks and including discretionary remuneration), to include a monetary bonus and which may include long–term equity–based remuneration. The remuneration package may also include remuneration related to retirement. The mid–term remuneration (annual bonuses) and the long–term remuneration are designed to align the interests of officers with those of the Bank and to strengthen the link between overall Bank performance and the officer's contribution to achievement of such performance to the officer's remuneration, in line with the Bank's risk profile.

In conformity with the revised remuneration policy, the maximum variable remuneration shall not exceed 100% of the fixed remuneration, except under special conditions, where the maximum variable remuneration may not exceed 200% 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 80% of fixed remuneration and that such officers would be eligible for an additional fixed component (equal to two salaries, which constitutes fixed remuneration pursuant to the remuneration policy).

In conformity with the revised remuneration policy, the maximum remuneration as defined in the Executive Remuneration Law (i.e., excluding payments for severance pay and provident funds by law) for the Chairman of the Board of Directors and the Bank President & CEO would be less than 35 times the lowest salary of any full-time Bank employee, including contractors. As for other officers (other than the Bank President & CEO and Board members), the Remuneration Committee and the Board of Directors may award annual remuneration in excess of that specified in Section 2(a) of the Executive Remuneration Law, provided that it does not exceed the maximum remuneration allowed pursuant to Section 2(b) of the Executive Remuneration Law (excluding severance pay contributions and provident fund contributions by law).

Remuneration policy for all Bank employees

In July 2021, the Bank's Board of Directors approved, after receiving the recommendation from the Remuneration Committee, a remuneration policy for three years which was in force until December 31, 2023 for all Bank employees, other than officers who are subject to the remuneration policy for Bank officers, as noted above (hereinafter: "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 the other Bank employees for 2021–2023. According to the remuneration policy for other Bank employees, the terms of office or employment of all Bank employees

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include fixed and variable remuneration, as customary at the Bank, as well as retirement terms and any other benefit, payment or commitment to make a payment, provided with respect to the aforementioned office or employment. Provisions for the 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.

In December 2023, the Bank's Board of Directors approved, after receiving the recommendation from the Remuneration Committee, a revised remuneration policy for three years (for 2024-2026) for all Bank employees, other than officers who are subject to the officer remuneration policy, as noted above (hereinafter: "Remuneration policy for all Bank employees"). The salary of the majority of Bank employees is derived from collective agreements.

For more information about remuneration of Bank employees, see Notes 22 and 23 to the Bank's 2023 financial statements.

The Internal Audit Division

In conformity with statutory and regulatory provisions, the Bank operates its Internal Audit Division, reporting directly to the Chairman of the Bank Board of Directors. The authority and duties of the Internal Audit Division are set forth in the appointment letter discussed and approved by the Bank Board of Directors, including the authority and right to initiate audits at any Bank unit or operation. Also to require and receive any document or information required for discharging its duty. Moreover, for the sake of discharging their duty, employees of the Audit Division have direct access to required records and information related to the subject of the audit.

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. The Division also coordinates processing of employee complaints, most notably with regard to fraud and embezzlement. Any inquiries that give rise to concern of illegitimate action are reviewed by the Audit Division and listed on its semi-annual and annual report to the Board of Directors' Audit Committee.

The Internal Audit Division prepares the audit reports based on 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, Compliance Officer and AML Supervisor, to the Manager, Risk Control Division and to the Manager, Financial Information and Reporting Division. Work processes at the Audit Division are carried out in conformity with procedures duly approved by the Board of Directors' Audit Committee. Internal Audit reviews, inter alia, compliance with statutory provisions, the directives of the Bank of Israel and other regulators, Bank policy, Code of Ethics and procedures, and review of systems and controls designed to ensure such compliance, as part of 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 Management Division and the Compliance Department. In 2023. internal audit covered 45.900 work hours.

Internal Control

The Risk Management Division operates as the second line of defense in risk management and control at the Bank, and is responsible for the overall risk management and control framework. The Risk Management Division is involved in formulation processes for the various policy documents so as to ensure efficient and effective control operations, in conformity with the risks to which the Bank is exposed. Dedicated policy documents govern the Bank's internal control system. This framework determines the reporting chain in case of materialization 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 risk (compliance, AML, legal, operational, fraud and embezzlement). The policy documents also set forth the roles of the Board of Directors, management and various Bank units, and the roles of the Bank's lines of defense, responsible for implementation of the internal control framework and for examining the effectiveness of internal control at the Bank.

These specific policy documents also govern regular and periodic reporting by the Bank's Chief Legal Counsel to the Bank President & CEO, to the Board of Directors and Board committees, based on the type of information and its inherent legal risk. Furthermore, the Bank's Audit Committee holds an annual meeting with the Bank's Chief Legal Counsel, without the presence of any other parties.

Note that the Bank's Audit Committee also holds meetings with the other gatekeepers, without the presence of any other party, including with the Chief Risks Officer, Chief Internal Auditor, Chief Accountant, Independent Auditor, Compliance Officer and the AML Officer.

The Legal Division is responsible inter alia for review of implications of statutory provisions and legislative changes for Bank operations and for providing ongoing legal counsel to Bank units, as well as coordinating the handling of lawsuits brought against the Bank. The Financial Information and Reporting Division is responsible for appropriate credit classification and for determination of provisions for credit losses.

External Audit

Since 1995, the Bank's Independent Auditor has been Brightman Almagor Zohar & Co. In 2023, Brightman Almagor Zohar & Co. were re–appointed as the Bank's Independent Auditor by the General Meeting, by a simple majority. Renewal of the contract is discussed annually, and the need to replace the Bank's Independent Auditor is reviewed once every three years. The Audit Committee supervises the Independent Auditor's work. The Committee also recommends the Independent Auditor's fee and the type of services requested. In 2023, external audit covered 24,000 hours.

Tax policy

The Bank is committed to upholding fair tax practices in all countries where the Bank operates, and to compliance with statutory provisions. The Bank pays tax as required by taxation laws in Israel, and by other countries in which the Bank Group operates, and applies the treaties for avoidance of double taxation to which Israel is party. Tax audits are conducted periodically, in conformity with the work plan of the Internal Audit Division at the Bank. Taxes are regularly featured on audit reports. The annual work plan with regard to taxation is approved by Bank management. Transactions with related parties within the Bank Group are conducted at market terms, thus the Bank does not transfer income between areas of operation so as to reduce its tax liability, including preparation of reports in conformity with various regulatory provisions that form the basis for such conduct. The Bank avoids tax planning and does not use tax shelters. Moreover, the Bank files annually a country-by-country report, as directed by the OECD. KPMG performs external audits of country-by-country tax payments; tax payments in Israel are audited by the Bank's Independent Auditor.

The Bank implements the compliance provisions applicable to customer taxation, and in general does not provide tax advice to customers. To this end, the Bank issues new procedures to all Bank employees, so as to inform them of the change and the manner of operation, as required. In case of any concern with regard to such matter, the Bank proactively acts to eliminate tax avoidance by Bank customers. The Bank operates with transparency and full collaboration with tax authorities, and provides proper disclosure of its operations. The Bank collaborates with regular audits by tax authorities, and provides tax authority representatives with any information required for such audits. Tax liabilities of Bank subsidiaries are 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.

Tax payment

In 2023, the tax payment actually paid to the Government in Israel amounted to about NIS 3,200 million. In addition to the above-mentioned payment, the Bank paid tax in the USA and UK, in amounts not material for Bank operations, constituting about 1% of total tax paid by the Bank Group.

Government support

In 2023, 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.

Prevention of conflict of interest

The Bank implements statutory provisions with regard to preventing conflict of interest among the Board of Directors. The Bank acts, in this matter, in conformity with provisions of the Companies Law, the provisions of Proper Conduct of Banking Business Directive 301 "Board of Directors" and provisions of Proper Conduct of Banking Business Directive 312 "Banking Corporation's Business with Related Parties".

The Bank's policy on preventing conflict of interest incorporates relevant procedures that stipulate guidelines for approval of transactions with related entities, as well as separation mechanisms between the operations of the banking corporation in different segments, between the operations of the Bank as a banking corporation and those of controlled corporations, or between the operations of the banking corporation and those of the Group with which it is affiliated, to prevent any conflict of interest. The Bank's internal enforcement program with regard to securities also includes the stated relevant Bank procedures, which include detailed instructions on this matter. The Bank has also specified guidelines for cases where a Board member or another officer of the Bank has a personal interest, as well as guidelines for cases with the potential for permanent conflict of interest.



Business ethics



The Bank adheres to business ethics among its employees. The fundamental values for Bank operations are listed in the Bank's Code of Ethics, which is deployed across the organization. The Bank has policy documents and procedures for addressing fraud, embezzlement and breach of statute.

The Bank's values guide its operations:



Bank employees are involved in areas of importance to many lives, and operate subject to frequently changing laws and regulations. The Code of Ethics imposes high personal and enterprise standards on Bank operations. Bank employees are required to operate in conformity with values in the Code of Ethics towards all Bank stakeholders – customers, employees, managers, investors, business partners, suppliers and the community. Through the Code of Ethics, the Bank promotes its values, to help balance those commitments. The Code of Ethics is no substitute for work in conformity with laws, regulations and Bank procedures – but rather complements these. The Code of Ethics reflects the Bank Spirit and its organizational culture and defines appropriate rules of conduct for all Bank employees. The Code of Ethics is also 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. The Manager, Human Capital and Resources Division is the officer in charge of ethics at the Bank. The Code of Ethics was presented to and approved by Bank management and by the Board of Directors.¹ The Board of Directors and management of Bank Mizrahi Tefahot promote strong ethics and integrity across the organization. All employees have signed the Code of Ethics and every new hire who joins the Bank also signs on to the Code of Ethics.

Deployment of the Code of Ethics

- Reporting to managem ent and to the Board of Directors In accordance with the work plan for deployment of the Code of Ethics, semi-annually, the Chair of the Ethics Committee presents to management and to the Board of Directors a report on deployment of the Code of Ethics and ethics-related events that took place.
- Ethics Committee The Committee, headed by the Manager, Organizational Development and Training Department, convenes monthly to discuss setting policy, ethical dilemmas and inquiries brought before the Committee. These dilemmas concern various aspects of the organization's operations: business operations and interfacing with customers, interfacing with suppliers and regular work of all employees.



