

# Leumi. Social. Sustainable.

Corporate Social Responsibility Report  
The Leumi Group

# 2018



Leumi.  
Social.  
Sustainable.



# Leumi. Social. Sustainable.

Corporate Social Responsibility Report | The Leumi Group | 2018

This is a translation from the Hebrew. It has been made for convenience purposes alone.  
In case of any discrepancy, the Hebrew version shall prevail

# Investor Performance Dashboard<sup>LA</sup>

2018

---

## **Involvement in corporate social responsibility initiatives and ratings**

- Maala rating: Platinum Plus
  - Ministry of Environmental Protection – The voluntary system for recording GHG emissions in Israel
  - The UN Global Compact
  - CDP
  - UN Sustainable Development Goals
  - Equileap
  - Global Reporting Initiative (GRI)
  - FTSE4Good
  - MSCI
  - Bloomberg
  - Sustainalytics
- 

## **Economic**

- NIS 4.7 billion was invested as credit to advance social issues
  - NIS 0.6 billion was invested as credit to advance environmental issues
  - 95% of Leumi's procurement is local
  - NIS 5.9 million in "green" procurement
  - NIS 5.8 million – total procured from companies promoting employment of people from underemployed sectors
  - A total of NIS 1.1 million was invested in procuring products and services from nonprofits and social businesses
- 

<sup>LA</sup> When a paragraph or sentence is marked , it refers to the information included in them. For additional information regarding scope, content, assumptions and estimates determined by the Bank regarding specific data included in the process, please see the relevant sections in the Company's reports.

---

**Social**

- Leumi Ranked 7th among the 100 Best Companies to Work For held by BDI Code and The Marker and 1st among companies in the financial sector
- 9% of all employees hired by the Leumi Group in Israel are from under-employed populations
- Gender equality: Women comprise approx. 60% of all employees, 46% of senior management, and 50% of branch managers
- 41% of the 10% of employees at the highest pay grade are women
- 97% of total employees in Leumi covered by collective bargaining agreements
- 97% of the Group's employees participated in feedback and performance processes
- NIS 64.5 million in resources was invested in training Bank Leumi employees
- NIS 41.4 million was invested in the community
- Leumi's branches are physically accessible to people with disabilities
- In 2015-2018, we added about 20 midmarket suppliers to Maala, and even received a recognition award to that effect

---

**The Environment**

- Energy consumption was down by a year-on-year 4.5% due to "green" initiatives
- The Group's carbon footprint was down by a year-on-year 7%
- 90% of the power consumed by Leumi was generated by independent power producers using efficient technologies and natural gas
- 100% of construction and maintenance procurement suppliers have declared their compliance with environmental criteria
- 100% of paper and electronic waste was recycled

---

**Corporate Governance**

- 33% of Leumi's board members are women
- Once a year, the Board of Directors discusses the corporate social responsibility report, the Bank's corporate social responsibility objectives, and the implementation status of the CSR objectives
- 86% of Leumi's employees participated in training on the prevention of bribery and corruption

## Involvement in Initiatives and Ratings

Leumi and its subsidiaries have adopted leading standards in the area of sustainability and corporate social responsibility and are rated by several rating entities in Israel and abroad:

 <b>SUSTAINALYTICS</b>	 FTSE4Good	 פלטינה
 <b>MSCI</b>		 DISCLOSURE INSIGHT ACTION
		<b>Bloomberg</b>
 <b>EQUILEAP</b> MAKE A DIFFERENCE AND A RETURN	 שקיפות בינלאומית ישראל - שבי"ל (ע"ר) Transparency International Israel - Shvil	 Empowering Sustainable Decisions