- Ethics-related training All Bank employees receive training on the Bank's Code of Ethics. Management training includes discussion of ethics issues relevant for managers. Each new employee at the Bank, whether part-time or full-time, is required to study this using an E-learning kit and also receives in-person training. Use of the E-learning kit on Ethics is monitored. All introductory professional courses include a lesson on the Code of Ethics. Ethical dilemmas are presented on the Code of Ethics website.
- Deployment of ethical aspects in employee evaluation In the course of employee evaluation 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.

^{1.} The Code of Ethics is available in full on the Bank website.

- Managers' meeting on ethics with Bank executives Managers from various units meet with Bank management to discuss ethical dilemmas. In 2023, two ethicsrelated meetings were held with Bank management.
- Dialogue with employees The Bank constantly reviews the implementation of the Code of Ethics through meetings, focus groups and diverse training. As part of the work plan, Bank units in Israel and overseas conduct proactive quarterly discussions of ethical dilemmas. These are reported regularly to the Ethics Committee. There is also continuous dialogue via forums for managers and employees. The quality of deployment of the Code of Ethics is reviewed, inter alia, and the work plan is adjusted accordingly. In 2023, there were no inquiries from Bank employees with regard to the Code of Ethics.

Preventing fraud and embezzlement

The Bank strives to maintain reliability and integrity in managing its business and in its relations with all stakeholders. Bank leadership on business ethics also includes prevention of fraud and embezzlement, under supervision of the Board of Directors' Audit Committee. The Bank has policy documents and procedures for handling embezzlement, fraud and breach of laws, as well as procedures in which the Bank specified the principles and tools to identify and manage exposure to these risks, monitor them, and perform reporting and control on them. The Bank has also specified the organizational structure to implement role separation, work processes, monitoring systems and other tools designed to mitigate such 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.

Mechanisms for identifying, locating, and reporting on business ethics

Systems used for monitoring fraud and embezzlement events

The Bank has a system in place to monitor any suspected fraud and embezzlement events, which flags unusual events for review, in conformity with the business rules that underly the system. Audit provides a summary of data with regard to irregularities and complaints by employees. Operations of all branches are regularly monitored to identify unusual activity, and in particular unusual activity by employees. Processes for contracting with Bank suppliers are likewise incorporated in procedures, including work procedures for prevention of fraud and embezzlement.

Employee reporting channels

The Bank allows employees to contact with regard to any issue, including ethics-related issues, by various channels and at any time. They may directly contact various entities at the Bank: the Chairperson of the Ethics Committee through the Code of Ethics website, open or anonymous inquiry to the Internal Audit Division, or inquiry through the anonymous hotline to the Compliance Officer and to Internal Audit. These inquiries may be by online form, email, phone, voice mailbox, fax or by envelope through in-house mail. These channels allow for anonymous inquiries. In conformity with the procedure, employees must report to their supervisor any case or event within their role, which involves a suspected significant breach of procedure or statutory provisions. Depending on the issue, the supervisor shall refer such a report to Internal Audit. In case of a suspected criminal felony, the employee shall report the event in person or anonymously to Internal Audit. As required, such case is also reported to the Bank of Israel and to the Police. 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.

Reporting mechanism for whistleblowers

The Bank provides a reporting mechanism for whistleblowers, which offers protection for the reporting employees. Such protection includes preventing disclosure of identifying information of the person filing the complaint, preventing termination of their employment, preventing any disciplinary action, preventing any deterioration in their work conditions, denial of promotion, threats or any similar harm caused in connection to their reporting. The Bank has a procedure in place, which governs the protection extended to any employees who report fraud, embezzlement and breach of statute. This is in order to encourage Bank employees to fulfill their reporting duty without any concern about being impacted by such reporting. Therefore, reporting mechanisms for whistleblowers are anonymous. In case of any concern regarding the employee's terms and conditions being impacted due to such reporting, the employee may contact Human Resources or the Internal Audit Division, which supervise the protection extended to employees. The Board of Directors' Audit Committee supervises this matter. To allow the Audit Committee to supervise the implementation of this procedure, the Internal Auditor reports to the Audit Committee the number of anonymous reports received and whether any reporting employees require protection. In 2023, no reports were received with regard to fraud and embezzlement within the reporting mechanisms, and no employees required protection under whistleblower protection measures.

Reporting by external entities to the Bank

Entities external to the Bank, such as customers, suppliers or the public at large, may use the Bank website, phone, fax, email, Israel Post or online form to report to the Public

Inquiries Ombudsman, or may report directly by email to Internal Audit. The Bank has a procedure in place which guarantees the protection of the information provider. 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).

Addressing suspected embezzlement

Bank policy for addressing embezzlement stipulates ways and the required chain of reporting for addressing 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 by an employee of the Bank is discovered of statutory provisions, regulatory provisions or Bank procedures, disciplinary measures are taken, in line with the severity of the breach and in line with the values included in the Bank's Code of Ethics, up to termination of the employee. The findings of such investigations are reported and brought for discussion before management and the Board of Directors' Audit Committee, depending on the circumstances of each case. In addition, a debrief takes place and lessons are learned to avoid similar occurrences in future. As stated, in accordance with requirements, in cases of a suspected criminal offense, 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.

Learning lessons, implementation and employee training

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. The policy on prevention of fraud and embezzlement is presented to employees. Once every two years, the mandatory eLearning kit on prevention of fraud, embezzlement and breach of statute is sent to all employees of the Bank and subsidiaries. In cases with suspected irregularities by employees in 2023 (arising, inter alia, from employee complaints, anonymous complaints and review of information regarding suspected improper conduct received from others) disciplinary measures were taken , up to termination of employees. Note that these cases found no deficiencies indicating a broad procedural failure in the control environment at the Bank or in their effectiveness.



Commitment to regulatory compliance

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The Bank strictly complies with statutory provisions and with corporate governance rules. Compliance with statutory provisions and with Bank procedures is part of the organizational culture at the Bank, is not only the business of the compliance function, but rather applies to everyone at the Bank, and is an integral part of business operations at the Bank. The Legal Division advises on the application of statutory provisions and implications for Bank Group operations. The Risk Management Division accompanies the deployment processes across operations of relevant Bank units, and ensures that Bank units comply with statutory provisions and with Bank procedures.

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 and internal enforcement for securities and economic competition laws. The policy applies to the entire Group, mutatis mutandis. The Bank appointed a Compliance Officer, who operates in conformity with an orderly letter of appointment, which guarantees their authority and independence, as part of proper corporate governance. The Compliance Officer operates pursuant to their letter of appointment and to their duties in their role, as defined in Proper Conduct of Banking Business Directive 308. The Compliance Officer reports to the Chief Risk Officer and directly reports to the Board of Directors, to Board committees and to Bank management, as stipulated in Bank procedures.

Involvement of the Board of Directors in deployment of compliance culture and proper conduct

The Bank's compliance policy is approved by the Board of Directors at least once per year, and the work plan and training plan of the Compliance Division are presented for approval by the Board of Directors once per year, including multiyear plans. As part of

 its duties, the Board of Directors approves Bank policy on compliance risk management, ensures that reports and supervisory measures are in place for implementation of the framework for addressing compliance risk, and specifies how the compliance policy is to be communicated. The Compliance Officer updates the Audit Committee directly once per quarter, as part of the quarterly report by the Compliance Officer, and updates the Risk Management Committee semi-annually. The Compliance Officer meets in person with the Board of Directors' Audit Committee at least once per year. Furthermore, the annual report by the Compliance Officer is presented to the Board of Directors.

The Compliance Officer submits a quarterly report to the Board of Directors' Audit Committee. The Manager, Risk Management Division participates in discussions by the Board of Directors and various committees as required. The Legal Counsel, the Manager of the Risk Management Division (CRO), who is in charge of the Compliance Officer, and the Bank's Chief Internal Auditor participate and report to the Board of Directors and committees thereof.

Risk management policy

The Bank has dedicated policy documents in various fields of risk management and control which support implementation of legal and regulatory provisions. In these documents, the Bank's Board of Directors set principles for risk management, in line with the Bank's strategic plan, as well as principles for risk monitoring and control. This policy specifies, inter alia, the risk appetite and specifically that the Bank has zero tolerance to improper implementation of statutory and regulatory provisions.

Compliance risk management

Compliance risk management includes AML and terror financing risk, cross-border risk and risk of fairness, internal enforcement in securities and privacy protection statutes. Such risk is managed by identification, assessment, and documentation of compliance risk inherent in the business operations of the Bank, including developments related to new products, business conduct, lines of business or new customers, or to material changes to any of the above. Moreover, the Bank regularly maintains and updates the mapping of compliance risk, maintains comprehensive control and enforcement programs and takes various actions to reduce this risk. The Bank conducts legal and operational risk surveys with reference to embezzlement and operates an ongoing system for embezzlement monitoring.

The Bank maintains extensive control programs for its lines of business and maintains 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 and in order to ensure total compliance with provisions applicable to the Bank. The Bank does not promote any positions or public issues and does not apply any lobbying for this purpose. Moreover, the Compliance Division has in place detailed "second line"

control plans, which review Bank operations from a risk-based approach. The Bank conducts operational risk surveys with reference to embezzlement and operates an ongoing system for embezzlement monitoring. The Bank regularly maintains and updates the mapping of compliance and internal enforcement risk. The Bank conducts gap surveys and maintains comprehensive control, deployment and enforcement programs, taking various actions to reduce these risks. The Compliance Officer is also involved in the approval of new products, approval of procedures and handling of relevant transactions.

In February 2023, the Supervisor of Banks informed the Bank of their decision to impose on the Bank a monetary sanction, amounting to NIS 700 thousand, for alleged breach of Section 25 of Proper Conduct of Banking Business Directive 450 regarding "Debt collection proceedings", which requires a banking corporation to report to the Court Order Execution Service any receipt on account of debt other than through the Service, within seven (7) days of receiving it, both for receipts received by agreement between the Banking corporation and the customer, and for receipts received outside of the agreement. The amount of the monetary sanction imposed has been reduced, from the original amount of NIS 1 million, which the Supervisor of Banks advised the Bank of their intention to impose by the authority vested in them due, inter alia, to the fact that in the five years prior to this breach, no monetary sanctions were imposed on the Bank, and given the Bank's action to remedy these deficiencies and to avoid their recurrence, after the Bank was contacted by the Supervisor on this matter. In 2019–2022, no significant fines were imposed on the Bank nor any subsidiaries thereof, for non–compliance with laws and regulations.

Implementation and deployment of compliance at the Bank

For implementation and deployment of compliance aspects at the Bank, Bank Mizrahi Tefahot acts in multiple ways:

- Compliance controllers at branches and business divisions Each division is responsible for regulatory management and compliance within its operations. In order to implement enforcement at divisions, compliance controllers were appointed in regions and in some business divisions. All compliance controllers in the regions report directly to the Compliance Division. Compliance trustees were appointed at all branches, compliance bankers were appointed at large branches and compliance trustees were appointed at Bank headquarters. They undergo compliance-related training several times per year, and are responsible for applying first line controls, identifying compliance risk and taking appropriate measures to mitigate it. They are also in charge of appropriate treatment of customers, in conformity with procedures.
- **Training and publications for employees** As part of deployment of the compliance culture, the Bank provides training to employees on diverse topics: compliance, AML, prohibition of terror financing, bribery and corruption risk, compliance with international

sanctions, fairness to customers, protection of privacy, prohibition and prevention of discrimination against minorities and under-privileged demographics and so forth. Bank employees are required to go through E-learning kits and knowledge tests on various compliance topics as part of their onboarding and later at regular intervals based on their role. Moreover, soon after new employees start their work at the Bank, or upon changing their role, employees attend professional training including content on compliance issues. Furthermore, from time to time, the Compliance Division issues brochures, aids, case histories and so forth, which include highlights on compliance with statutory provisions, and initiates seminars.

In 2023, Group employees received **76,788** hours of training on regulatory compliance topics.

- 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.
- Reporting Mechanism Internal Audit operates a mechanism for employees' complaints about irregularities and established protections for whistleblowers, as set forth above. Likewise, a dedicated anonymous line is operated for reports from employees to the Compliance Division. The Bank operates confidential telephone and fax lines, open for reporting by employees, if necessary, on matters of fraud and manipulation of securities, FATCA–related issues and other compliance matters.
- Internal Audit The Bank conducts an independent internal audit, as part of the risk-based multi-annual work plan, in material units and processes at the Bank. Inter alia, with regard to compliance with statutory provisions, directives of the Bank of Israel and other regulators, Bank policy and procedures, both in business units and in control units. (For more information, refer to the financial reports on disclosure regarding the Internal Auditor.)
- **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. The forum is designed to present and discuss events and cases related to compliance, to discuss material compliance risks and to describe material regulatory changes and preparations for the implementation thereof.

- Cross-border forum The forum manages cross-border risk at the Bank. It is headed by the Manager, Risk Management Division and attended by managers of the Business Banking, Legal, Retail, Technology, Human Capital and Resources Divisions, as well as by the Chief Compliance Officer and other representatives from these divisions. The forum receives reports and updates regarding the Bank's compliance with various obligations derived from provisions related to cross-border risk. The forum also outlines the Bank's activities on this issue.
- In-progress Regulations Forum This forum, headed by the Manager, Banking Operation sector, quarterly discusses and reviews draft regulations yet to be enacted, in order to ensure that the Bank is prepared to apply these once approved or enacted.
- **Regulation Forum** This forum, led by the Chief Risk Officer, quarterly discusses and reviews new regulations including with regard to consumer issues. Similarly, the forum is updated periodically by the units responsible for the directives on how they are implemented at the Bank.
- The Financial Information and Reporting Division's Regulation Form The forum is headed by the Chief Accountant and convenes quarterly. This forum discusses new regulations in the most recent quarter applicable to financial reporting, including reference to all circulars and updates from the Supervisor of Banks and any impact thereof on financial reporting, as well as any other regulations applicable to reporting with regard to payroll, taxes and so forth.

Management of compliance at subsidiaries

The Compliance Officer regularly supervises the implementation of the policy at Bank subsidiaries and overseas affiliates, through regular meetings, receiving quarterly reports from subsidiaries, involvement in formulating policy documents and work plans at subsidiaries, and continuous monitoring. In addition, the forum ensures that the subsidiaries and overseas affiliates are provided with the tools to implement Group compliance policy, and that the relevant employees have appropriate knowledge and experience in the jurisdiction in which they operate. In case of any regulatory changes, the Compliance Officer monitors the reporting of such changes by the subsidiaries and their preparedness status.

Political donations

As part of its proper conduct, Mizrahi Tefahot Group does not promote any causes and matters of public policy and does not use lobbying for this purpose. The Group does not make donations to political parties, to politicians nor to official institutions. Such activity is prohibited in Israel, and the Group operates in conformity with the Law. The Group only operates in the public arena as required and only in the context of its business.

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Commitment to preventing bribery and corruption

The Bank takes part in the global war on bribery and corruption, and acts to prevent the exploitation of the Bank for such purpose. The Bank will not permit transactions in cases where there is concern that the transaction being performed is related to bribery and corruption, and will act to report appropriately such transactions and attempts to perform them.

Preventing bribery and corruption at Mizrahi Tefahot

The Bank pays great attention to preventing bribery and corruption, and therefore has set a clear policy on this matter. As part of the policy for managing bribery and corruption risk, the Bank closely monitors and controls activity in customer accounts exposed to bribery and corruption, including "red flags" and a procedure for reporting unusual activity. The Bank constantly monitors activity at branches, to identify any risk of corruption and to prevent any cases of bribery, fraud and embezzlement.

Actions and controls designed to prevent bribery and corruption

- **First-line and second-line controls** The lines of business and the Compliance Division maintain control circles for operations, designed to ensure full compliance with regulation. The Compliance Division applies controls in accordance with annual risk-based work plans, which review elements such as: customer activity, the target country for such activity and the parties involved in the transaction. To this end, various committees and forums have been created.
 - Management Committee on Operational Risk, headed by the Bank President & CEO.

- The Operational Risk Steering Committee, headed by the Chief Risk Officer This forum convenes regularly at least once every quarter. The Committee receives an overview of events that took place and actions taken. As well as recommendations to be implemented, and revision of operating processes, with emphasis on processes to improve customer service, with appropriate monitoring and risk mitigation.
- Internal Control Forum A periodic forum responsible for the integration of internal control areas at the Bank, which discusses, inter alia, significant cross-organization events.
- Risk surveys for operating processes The Risk Management Division regularly conducts risk surveys for operating processes across all Bank units, in coordination with unit managers. This is designed to identify operating risk associated with their operations, to assess the severity thereof and to specify the required reinforcement processes in order to mitigate such risk.
- Prevention of bribery and corruption by customers The Bank monitors activity of Bank customers suspected of links to bribery and corruption, and these are handled by the Compliance Division. As required, their activity is reported to the relevant regulators. As part of the account opening process, the Bank identifies customers who may be exposed to giving or receiving bribes, expands the understanding of their expected activity and enhances monitoring of such activity. Such customers are assigned a risk level and based on that, various restrictions and blocks are applied to activity in their accounts. Such customers include inter alia politically exposed persons or their relatives (PEPs), customers engaging with accounts of foreign public officials, at-risk areas of activity and customers interacting with at-risk countries for bribery and corruption. The Bank also maintains a table of countries at risk regarding bribery and corruption, and monitors any activity with these countries, including through obtaining declarations and documents from customers.
- Preventing bribery and corruption among employees The Bank has procedures in place, designed to deploy ethical conduct and prevent bribery and corruption, which are accessible to all Bank employees, including those of subsidiaries. Group employees are required to refrain from receiving any benefits in conjunction with their work relations with customers or suppliers. The Group has clear procedures on this matter. Gifts, benefits or special terms may only be extended to customers in accordance with the relevant procedure, according to a clear authorization ranking and in conformity with Bank of Israel directives. To prevent deviation from these procedures, the Bank presents this topic to employees and provides

guidance in this regard. Within the framework of procedures and the Code of Ethics, there are references to the following topics: Prohibition of receiving gifts from customers and suppliers, conditions for private contracting with customers and suppliers, receiving loans from a charity fund, charitable donations, arranging flights and limits on food and board and hotel expenses. The Bank has no secondary agents in its overseas operations and is assisted by suppliers, advisors or business partners to represent the Bank in front of customers and Government authorities in commercial aspects.

- **Event debriefing** The Bank has structured methodology in place to conduct lesson learning processes and activities to prevent recurrence of events, in Israel and overseas. Moreover, where required, a complaint is filed with the Israeli Police and/or reports are submitted to the relevant authorities.
- **Training** In 2023, 14,102 hours of training on preventing corruption were delivered to Bank Group employees. Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.

Preventing corruption at subsidiaries in Israel and at overseas affiliates

Bank Yahav and the other Bank Group companies are also required to adhere to all legal and regulatory requirements applicable to them in the course of conducting their business. These companies and overseas affiliates take significant action to reduce exposure to fraud and embezzlement, and regard this as highly important, due to their being financial institutions. Their actions to adhere to regulations and to prevent bribery and corruption are in conformity with Group policy and conduct at Bank Mizrahi Tefahot. Policy documents of overseas affiliates are based on Bank policy documents, translated and adapted for local regulation.

AML and terror financing prohibition

Bank policy regarding AML and terror financing prevention is reviewed and approved at least once a year by the Board of Directors. It includes the guiding principles for the Bank in this area, in conformity with statutory provisions, and is binding on all Mizrahi Tefahot Group. The rules and principles stipulated in Bank policy are fully incorporated in Bank procedures. The Bank Board of Directors discusses issues of AML and terror financing prohibition as part of discussions of the Compliance Officer's report. Moreover, the Compliance Division conducts an annual risk assessment with regard to AML, terror financing and cross-border risk. This assessment includes a comprehensive process, with the involvement of relevant Bank lines of business and units, together with the Division staff. Together with all these stakeholders, they review and assess risk, including analysis of quantitative data with regard to customer types and various activities.