## Table of Contents

A Message from the Chairman and from the President and Chief Executive Officer.....	8
Organizational Profile.....	10
Leumi's Corporate Social Responsibility Strategy.....	16
<b>Fair Business Conduct.....</b>	<b>23</b>
Preventing Bribery and Corruption.....	26
Ethics.....	27
Handling Inquiries from the Public and Employees.....	28
<b>Innovation and Digital.....</b>	<b>31</b>
Creating Value for Customers by Using Digital Tools.....	33
Empowering the Israeli High-Tech Industry.....	35
Protecting Customers' Privacy and Information Security.....	36
Promoting Digital Literacy.....	36
<b>Contributing to the Economy and Society in Israel.....</b>	<b>39</b>
Creating Environmental and Social Value.....	40
Contributing to Growth of Private Customers and the General Public.....	42
Contributing to the Growth of the Business Sector.....	47
Leumi Schools.....	51
Cooperation and Dialogue with Customers.....	52
Responsible Procurement.....	53
Community Outreach.....	58
<b>Human Capital.....</b>	<b>69</b>
Preventing Discrimination and Promoting Gender Equality.....	74
Development of Human Capital.....	78
Work-Life Balance.....	82
<b>Environmental and Social Performance and Corporate Governance.....</b>	<b>87</b>
Environmental Performance.....	88
Social Performance.....	98
Corporate Governance.....	104
<b>External Assurance</b>	
<b>GRI Index   UNGC   SDGs.....</b>	<b>115</b>
The GRI Index.....	119
Compliance with GRI Standards.....	128
Leumi and the UN Initiatives.....	131

## A Message from the Chairman and from the President and Chief Executive Officer

The corporate responsibility strategy of the Leumi Group was drawn up per the Group's core business and on the basis of the ongoing dialogue with its stakeholders, in order to identify the economic, environmental, and social topics that are material to its operations, as well as to improve its impact and performance in these domains. This strategy has set three cornerstones - **Contributing to the Economy and Society in Israel, Innovation and Digital, and Human Capital**.

Besides its business activity, Bank Leumi initiates and manages extensive social and educational activities to promote **inclusive growth** in Israeli society, in all its diversity. Bank Leumi continues to significantly expand its economic empowerment activity of various segments of society by: enhancing the Leumi Schools, which were established to provide the population with a range of smart financial management tools; granting more credit to small businesses in the deep understanding of the importance of investing in small businesses for the Israeli economy; and increasing social credit that is used to promote social issues and support affordable housing in Israel.

This year, we also continued the implementation of our flagship project, **Israel IL**, under which we make digital banking accessible to the general public, with an emphasis on boosting the prevalence of smartphones and computers among populations for whom their use is not intuitive. In 2018, as part of the project, Bank Leumi held approx. 215,000 personal customer training sessions across Israel, in which they are taught to conduct banking transactions on digital channels. We saw that, following training, 26 percent of customers who underwent training carried out subsequent activity through digital channels and that the use of these channels rose by about 8 percent. In 2018, the **Israel-IL-Mobile** - the purpose of which is to make accessible a range of services to the elderly directly at assisted living facilities nationwide - visited about 40 assisted living facilities, providing customers access to a range of services and information with the assistance of a banker.

This takes place in addition to our commitment to **Community Outreach**. In 2018, Bank Leumi invested in a longstanding strategic partnership with Aharai!, an NGO that develops young leaders in the periphery and promotes equal opportunity for youths at risk. During the year, Leumi engaged in intensive social activity: Approximately 4,700 employees volunteered on behalf of the Leumi Group in a wide range of projects, for a total of 34,600 hours. The total investment in community outreach programs amounted to more than NIS 41 million, which was invested in promoting children and youth education and in supporting community, social, health and cultural issues.

**Innovation and Digital:** Bank Leumi continues to lead digital banking in Israel with an innovation strategy in all the Group's lines of business. This year, we invested in a wide range of breakthrough products and services, intended to provide our customers with more accessible and cost-effective banking services, such as Digital Mortgage - a revolutionary product that enables customers to carry out most of the process of taking a mortgage via digital channels; and the Leumi Me app, which enables young people to manage the pocket money they receive from their parents through a prepaid card, improving the entire family's financial conduct. We also significantly upgraded our service and value propositions on all the Bank's digital channels; i.e., the website, app, call center, and digital kiosks which are available at all the branches.

As part of this effort, in 2018, we launched **VIDEA**, a new portfolio management company that enables customers of all banks to smartly and easily manage the investment portfolios online via an advanced digital platform with some of the lowest management fees on the market.



**PEPPER** – Leumi’s wholly mobile digital bank – continued to expand its operations in Israel this year, and is even considering collaborations overseas.