The Bank regards itself as a partner in the global war on money laundering and terror financing. The Bank takes part in the international effort against bribery and corruption, acting to identify, monitor and follow up on activities and customers that may be exposed to bribery and corruption. The Bank also avoids any activities opposed to the international sanctions regime of states and international bodies such as OFAC (of the US Department of Treasury) and others. The Bank adopts a risk-based approach that contributes to effectiveness of control lines and to properly addressing AML and terror financing risk, resulting in mitigation of such risk. AML and terror financing risk management is part and parcel of all levels of Bank activity with customers. The Bank also has in place a structured work process for approval of activities of high-risk customers. An account may only be opened for a high-risk customer subject to approval by a senior manager.

As set forth above, the Bank operates various systems to help employees identify, report and act in conformity with statutory provisions and procedure in this area. When required, the Bank also uses public databases to collect information for preventing money laundering and terrorism financing, and reviews information to better understand the financial sources of the customer and holders of rights to the funds. The Bank has processes in place to identify any irregularities, with mandatory reporting to Internal Audit, to conduct a review of the case. AML and terror financing risk is managed by the Risk Management Division.

Policy on AML and terror financing prohibition refers inter alia to the following principles:

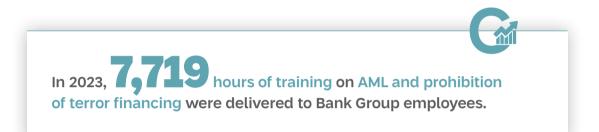
- Conditions for accepting customers, providing service and conducting activities.
- Required knowledge of the customer, their business and banking activity.
- Classification of Bank customers by risk level.
- Unique risks associated with customers who are publicly exposed persons.
- Bribery and corruption risks.
- Review of illegal gambling activity.
- Prevention of terror financing and trading with enemies.
- Compliance with international sanctions.
- Activity by correspondents and monitoring of unusual activities.

AML system (MEA)

The MEA system is an information system that flags exceptional events, based on criteria, for review by the branches (first line) and by the Compliance Division (second line); these parties then report, as required, to the AML Authority, or to other regulators, in compliance with statutory provisions.

Training for all employees

The process of implementing policy on AML and prevention of terror financing at the Bank is comprehensive and thorough, including training, eLearning kits and knowledge testing at variable frequencies for employees and managers at different levels, according to their roles. The Bank also issues brochures on this topic.



In 2023, there were no breaches with regard to bribery and corruption, AML, conflict of interest and insider trading.



Information security and privacy



The Bank sees great importance in information security and is committed to ensuring privacy and to protecting the information of its customers. To this end, the Bank has specified a strategy and policy on these matters, which has been approved by Bank management and by the Board of Directors. This strategy is in line with requirements of the Bank of Israel and the Privacy Protection Authority, allowing for controlled and secure management of customers' personal information

Information Security

The Bank complies with Bank of Israel regulatory guidelines on information security and cyber protection, including cyber protection management – Proper Conduct of Banking Business Directive 361, information technology risk management – Proper Conduct of Banking Business Directive 357, cyber risk management in the supply chain – Proper Conduct of Banking Business Directive 363, and reporting technology failure and cyber incident – Proper Conduct of Banking Business Directive 363, and reporting technology failure and cyber standard ISO 27001. This certification is renewed annually, subject to review by the Israeli Standards Institute. The Bank also complies with SWIFT regulation, with regard to the use of SWIFT infrastructure for international money transfer.

The Bank Board of Directors has managerial responsibility for and approves the cyber protection strategy, the cyber risk management framework and the corporate cyber protection policy. The Board of Directors receives updates from the Manager, Cyber Protection, several times per year. These include updated cyber risk assessments, trends in threat development, reviews of major events worldwide and in Israel, as well as reviews of cyber defense system operations at the Bank.Moreover, the information and cyber security risk steering committee, headed by the Chief Risk Officer, convenes quarterly to discuss such issues, including an overview of events and recommendations to be implemented. The Manager, Information security and cyber security reports to the Manager, Risk Control Division and is tasked, inter alia, with the following: setting policy, directing activities with regard to information security and with monitoring the implementation and reviewing the effectiveness of systems and security processes.

Protection circles for safeguarding information

Our customers entrust to us not only their money, but also significant financial and personal information. In today's technological reality, given threats such as digital fraud and cybercrime, the Bank extensively acts to safeguard this information. To this end, the Bank takes action as follows:

- **Risk assessment and management** The Bank conducts risk assessments, with help from external audit, including risk surveys and periodic intrusion tests. In 2023, these were conducted with regard to systems and processes, at the frequency stipulated by regulations. Independent external audits are conducted at the frequency stipulated in Bank of Israel Directive 357. In addition, further steps are taken, such as monitoring sensitive actions, monitoring outgoing information from the organization to prevent information leakage, managing access permissions to information and encryption, data analysis and processing, anomaly detection, response, and control. It should be clarified that the Bank is covered by professional liability insurance and by specific insurance coverage for cyber risk.
- Protection of privacy legislation risk Protection of privacy legislation risk is managed by the Compliance Division. As part of compliance risk management, the Compliance Division conducts a risk assessment (at least) once per year, with regard to compliance with regulation, including review of the risk management and presentation of residual risk for the directive. For the development of new products which may touch on privacy protection, the Compliance Division is involved in the product approval process. Furthermore, in conformity with Bank policy and procedures, in any case where a violation of privacy protection has been flagged, this matter is reported to the Compliance Division and handled accordingly.
- Addressing cyber threats The Bank develops advanced technological capabilities to address cyber threats, including cybercrime, by applying a multi-layer protection concept. The Bank applies, inter alia, a system for regular monitoring, control and alerting for events and activities in processes, IT systems, and technology. This includes monitoring of sensitive actions, monitoring and blocking outgoing

information from the organization, based on Bank policy, as well as identification of anomalies. The Bank monitors customer activity in various channels, in order to identify and prevent unauthorized use of customer accounts. The customer is informed if any such use is identified. The Bank is assisted by external parties in locating information assets related to the Bank in cyberspace.

- Plan for cyber event management and recovery The Bank has specified procedures and mechanisms for managing any information security and cyber crisis, including restoration or recovery in case of disaster. The Bank has also specified means for business continuity in such cases, roles of the business units and of the technology units at the Bank, and collaboration between units. Also specified were decision makers and required reporting to internal and external parties. The Bank has put in place capacity to recover from various failure events, and this capacity is regularly exercised by various management levels (both business and technical), and extensively for Bank management.
- Awareness and information The Bank operates a program to enhance employee awareness of cyber risk. The Bank operates to raise awareness of the personal responsibility of employees and managers to protect the privacy and security of customer information and to safeguard the information assets of the Bank and its customers. As part of the program, training is delivered to raise awareness of risk online and on social networks, and ways to address such risk. The program includes training for new employees and knowledge refreshers for current employees: annual eLearning kits performed, information and cyber security briefings and "phishing" risk simulation. This is along with training on protection of privacy, including an eLearning kit performed annually by all employees.

In 2023, we delivered **4987** training hours on information security, to all Group employees, including external contractors.

In addition to employee training, in 2023 one exercise on phishing awareness was widely disseminated to all employees, and mailings including video animations and eLearning kits on information security were sent to Bank employees. Another special mailing included video clips with special highlights for working during war / emergency.

 Securing transactions in direct channels – As noted above, the Bank maintains diverse communication channels with customers, including through a mobile app, various websites, e-mail and SMS messages. When signing up for one of these channels, customers are instructed how they should act to optimally safeguard the privacy of their information. Moreover, customer authentication and verification processes have been defined for any contact through one of these channels. The Bank manages communications in various channels, in conformity with Proper Conduct of Banking Business Directive 367, which governs activities of banking corporations when providing online banking services to customers, and implements several measures to strengthen authentication, detect anomalies and enhance protection of customer activities and bank business. Customers who wish to open a bank account directly online can do so, in conformity with approval granted by the Bank of Israel in 2015. In order to avoid 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 ensures that customers who open an account via the Internet have an optimal user experience, without compromising on strict information security procedures, and while safeguarding customer privacy.

- Promoting safe web browsing In order to promote awareness and expand customer knowledge on safe web browsing, the Bank website provides a page with tools on this subject, including rules for safe web browsing and how to verify the true identity of the Bank website (avoiding copycat websites), means to protect the customer's PC, correct use of passwords, online fraud, implementing information security at the Bank and how to report suspected fraud.
- Supplier review Bank suppliers who may be exposed to private information, and in particular suppliers exposed to customer information, are required to maintain stringent information security standards. The Bank also requires a commitment from suppliers to comply with laws on the protection of privacy. As part of the risk management and control processes of suppliers, and in conformity with Proper Conduct of Banking Business Directive 363, the Bank conducts rigorous checks and surveys with regard to information security at material suppliers, so as to ensure that the required security level is maintained.

Protecting customer privacy

The Bank operates in conformity with policy on customer privacy¹ and makes sure to protects the privacy of customer information, in conformity with the law. The Bank continues to reinforce the defense mechanisms applied in systems for protecting customer information. These actions are taken as part of debriefing processes and lessons learned by the Bank with regard to this emerging threat. The Board of Directors has overall responsibility for compliance with provisions of the Protection of Privacy Act, and reports by the Compliance Officer to the Board of Directors also include reports with regard to protection of privacy. Internal Audit also conducts an audit on protection of privacy, in conformity with the work plan. In the third quarter of 2023, a survey on protection of privacy was launched in collaboration with an external company, with the findings of this survey to be presented by end of the first quarter of 2024.

Protection of privacy is managed by the Compliance Division of the Risk Management Division. Given the importance of compliance with statutory provisions with regard to protection of privacy, the Bank has appointed a Privacy Protection Officer, reporting to the Chief Compliance Officer at the Bank. Bank policy on protection of privacy incorporates the commitment by Bank management with regard to ensuring the availability, privacy, integrity and reliability of information systems and information assets of the Bank and its customers. This includes emphasis on maintaining customer information privacy and banking confidentiality, through an extensive, advanced technological system. The policy applies to all Bank operations, including customers, employees and suppliers. In cases where the Bank has chosen to conduct activity with customers through a third party (outsourcing), the Bank's outsourcing policy ensures that the supplier maintains conditions to secure the privacy of customer information. Moreover, the privacy policy and Bank procedures specify for Bank employees the permitted uses of private information stored in Bank systems.

The Bank has a public, orderly policy on protection of privacy, applicable to all Mizrahi Tefahot Group, which is brought to the attention of all Bank customers, who are required to consent to such policy. This policy includes reference to honoring human rights with respect to privacy of information, and informs customers that in some cases, the Bank may be lawfully required to disclose information. The Bank acts with extreme caution on any request for customer information filed by any statutory or government authorities. In each and every such request, the applicant is verified as to their authority to receive such information pursuant to statutory provisions and/or Court orders, and the customer is informed, in conformity with the situation and confidentiality required for the transfer of information, as part of Bank policy. The Bank only provides information by law. Note that in many cases, orders for disclosure of information prohibit the Bank from disclosing the order to applicable customers. As part of Bank policy on protection of privacy, customers confirm that they are aware of and consent to the overall privacy policy.

^{1.} The privacy policy is publicly available on the Bank website at: https://www.mizrahi-tefahot.co.il/en/aboutmizrahi-tefahot/privacy-policy/

Protection circles for ensuring customer privacy

This is managed at the Bank on the following levels:

- **Risk mapping** From time to time, the Bank conducts mapping, analysis, management and assessment of all risk factors facing the Bank. Furthermore, upon review of new processes and systems, privacy protection risk is part of the planning process.
- **Risk 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. In 2023, the control process with regard to implementation of the privacy policy was conducted by the Bank's Internal Audit.
- **Confidentiality and privacy** Access to customer information is compartmentalized and allowed based on policies specified for this matter. There is also strict adherence to procedures regarding safeguarding the privacy of customer information and banking confidentiality, with regular control and enforcement.
- Awareness and information The Bank operates a program to implement protection of privacy. As part of this program, the Compliance Division implements privacy protection issues across all Bank employees. This includes training and brochures delivered to employees. All Bank employees receive an eLearning kit on fairness, to be taken annually. Relevant Bank employees receive an eLearning kit on protection of privacy, to be taken annually. New employees receive basic training on protection of privacy.
- Hotline to the Privacy Protection Supervisor The Bank's privacy policy is disclosed to all customers. This includes contact information for the Bank's Privacy Protection Supervisor, who may be directly contacted by customers as required, to provide fast, efficient resolution for such issues raised by customers.
- Protecting the privacy of employee information Information about employees stored in Bank systems is managed in a database with the same protection as the customer information database (the highest level of information security). Additionally, for external contracting or operations that require sharing information about employees with an external supplier, the matter is referred for review by the Legal Division and the Privacy Protection Officer.

Information security and keeping information confidential at subsidiaries in Israel

Subsidiaries have a policy on protection of privacy, as well as procedures for addressing breaches in safeguarding of customer information. These subsidiaries act to protect customer privacy, in conformity with Group policy on this matter, in various ways, including:

- Publishing tools for safe browsing and policy on protection of privacy on the Bank website, designed to increase customer awareness of correct, safe usage of the Internet.
- All employees have signed rules and procedures with regard to information security and maintaining banking confidentiality, and are committed to comply with these.
- In order to increase employee awareness of information security and protection of privacy, training on these topics is delivered to employees.
- 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 at material suppliers, to review proper management and compliance with this matter.

In 2023, the Group in Israel received 8 justified complaints with regard to customer privacy, which were properly addressed in conformity with Group procedures. In 2023, the Group also received reports of 2 events, classified as leaks of information associated with Bank customers, due to human error and a letter incorrectly addressed, but not due to any technical malfunction or security breach. In 2023, no information security breaches were identified.



Risk management and control



Bank Mizrahi Tefahot has risk management and control processes in place, designed to identify, manage, monitor, quantify and mitigate all material risks associated with Bank business activity. These are also designed to support the achievement of the Bank's business objectives. The management principles are listed in the policy document "General framework for risk management and control" ("master document"), which specifies the Bank's risk appetite, principles for risk management and corporate governance. The Bank also has in place specific policy documents for risk management and control in various areas, based on the principles listed in the master document.

Risk management at Mizrahi Tefahot

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With regard to risk management and control, the Bank operates in conformity with directives by the Supervisor of Banks and the Proper Conduct of Banking Business Directives. This is done, in particular, in conformity with Directive 310 – "Risk Management", which is based on Basel Committee principles, and sets the principles for risk management and control in the Israeli banking system. Directive 310 stipulates the standards required of banks for creating a framework for risk management and control that is in line with regulation and the Bank's risk profile, risk strategy and businss objectives. These policy documents are approved once per year (at least) by Bank management, 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. These documents govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations, and processes for risk management, measurement, avoidance and mitigation.

The Bank has a policy document – "General framework for risk management and control" – which specifies the Bank's overall risk appetite and the principles of risk management and corporate governance ("master document"), as well as individual policy documents on risk management and control in various risk areas. These include: strategic business risk, reputational risk, credit and concentration risk, financial risk (market, interest and liquidity risk), operational risk, model risk, business continuity risk, information security and cyber protection risk, supplier and outsourcing risk, IT risk, human capital risk, legal risk, compliance and regulatory risk, including AML, fairness and cross–border risk, ESG risk, and more.

The Bank has a policy on risk management at overseas affiliates, which is a summary document for setting the risk management and control framework for Bank overseas operations. The Bank Group has a low risk profile due, inter alia, to the loan portfolio which primarily includes diversified retail loans.

The Risk Management Division performs ongoing processes to review and reinforce controls as well as reinforce the risk management culture at the Bank. Such processes include an annual comprehensive mapping of Bank units and employees involved specifically in risk management and control, in the three lines of defense for various risk types. This is so as to ensure complete implementation of appropriate lines of defense for all material risk.

An annual risk assessment (RAS) process is also conducted, as well as in-depth processes to review the effectiveness of control in risk areas, actions designed to increase awareness and bolster the management and reporting culture with regard to operational risk, and interventions challenging material projects at the Bank, with emphasis on adhering to the Bank's risk appetite in all aspects. Likewise, review of new products or activities in the Bank in terms of risk, with an emphasis on compliance, regulation, fairness, and more, the annual review and approval of all risk management policy documents in line with regulatory changes and global best practices, challenging processes or material investments at the Bank, challenging the Bank's annual work plans and their alignment with the strategic plan, and challenging the strategic plan (as part of the approval process by management and the Bank Board of Directors), challenging of capital planning, remuneration policy and actual remuneration, debrief of internal and external events including aspects of ethics, fairness, compliance, goodwill, development and implementation of stress scenarios of various intensities, including the unified systemic stress scenario of the Bank of Israel and threat scenarios security events, pandemic, earthquake), and more.

Due to the higher systemic risk in the economy due to the war that started on October 7, 2023, the risk assessment at the Bank also increased in several areas, although for most risks, no significant indications have yet been identified that support actual increase in risk, and in particular with respect to material risks that may be impacted by the war, including credit, financial, business continuity, cyber and information security risk.

Risk management at overseas affiliates and subsidiaries

Risk management is conducted at Bank level and at Group level, including overseas affiliates and subsidiaries. The Bank has Group-wide responsibility for the overall risk management framework, including:

- Wholly-owned subsidiaries of the Bank which are subject to Bank policy on risk management and control.
- Bank Yahav subject to Bank of Israel directives, operating independently on risk management, through various lines of defense. Such risk is also monitored and managed from a Group-wide viewpoint.
- Overseas affiliates Bank overseas branches are directly subject to the directives of various Risk Officers at the head office, and in line with local regulation and operations. The effectiveness of risk management and control at overseas affiliates is conducted by the party coordinating risk control in overseas operations at the Compliance Division.

Involvement of management and the Board of Directors in risk management at Mizrahi Tefahot

Risks Management Committee – A committee which advises the Board of Directors, discusses matters concerning risk management and control at the Bank and risk strategy, including current and future risk appetite, and capital planning and management. The Committee also supervises how executive management implements the risk strategy. The Committee is responsible for approval of the Bank's risks mapping and approval of dedicated policy documents for each of the Bank's material risks. These documents specify the corporate governance, the nature of the risk and the risk appetite adjusted for strategic operations, as well as the risk management and measurement processes and methods applied by the Bank to mitigate it, including effective monitoring and control processes. The Committee conducts a quarterly discussion of the Bank's risks document, which presents an overview of the current and future risk profile and concise, clear reporting of all material and evolving risks and their evolution over time, with emphasis on events in the reported guarter, on the quarterly and annual risks document and on the annual ICAAP (Internal Capital Adequacy Assessment Process) document and results of the Bank of Israel Uniform Stress Scenario and its impact on Bank data, profitability and stability of Bank capital. The Committee regularly receives extended reviews on various topics, as well as ad-hoc matters in line with the evolution of various risks at the Bank. The Committee also discusses new products subject to approval by the Board of Directors, new and revised regulatory directives and guidance with regard to risk management at the Bank, significant debriefs which took place with regard to risk management and any other topic of relevance to risk management at the Bank. **CRO and Risk Management Division** – The Chief Risk Officer (CRO) is responsible for the risk management and control function and for the Bank's risk management framework, reporting directly to the Bank President & CEO. The Risk Management Division is a key pillar of the Bank's second line of defense and acts independently of the risk-taking business units. The Division is involved in real time in all processes and lines of operation at the Bank, in order to maximize the business value for the Bank, while maintaining strict, high-quality risk management. The CRO is responsible for ensuring that effective processes are in place for identification, measurement, monitoring and control, mitigation and regular reporting of all risks inherent across all business operations at the Bank, and that the Bank risk profile is in line with the risk appetite.