Leumi’s **Human Capital** is priceless. Bank Leumi considers its employees full partners in its activity and a key factor in its success. We attach great importance to their welfare, satisfaction, and professional and personal development. The relationship between the Bank’s management and the employees’ representatives is characterized by transparency, fairness, and dialogue. Work conditions, salary, and benefits – for the employees and family members – are arranged under collective agreements at the organization. We believe in equal opportunity and make sure to engage employees without bias or discrimination. We offer employment opportunities for people of different religions, people with disabilities, and people from underemployed populations, in the notion that promoting diversity contributes both to the organization and the advancement of equal opportunity in Israeli society.

Bank Leumi continuously fosters a culture of learning among its employees, investing – throughout their careers with the organization – significant resources in professional training and personal enrichment, and in providing employees with tools for professional development. The Group recognizes outstanding employees and fosters the value of excellence as part of its organizational culture. We also invest heavily in various aspects of individual welfare, offering a solution to a range of needs – from assistance to employees and family members in crisis and distress on the one hand to enrichment content on health and quality of life on the other hand.

**Taking a sustainable approach**, Bank Leumi prioritizes loans to businesses and private customers investing in solar panels, in order to promote the use of green energy. The Bank has also set the objective of procuring equipment and gifts from domestic suppliers with a social-environmental orientation, such as “green” suppliers, which include people with special needs or people located in Israel’s geographic periphery or the near the border with the Gaza Strip.

This year as well, Bank Leumi supports initiatives for sustainability, environmental protection, human rights, and the fight against corruption, such as the UN Global Compact and the UN Sustainable Development Goals. Bank Leumi is committed to complying with the world’s strictest and most advanced reporting standards in these domains.

For 2019, in addition to focusing on the next generation, the Group’s social agenda was expanded to include the elderly, and the Group’s community outreach budget will grow from NIS 41.4 million to NIS 48 million.

We are proud to present the results of the Report – which was scaled down to boost focus and make reading and orientation easier for its users – in order to reach the widest possible audience and all of the Bank’s stakeholder groups. We undertake to continue to operate in the spirit of the Report for the good of all the stakeholders of the Leumi Group, the community, and the environment.

Sincerely yours,



**Dr. Samer Haj Yehia**  
Chairman of the Board



**Rakefet Russak Aminoach**  
President and Chief Executive Officer

## Organizational Profile

### Description of the Leumi Group's Business<sup>1</sup>

Bank Leumi and its subsidiaries – one of the largest banking groups in Israel – has been in the banking business for the last 117 years. The Bank's predecessor, the Anglo Palestine Company, was established in London in 1902 as a subsidiary of Otsar Hityashvuth HaYehudim Jewish Colonial Trust Limited, the predecessor of Otsar Hityashvuth HaYehudim B.M.<sup>2</sup>

The Bank is defined as a banking corporation under the Banking (Licensing) Law, 1981, and holds a banking license pursuant to said law. As a "bank" and "banking corporation", Bank Leumi is regulated and governed by a system of laws, ordinances and regulations, including, inter alia, the Banking Ordinance, the Bank of Israel Law, the Banking (Licensing) Law and the Banking (Service to Customer) Law, as well as by the Supervisor of Banks' directives, rules, guidance and position papers.

As a leading banking group in Israel, and in order to achieve adequate profitability over time, Leumi constantly considers the trends and changes in the business environment in which it operates and develops strategies to address these changes.

To implement this strategy, the Bank is organized into three main business lines, each focusing on a different market segment. Each business line specializes in the provision of banking and financial services to a specific customer segment, alongside the activities of the Bank's foreign and Israeli subsidiaries:

**1. Retail banking** – focuses on providing banking services, mainly to households (including mortgages), high-net-worth customers (Private Banking) and small businesses. The structure of the retail banking line of business enables tailoring services to the customers' needs, by providing an integrative multi-channel customer experience, via the Bank's branches and the direct channels (such as mobile and e-banking, telephone (Leumi Call), information kiosks and ATMs).

**2. Corporate Banking** – focuses on providing services to Israeli and international corporations with varying scopes of activities from a wide range of sectors. The Corporate Banking business line aims to provide comprehensive financial and banking services to its various customers, while promoting the involvement of Leumi Group's units in Israel and abroad as a means to expand its product and service offerings.

**3. Capital Market and Financial Management** manages the Bank's nostro (own) portfolio and operates the Bank's trading rooms, providing services to customers involved in capital and financial markets activities, including institutional entities. Non-financial investments are mainly carried out through Leumi Partners.

For the Leumi Group's financial performance during 2018, please see the 2018 Annual Financial Statements.

1. GRI 102-45

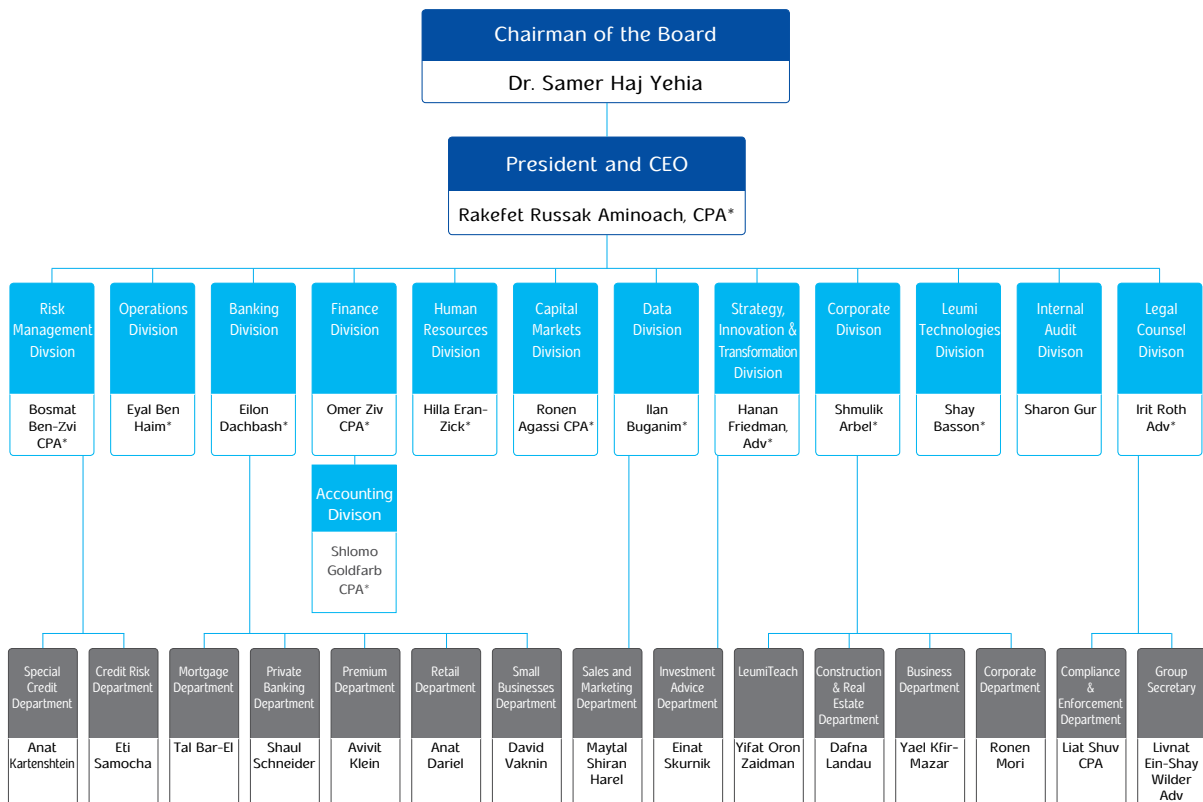
2. Otsar Hityashvuth HaYehudim Ltd. was the Bank's controlling shareholder prior to the equalization of voting rights in 1991. In 1993, the State became the owner of most of the Bank's shares pursuant to the Bank Shares Arrangement Law (Temporary Order), 1993. On September 3, 2007 the Company ceased to be an interested party in the Bank.

In addition to the activities of its business lines, the Leumi Group has additional operations both in Israel and abroad:

**Activity of Israeli subsidiaries** – in 2018, mainly included Leumi Card’s credit card activity and non-financial investment, underwriting and investment banking activities carried out by Leumi Partners. Under the Law on Minimizing Market Centralization and Promoting Economic Competition, Leumi has sold its holdings in Leumi Card.<sup>3</sup>

**Activity of foreign subsidiaries** – is carried out by subsidiaries Leumi USA and Leumi UK, which mainly engage in extending loans to corporate and commercial customers and to small businesses. During the reporting period, activities were also carried out through Leumi Romania, whose sale was completed in 2019. The Bank also has a representative office in China.