Risk management forums – The Bank operates various forums for risk and capital management and for risk monitoring. The CRO is responsible for multiple forums designed to ensure an appropriate internal control framework at the Bank. These forums include specific forums for compliance, steering committees on operational risk, the information and cyber security risk steering committee, the internal control forum that includes all gatekeepers, the risk management forum for overseas affiliates, forums on fraud and embezzlement, the models forum, various compliance–related forums and ongoing forums with 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's Audit Committee and to the Board of Directors plenum. ICAAP is an internal process for assessment of capital requirements (Pillar 2 of capital assessment under Basel directives), designed to ensure that overall capital at the Bank is in line with its risk profile, specified capital targets and business targets, in conformity with the work plan and with current capital planning. This is done both in the normal course of business and under stress scenarios. Moreover, this pillar includes qualitative assessment processes for the level of various risks, the quality of their management, and identification of risk flashpoints material for the Bank. This document also presents the independent overview for assessment of risk management effectiveness, conducted by Internal Audit.

Board members frequently attend training on risk management, including AML and terror financing risk, Basel IV directives, capital management and market risk. Once per quarter, Board members receive a risk overview in the risk document and the risk report, as well as the annual ICAAP document. Most of the regular reports discussed by the Risk Management Committee are later brought for discussion by the Board of Directors plenum.

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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 Management Division. This document reviews, inter alia, the compatibility between the business work plans and the Bank's overall risk appetite.

IT and Technology Innovation Committee – The Committee discusses and advises the Board of Directors on matters of technology risk strategy, risk appetite, technology risks map, and IT policy and management, as well as with regard to technology innovation, including information and cyber security policy and strategy, technological infrastructures at the Bank Group, administration and use of databases, technology innovation in support of business innovation, and aligning these with the overall strategy and policy of the Bank Group. The Committee discusses and advises on setting targets, annual work plans and resources, IT and technology innovation. The summary risk overview discussed by the Committee is reported semi-annually to the Board of Directors' Risk Management Committee.

The Risk Management Division conducts annual mapping of the lines of defense. This mapping is conducted on a per-unit basis and according to the material risk factors managed by the Bank. This process places special emphasis on the defensive functions for risk management and control, which have been expanded in recent years. The mapping results are presented to Bank management, to the Board of Directors' Risk Management Committee and to the Board of Directors plenum. The mapping results showed that the Bank has a logical risk management structure, including multiple lines of defense which are separated from each other.

As from the end of 2015, the Bank issues, in conformity with Bank of Israel directives, a quarterly risk report. The report contains an overview with regard to the development of risk management and control at the Bank, corporate governance activity with regard to risk management etc. The Bank CRO is responsible for this report.

Corporate governance of risks management at the Bank

Corporate governance at the Bank is supportive of maintaining a risk management culture, and is based on three lines of defense. First line of defense – the business lines; Second line of defense – the Risks Management Division headed by the Bank Chief Risks Officer (CRO), which is the primary control function, along with control functions from other divisions; and the third line of defense – the Internal Audit Division. The Board of Directors and management constitute additional lines of defense, acting to supervise operation of the three lines of defense. These lines of defense are intended to ensure that the Bank has deployed an appropriate framework for risk management and control.

Each material risk to the Bank is managed by appropriate corporate governance, including the required lines of control, including specific lines of control in the first line, in accordance with the risk essence and nature. The Internal Audit Division is the third line of defense, conducting audits of risk management processes at the Bank. This includes a risk-oriented multi-annual work plan. The Internal Audit Division conducts an annual independent review of the ICAAP document issued by the Risk Management 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 Directors' Audit Committee a summary including its comments on management of various risks, as indicated by audit reports compiled in the reviewed period. Once per quarter, the Division presents to the Audit Committee a list of audit reports and material findings sent out in the previous quarter, and a summary of these reports. This list and the summary reports are presented semi-annually to the Board of Directors plenum.

Review of effectiveness of risk management processes

Self-assessment process

As noted, the Bank conducts an annual self-assessment. The Risk Assessment System (RAS) process provides a qualitative assessment of all risk to which the Bank is exposed and the quality of such risk management. This process is part of ICAAP. The process objective is self-assessment by the various parties, risk level and risk management quality, focus on risk factors and identification of weaknesses in risk management processes, which may require improvement.

This process is designed to assess the positions of various Risk Owners at the Bank, in the first and second lines of defense, 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. These risk assessments also include assessment of ESG risk. The outcome of these annual assessments is also compared to assessments in previous years, so as to identify gaps in risk management and control (if any) and to identify developments in the opinions of managers with regard to the specific risk level and to the quality of risk management and control.

Risk map

The self-assessment process involves a dialogue between risk managers and risk controllers. This dialogue is intended to elaborate results, identify challenges and risk facing the Bank and revision of the overall risk map ("Heat Map") for material risk to which the Bank is exposed. The Heat Map reflects the key flashpoints that were identified and their impact on various risks. The objective of the Heat Map is to present an integrated, focused view of significant risk applicable to Bank operations, and to ensure that such risk is properly addressed.

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The ICAAP document, which includes the outcome of the RAS process, is extensively discussed and approved by Bank management, Board committees (Risks Management Committee and Audit Committee) and by the Board of Directors plenum. Due to the war, the deadline for submitting the 2023 ICAAP document to the Bank of Israel was postponed and was discussed at the end of the first guarter of 2024.

The Internal Audit Division annually provides an independent review of the RAS process outcome, providing its assessment to the Risk Management Division, to Bank management and to committees 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 Management Division assessed the quality of risk management.

In 2023, we delivered **42,2224** training hours on risk management to Group employees.

Business continuity

The Bank acts to properly prepare for future challenges and for business continuity for critical services under various scenarios. This includes providing a solution for Bank customers during emergency, in as much as possible. Bank operations with regard to business continuity aspects are incorporated in a specific policy.

The Bank has a well-defined business continuity plan, including a policy document for disaster recovery and business continuity, which is approved by Bank management and by the Board of Directors. With regard to business continuity, the Bank acts in conformity with the Bank of Israel's Proper Banking Conduct Directive 355 "Business continuity management" and Proper Banking Conduct Directive 357 "IT management". As stipulated in the policy document, the Bank maintains detailed plans for managing business continuity for critical services under various scenarios, and for providing a response to customers during emergencies as well. The Bank has a recovery plan which regulates the critical services (Business Impact Analysis – BIA), as specified by the Bank, which also specifies the order of system start-up and recovery times under extreme events. The Bank has detailed work plans and operating procedures during emergency. The business continuity plan is implemented in systems of all Bank divisions, led by the Business Continuity Unit. The Risk Management Division provides a second control circle with regard to business continuity risk and preparation for emergencies. The business continuity policy was also adopted by subsidiaries in Israel and by overseas affiliates of the Bank, in line with the corporate governance policy and Bank of Israel directives.

Tools for maintaining business continuity

Drill plan – This is a major component of the business continuity plan. The Bank has annual and multi-annual drill plans, approved by Bank management and by the Board of Directors. The Bank holds drills, both at the backup site and at Bank units, and is prepared for backup of critical processes in both Bank systems and operating procedures. The drill plan includes complex operational and business drills, in conformity with nation-wide scenarios (war, earthquake, pandemic and cyber) and in conformity with the Bank's internal scenarios. The exercise plan includes complex operational and business drills, in conformity with the Bank's internal scenarios, with participation of various units – from branches, administrations, units and divisions to Bank management level.

The Technology Division's business continuity plan (DRP file) – This is designed for recovery of the Bank's IT systems. The plan is incorporated into the Bank's business continuity plan and details the necessary processes and actions for the recovery of critical information systems. This includes the desired recovery time and the manner of the return to normal operation. The Bank operates a remote central IT site, to ensure availability and protection of the information systems and the information itself.

The Bank has prepared for a pandemic scenario – The Bank operates in conformity with directives of the Ministry of Health and of the Bank of Israel. During the COVID pandemic, the Bank expanded some of its capacities and continues to maintain these during normal operations, including large-scale remote working capabilities, VC solutions for all units and so forth.

Climate risk – In the business continuity plan, the Bank specified operating procedures in case of emergency due to weather events, including operating procedures in case of a snow event in Jerusalem or in the Northern region. In addition, operating procedures and emergency response to flood events and impact to facilities and branches located in sensitive areas. Moreover, the Bank has the capacity for remote work, allowing it to provide a response to customers and to maintain continuous operations, even in case of difficulties in reaching Bank offices and facilities. The Bank has generators and fuel inventory for all key facilities, allowing for continuous operations in case of power cuts due to weather events or any other scenario. Bank Yahav would review adding climaterelated scenarios to existing stress tests as part of the ICAAP process.

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Commitment to human rights

The Bank is committed to safeguarding human rights throughout its operations. This is a major cornerstone of Bank life and one of its key values. This statement is in line with the Bank joining the UN Global Compact initiative.¹ This initiative describes the actions that the Bank takes to protect human rights, as well as the actions that the Bank refrains from in order to ensure respect for human rights.

The Bank operates proactively to safeguard human rights with all Bank stakeholders – Bank employees, customers, and suppliers. The Bank has in place a clear policy on safeguarding human rights and preventing discrimination, applicable to all Bank employees. For the implementation of this policy, ongoing training sessions are delivered to employees, designed to address human rights issues in all aspects of their work. In 2023, Mizrahi Tefahot Group delivered 13,460 hours of training on policies and procedures with regard to human rights aspects relevant to Bank operations.

Safeguarding human rights of Bank employees²

The Bank safeguards the human rights of Bank employees through human resource policy involving caring for human capital. The policy includes the Bank's commitment to ensuring a diverse workplace, equal opportunity for all employees including maintaining an equal work environment in terms of recruitment and compensation, and equality of opportunity in employee promotion and the like, with no discrimination based on religion, nationality, race, ancestry, sex, age, gender identity, and place of residence.

Safeguarding human rights of Bank customers¹

The Bank is committed to protecting the human rights of its customers and to fairness in customer service, while maintaining equal opportunities for customers and ensuring non-discrimination in services. This commitment is in addition to generating value for them across all Bank operations, including by creating a range of channels for providing service and products customized to the needs of every customer. The Bank proactively strives to provide equal access to the Bank's products and services, and to offer services tailored to a wide range of target audiences, including under-served demographics, with wide-scale geographical distribution. Bank branches and self-service kiosks are built in an accessible and secure manner, so that every customer can access and receive the services. There is emphasis on accessibility in digital products and services. The Bank maintains extensive information security layers to preserve the privacy of all customer information and provides annual training to Bank employees on privacy protection and respecting customers, tailored to the private customer facing them.