The Leumi Group operates in an increasingly competitive market in all of its operating segments. Its main competitors are other Israeli banks. However, certain operating segments are becoming more and more crowded, and the Bank’s competitors include foreign banks, non-banking entities, other institutional entities and technology-based solutions (Fintech). Bank Leumi does not sell banned or prohibited products. In 2018, the Group received no government support, except for the tax credit in respect of donations to the community.<sup>4</sup>



\* Member of management

3. For more information on Leumi Card’s sale agreement, please see the 2018 Financial Report.

4. GRI 102-45

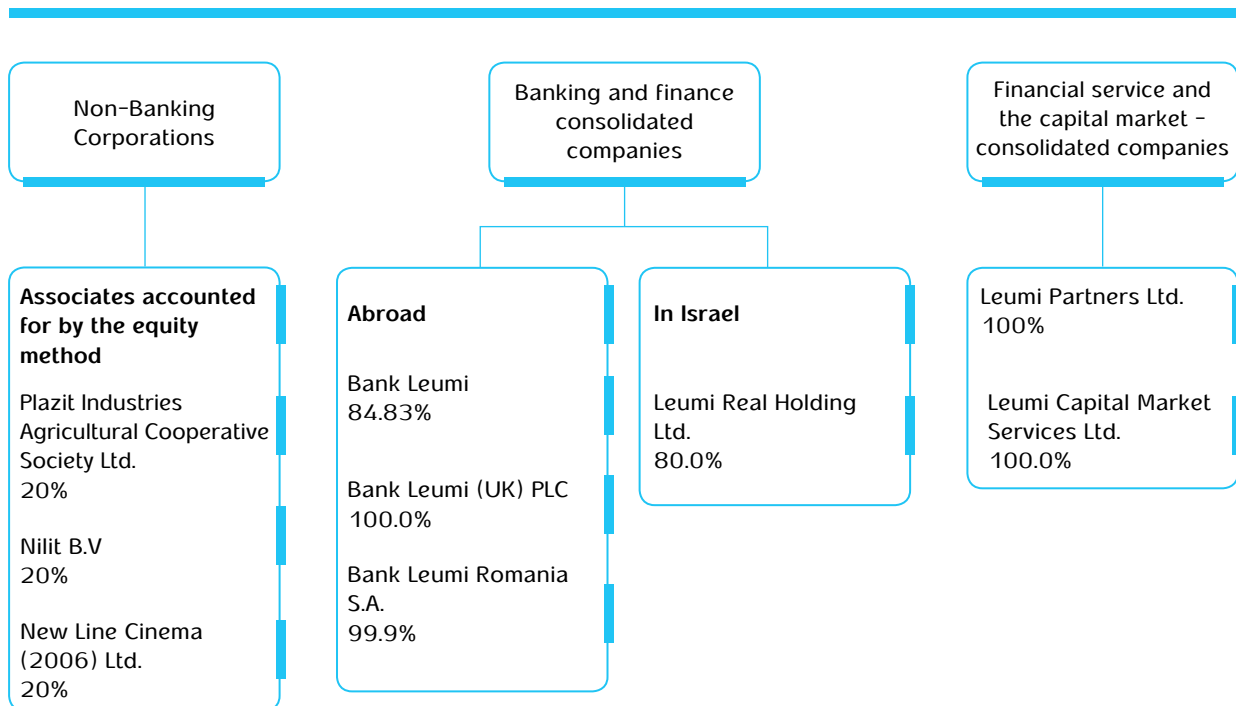
## Subsidiary Companies and Deployment<sup>5</sup>

The Leumi Group provides financial services in Israel and abroad to Israeli business customers and global organizations operating in Israel. The Group’s primary target audience overseas is business firms.

92.4 percent of the Leumi Group’s activity is concentrated in Israel and 7.6 percent is conducted abroad.<sup>6</sup> The Group’s headquarters are located in Israel.