During development of a new product or activity, and as part of the new product approval process, the Bank examines various ESG aspects, including ensuring that these products and services do not violate human rights and comply with the standards to which the Bank is committed, such as non-discrimination. Similarly, in terms of human rights in finance, the Bank does not fund businesses nor manage accounts in illegal gambling, binary options, and pornography, whether in Israel or overseas.

In 2023, 17 complaints of discrimination were received by the Bank (10 by Bank Mizrahi Tefahot and 7 by Bank Yahav), none of which were found to be justified. Note that complaints regarding discrimination at Mizrahi Tefahot involve discrimination based on sectors, and mostly concern credit obtained or account opening approval. Some



Additionally, the Bank respects the dignity and privacy of its employees as well as their right to join a labor union and a collective bargaining agreement. All employees are signed on to the Bank's Code of Ethics, with values including safeguarding human rights, fairness, and transparency within and outside the organization. The Bank provides training to all employees on human rights issues, including preventing sexual harassment and abuse, access to insider information, equality of opportunity at work, accessible service, consumer directives and public inquiries, and specific training for security personnel on limiting the use of force and so forth. The Bank provides an anonymous hotline for employees, where they can address any issue that requires clarification or violates employee rights, including sexual harassment, discrimination or issues related to compliance with the law, corruption, and so forth.

^{1.} United Nations Global Compact.

^{2.} For more information see chapter "Investing in employees" in this report.

of the complaints were found to be justified, but the reason for the failure was not discrimination, but another business reason (such as a delay in opening the account due to service quality, or another administrative failure at the branch due to business conduct unrelated to customer ethnicity).

Safeguarding human rights of Bank suppliers¹

The Bank acts to promote an accountable supply chain with reference to diversification among suppliers, contracting with responsible suppliers and development of supplier capabilities. The Bank aims to consume, in as much as possible, services and products from suppliers who respect human rights and abide by rules of ethics. Promoting human rights among suppliers is achieved by requiring that most Bank contracts with suppliers, include a requirement to act according to these values: reliability, professionalism, highquality service, excellence, transparency, fairness, and respect for human dignity. Moreover, the Bank initiates periodic visits to major suppliers. This visit is accompanied by a survey, designed to verify whether suppliers operate in conformity with the aforementioned criteria. Voluntary topics (such as: is there a Code of Ethics in place) are also covered during such visits.

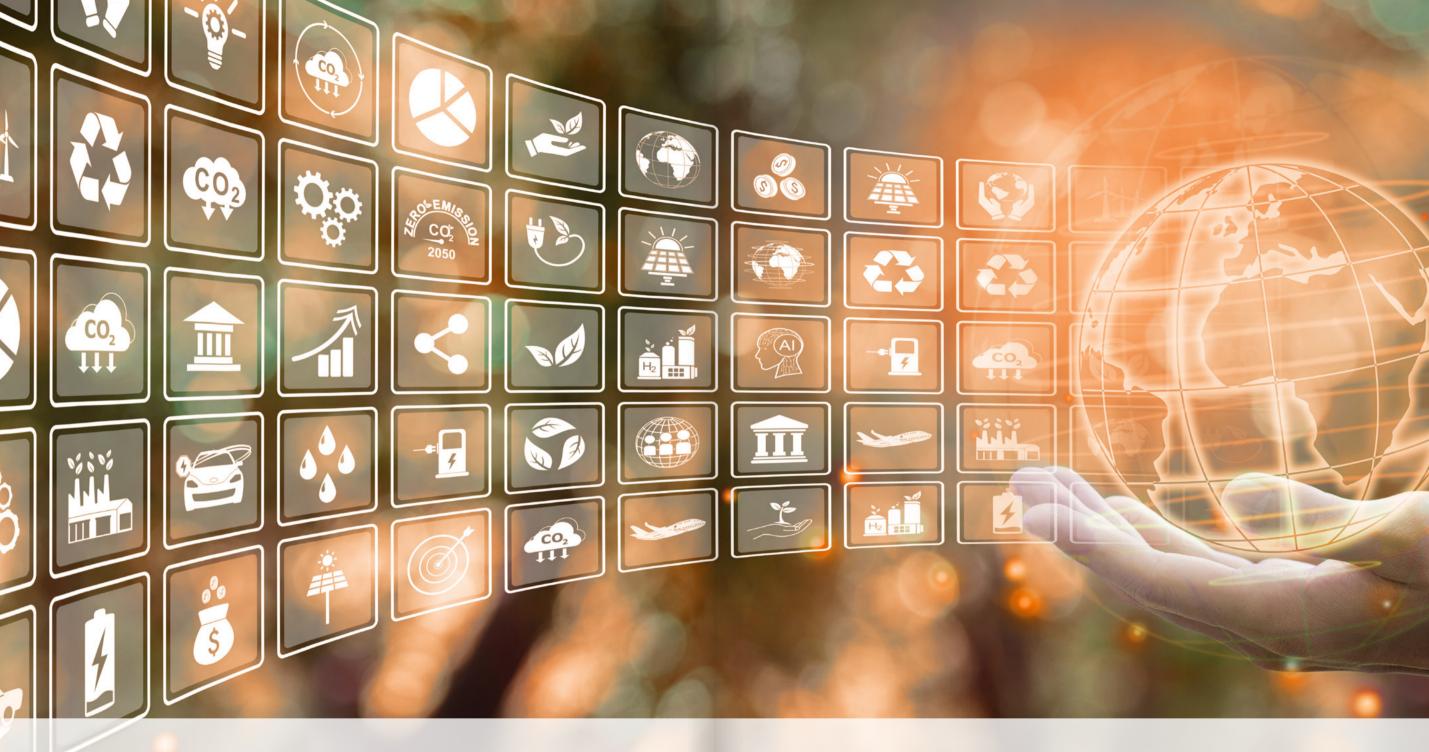
Achievement of 2023 goals

Specified goal	Response to SDGs	Status
Focus implementation of fairness to customers at subsidiaries and headquarters units.		Done.
Continue meetings of executives with managers with regard to the Code of Ethics.		Done.
Meeting of Ethics Committee with field units and branches.	16 PEACE JUSTICE AND STRONG INSTITUTIONS	Done.
Review the need to revise the Code of Ethics.	· -	Done.
Conduct fairness survey.		Done.
Improve implementation of privacy protection.		Done.



Specified goal	Response to SDGs
Fairness: Focus on placing the customer at the center, as part of implementation of the work plan and prepare for start date of Proper Conduct of Banking Business Directive 501 of the Bank of Israel regarding "Management of customer service and support department".	16 PEACE JUSTICE INSTITUTIONS
Conduct management survey on Fairness vis–a–vis Bank Customers.	×
Protection of Privacy: Review and implement evolving regulation in this area, expand development and automation operations.	

1. For more information see chapter "Responsible supply chain" in this report.



External control and benchmark index

Quality assurance certification for Mizrahi Tefahot Group 2023 ESG Report

Background

Good Vision Corporate Responsibility Consultants Ltd. of the Fahn Kanne–Grant Thornton Group was commissioned by Bank Mizrahi Tefahot to conduct a process to review suitability of reporting in its 2023 sustainability report. The company was established in 2002 and has carried out over 200 consulting projects in all areas of corporate responsibility. The company is accredited by the British organization AccountAbility to perform suitability audits for corporate responsibility reports.

This paid suitability review was conducted in March–April 2024, objectively and professionally as best possible, based on information provided by Bank Mizrahi Tefahot. In the process, company advisors participated in ESG areas. The company is not affiliated with nor dependent on its business with Bank Mizrahi Tefahot. For the sake of proper disclosure, note that the company has previously advised Mizrahi Tefahot on corporate responsibility, including assisting the Bank in writing a corporate responsibility report, developing a community strategy, providing guidance on ethics, and conducting suitability audit for the report. The findings of the suitability assessment are intended for publication to all internal and external stakeholders of Mizrahi Tefahot.

Methodology

This suitability assessment is based on two methods for reviewing the report's compliance with binding reporting requirements: GRI reporting guidelines according to Universal Standards, and Suitability Assessment Principles according to AccountAbility's AA1000AS V3 Standard, at Type 1 Moderate level, aimed at examining the report reliability.

Work process

Review of suitability of reporting in Bank Mizrahi Tefahot's 2023 Sustainability Report was conducted through review and analysis of documentation of applicable data and work processes, as well as questions and clarification discussions with Company entities as to how data is collected and presented on this report, in conformity with generally accepted principles. Note, in this regard, that the work was conducted in collaboration with and transparency from Bank Mizrahi Tefahot staff. Furthermore, some of the findings in the suitability review referred to Bank Mizrahi Tefahot have already been rectified during the report writing process, and are presented in this report.

The review was based on the following principles:

1. **Inclusivity** – Review of reportable indicators (reporting of management approaches to material issues and current core benchmarks included in GRI reporting Universal

Standards), and review of the extent to which the report provides comprehensive information to all stakeholders and allows them to comment.

- 2. **Materiality** Review of the reference made in the report to sustainability issues material for various stakeholders.
- 3. Sampling Sampling of raw data in various areas, for review against reporting.
- Impact Review of assignment of benchmarks for monitoring systemic impact of Bank Mizrahi Tefahot.

At the conclusion of this process, a detailed report was submitted to the company, presenting highlights of the suitability review process, with detailed findings and recommendations summarized at the end of this suitability certification.

Findings:

Based on the sustainability assessment conducted, the process described above and in accordance with materials presented to us, it may be determined that Bank Mizrahi Tefahot's 2023 Sustainability Report meets the reporting requirements according to the GRI–Universal Standards reporting guidelines. Moreover, the report is in compliance with the reporting guidelines of AccountAbility.



As part of our suitability assessment, we found that the report makes reference to material issues, as required by the GRI Universal Standards. It is our opinion that the report presents data in a comprehensive and clear manner, extensively describing the company's operations with regard to sustainability and corporate social responsibility. Based on data provided to us and review of the reliability of information therein, we are of the opinion that the report was reliably written, relying on relevant data and documents.

The Bank received recommendations on various matters with respect to future reporting.

Hereto setting our hands;

Ivry Verbin, CEO

Good Vision Corporate Responsibility Consultants Ltd.

April 2024

GOOD VISION יועצים לאחריות תאגידית



Guidance and Analysis of ESG Reporting Processes

BDO Consulting has been assisting Mizrahi Tefahot Group in promoting ESG within the Group and in ESG reporting processes. This assistance includes help on setting ESG-related policy and targets and preparing for discussions with various ESG rating agencies. Preparing the annual ESG report includes alignment with international reporting standards, review of top trends in the local and global banking sector and information analysis based on generally accepted methodologies.

Deep familiarity with the bank's ESG activities enables BDO's consulting team to provide analysis and recommendations on ESG reporting processes at Mizrahi Tefahot Group. The assistance included the following aspects:

- Update and fine-tuning of information infrastructure BDO consultants examined the ESG reporting system at the Bank, including relevant data and information collection processes, information production and processing into metrics, as well as Bank performance against established objectives and targets.
- **Review of implementation of ESG aspects** In this stage we reviewed how the Bank improved its performance on various metrics, led new initiatives at different units acting in this field, developed new banking products and initiated dialogue with stakeholders while expanding the impact on society and the environment in Israel.
- **ESG rating assistance** International ESG rating agencies conduct analyses regarding Mizrahi Tefahot Group and rate it for various stakeholders, including investors. In this regard, BDO consultants assist the Bank by reflecting the Bank's current activity.
- **Calculation of operational carbon footprint** This includes calculation of Scope 1, 2, 3, by location / market based.
- **Social lending classification –** Performed in accordance with the sector–specific SASB standard for community development, based on CRA.
- **Materiality analysis** Review of reportable topics reflecting the Bank's ESG risks and impacts on various stakeholders.
- **Supplier data processing –** Various metrics derived from the Bank's responsible procurement policy.

Summary and recommendations

In 2023, Mizrahi Tefahot Group showed significant progress in ESG reporting, with emphasis on progress made on climate risk management, as reflected in publication of a climate report, along with extensive activity with Bank stakeholders following the war that broke out in October 2023.

The following topics have seen significant activity in 2023:

- Benefits and significant relief for Bank customers due to the war, beyond the Bank of Israel outline.
- Publication of the Climate Report (TCFD) for 2022 and 2023.
- Operational carbon footprint reporting according to leading practice, categorized into Market Based and Location Based.
- Significant improvement in the Bank's ESG rating by international rating agency Sustainalytics, reflecting a decrease in ESG risk at the Bank.
- Calculation of the loan portfolio carbon footprint (according to PCAF methodology).
- Overview of Bank activity due to the high interest rate environment.

As part of the assistance process, recommendations and work plans were formulated to further ESG processes at the Bank, in view of expected market trends and in conformity with anticipated evolution of reporting standards.

Chen Herzog Partner, Chief Economist of Bdo Consulting Israel



Carbon footprint measurement of bank operations

Control of carbon footprint measurement at Mizrahi Tefahot Group was applied in conformity with internationally accepted principles under the GHG protocol. Data were adjusted for Israel within the framework of the Greenhouse Gas Emissions Registry in Israel, Operation Regulation and Reporting Guidelines of the Shmuel Ne'eman Institute and the Ministry of Environmental Protection, August 2023.

Emission factors used in calculations are those published by professional entities, including the Electric Authority, the Central Bureau of Statistics, the Shmuel Ne'eman Institute at the Technion, Israel Electric Company, BDO Model for private electricity producers and DEFRA (UK environmental protection ministry) for Scope 3 emissions. Consumption data provided by the Bank at its own responsibility. As of the report preparation date, the Ministry of Environmental Protection and the Israel Electric Company have not published the emission coefficients for 2023, so carbon footprint measurement by the Bank in Scopes 1 and 2 was based on the 2022 emission coefficients. The Scope 2 emission coefficients for 2019-2022 have been retroactively revised.

Components of Group estimated carbon footprint

The Bank monitors and calculates greenhouse gas emissions in the following three components:

- Direct emissions (Scope 1) consumption of gasoline and diesel for driving and for generators
- Direct emissions (Scope 2) consumption of electricity
- Indirect emissions in Scope 3: paper consumption and recycling, electronic waste, toner and ink cartridges, water consumption and business air travel.¹

Mizrahi Tefahot Group's carbon footprint

In 2023, the Group continued its downward trend in total carbon footprint, but there was an increase in carbon footprint intensity, mainly due to decrease in the Group's area. The Bank's total carbon footprint in 2023 was $18,832 \text{ CO}_2$ eq tons, a decrease by 1.8% compared to 2022, and the carbon footprint intensity was 0.125 CO_2 eq per m², an increase by 7.7% compared to 2022.

In reference to the strategic target for 2030, compared to the base year 2020, the total carbon footprint (CO_2eq) decreased by 8.9% and carbon footprint intensity per m² (CO_2eq) decreased by 8%, thus progress was made towards the 40% target by 2030.

* The data above pertains to calculation of Scope 2 by location-based measurement.

Key changes in 2023:

Electricity consumption: There was a slight decrease in electricity consumption (KWh) by 0.5%. However, there was an increase in electricity consumption per m2, by 9.2% due to a decrease in Group area.

Fuel consumption: Diesel consumption increased by 16% due to expansion of courier operations at the cash center, as well as an 8% reduction in gasoline consumption as a result of efficiency improvement processes due inter alia to completion of the Union Bank merger and gradual transition to use of hybrid vehicles.

Scope 3: Reporting of Bank activity in the supply chain under the water consumption category was expanded, with a decrease by 26%.

Corporate Responsibility and Sustainability Group BDO Consulting



^{1.} Note that the Group does not currently report greenhouse gas emissions due to AC refrigeration gases, due to lack of data.

GRI Content Index¹

Mizrahi Tefahot Bank has reported in accordance with the GRI Standards for the period of 1/1/2023-31/12/2023



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	Index	Index description	Page no.
	2-1	Information about the organization	12-14
	2-2	Entities included on sustainability report and on financial statements	13–14
	2-3	Reporting period, frequency and contact person	6-7
	2-4	Re-statement of information	66, 67, 70, 92, 99–101, 140, 146
	2-5	External control	236-237
	2-6	Nature of operations, description of value chain and business contacts	138–141
	2–7	Description of headcount	146–157
	2-8	Information about employees not directly employed by the organization	146
	2-9	Composition and structure of the Board of Directors	184-193
GRI 2: General Disclosures	2–10	Appointment and election of Board members	185–189
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	2–12	Role of senior Board member in monitoring performance and impact	187–188
	2–13	Delegating authority	223-228
	2-14	Roles of the Board of Directors in corporate accountability report	21,187–189
	2–15	Avoiding conflict of interest	184–189, 199
	2–16	Communication of material concerns and issues to the Board of Directors	174, 202, 217
	2–17	Promoting Board of Directors' knowledge of sustainability and corporate accountability content domains	188
	2-18	Assessment of performance of the Board of Directors	187–190
	2–19	Remuneration policy	193–195

 For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders. The service was performed on the Hebrew version of the report.

	Index	Index description	Page no.
	2-20	Process for setting remuneration and involvement of stakeholders in setting remuneration	193–195
	2–21	Annual pay ratio	193–195
	2-22	Certification by Chief Decision Maker at the organization	4-5
	2-23	Binding policy on accountable conduct	205-214, 222-228
GRI 2: General	2-24	Implementation of binding policy	205–214, 222–228
Disclosures 2021	2-25	Processes to assist in addressing negative effects	64–65, 68, 200, 202, 210
	2-26	Contact measures from ethical aspects	202–203, 230–231
	2-27	Compliance with laws and regulations	205-207
	2-28	Membership of organizations	24
	2-29	Organization's approach to dialogue with stakeholders	26-27
	2-30	Percentage of employees covered by collective bargaining agreements	151
		GRI 3: Material Topics 2021	
GRI 3:	3-1	Identification process of material issues	27
Material Topics 2021	3-2	List of material issues	27
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GRI 3: Material Topics 2021	3-3	Management of material issue	8-9, 184, 200, 202, 205
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GRI 201: Economic	201-2	Financial implications, opportunities and risk posed by climate change	60-63
Performance 2016	201-3	Company obligations with respect to retirement plans / employee remuneration	156, 168, 170
	201-4	Support, grants and/or Government assistance received	198
	205-1	Actions taken to identify various corrupt activities	142–143, 202–204
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	205-3	Confirmed cases of corruption and action taken in these cases	205-206

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GRI 3: Material Topics 2021	3-3	Management of material issue	111-121
GRI 203: Indirect	203-1	Investment in infrastructure and support for services	111-121
Economic Impacts 2016	203-2	Significant indirect economic effects	107–110
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		Local communities	
GRI 3: Material Topics 2021	3-3	Management of material issue	118, 122, 138–139
GRI 204: Procurement Practices 2016	204-1	Percentage of expenses for local suppliers	138–139
GRI 413: Local	413-1	Actions with involvement in the local community	122-129
communities 2016	413-2	Actions with significant potential for negative impact on the local community	40-48, 55-68, 91-96, 97-121, 138-143
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GRI 301: Materials	301-1	Materials used by the company measured by weight or volume	68-79
2016	301-2	Percentage of materials used by the company which are recycled materials	77–78
	302-1	Energy consumption within the organization	71
GRI 302: Energy 2016	302-2	Energy consumption outside of the organization	Not applicable. Not relevant due to the nature of the Bank's activities.
	302-3	Energy intensity	70

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Incorporation of Environmental,	Commercial and industrial credit exposure, by industry	FN-CB- 10a.1	55–57 2023 ESG Report
Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB- 410a.2	33–51, 58 2023 ESG Report
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB- 510a.1	206, 210–221 2023 ESG Report 221–233 Annual Financial Report
	Description of whistleblower policies and Procedures	FN-CB- 510a.2	202–204 2023 ESG Report
	Global Systemically Important Bank (G–SIB) score, by category	FN-CB- 550a.1	N/A
Systemic Risk Management	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB- 550a.2	15–16 2023 Risks Management Report
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1. COMMERCIAL BANKS Industry Standard



TCFD recommendations

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