**Below is additional information about the main subsidiaries:**

### The Bank



5. GRI 102-40

6. Total assets - Information by geographic region - Report of the Board of Directors and Management as at December 31 2018

### Leumi Partners Ltd.

The investment banking arm of the Leumi Group provides non-banking growth solutions, such as Leumi Group's investments in companies, underwriting, research, mergers and acquisitions, and raising any type of capital or debt. Leumi Partners integrates its capabilities through a unique merchant banking platform.

### VIDEA Investment Management of the Leumi Group Ltd.

On June 17, 2018, VIDEA Investment Management of the Leumi Group Ltd., a subsidiary wholly-owned by the Bank, received a license from the Israel Securities Authority to engage in investment portfolio management. On October 8, 2018, the Company commenced operations. The Company is a digital portfolio management company offering services to customers of all banks.

### Leumi Capital Market Services Ltd.

The company provides comprehensive operating services to financial institutions such as provident funds, study funds, manufacturing plants' funds, severance pay funds, central funds for budgetary pensions, mutual funds, private investment funds and distribution services.

For more information about the activities of the subsidiaries and investee companies, branches, agencies and representative offices of the Leumi Group worldwide in 2018, please see the 2018 Annual Financial Statements.

## Foreign Offices<sup>7</sup>

### Bank Leumi USA (BLUSA)

Bank Leumi USA was incorporated in 1968 and has a commercial banking license from the State of New York and is a Federal Deposit Insurance Corporation (FDIC) member. BLUSA wholly owns LISI, which mainly offers securities services for BLUSA customers.

BLUSA is engaged in commercial banking, mainly financing for middle market companies, and Israeli companies, as well as private banking for American and foreign residents. Most of the commercial activity focuses on real estate, high-tech, assisted living facilities and nursing institutions, and commercial credit. BLUSA operates through five branches in New York, California, Florida, and Illinois.

### Bank Leumi UK (BLUK)

Bank Leumi (UK) PLC Bank Leumi (UK) plc was founded in 1959 and continues the Group's activity in England, which was launched in 1902. Leumi UK has full control over Leumi ABL Ltd., which is mainly engaged in accounts receivable factoring.

Bank Leumi UK engages in commercial banking. This activity includes financing of real estate, foreign trade, commodities, and offers financing to Israeli companies operating in Europe in general and in the UK in particular. The real-estate funding activities include financing a range of activities in the UK and Western Europe, including investments and development of residential real-estate and funding of commercial real-estate (mainly hotels, care homes and student accommodation). Funding is extended both to domestic customers and to foreign residents (mainly Israeli).

### The China Office

Leumi's China office was established six years ago. The office's activity includes providing Bank Leumi customers, inter alia, through syndicates with local banks, credit solutions that are granted by banks in China.

7. GRI 102-45

## Main Changes in the Reporting Period

- **Leumi Card:** On July 28, 2018 – in accordance with the provisions of the said Law and after reviewing the various alternatives, and following a procedure for the disposal of the Bank’s interests in the company – an agreement was signed between the Bank and Azrieli (hereinafter: the “Sellers”) and Warburg Pincus Financial Holdings (Israel LTD.), a corporation under the control of investment fund Warburg Pincus (hereinafter: the “Acquirer”), for the sale of the Bank’s entire interests in Leumi Card. Following the 2018 annual reporting period, on February 25 2019, the sale was closed, after the preconditions for the transaction were met. In March 2019, the company changed its name to Max of Leumi Card.
- **Bank Leumi of Israel Trust Company Ltd.:** On April 17 2018, the deal between the Bank and Hermetic for the sale of 75 percent of Hermetic Trust’s shares was completed. The completion of the transaction is not expected to have a material effect on the financial results.
- **Bank Leumi Romania:** On April 16 2019, Bank Leumi signed an agreement with First Bank (a Romanian bank owned by US investment fund JC Flowers & Co.) for the sale of the Bank’s entire interests in Bank Leumi Romania. The closing of the deal is subject to obtaining a permit from the relevant Romanian regulators. The completion of the transaction did not have a material effect on the financial results.

## Membership in Organizations and Associations

Bank Leumi is a member of the Association of Banks and Leumi’s President and Chief Executive Officer and Chairman of the Board are members of the Association’s Executive Committee. The Bank is a member of the Tel Aviv-Jaffa Chamber of Commerce and the Israeli Marketing Association.

## Ownership Structure<sup>8</sup>

Bank Leumi of Israel Ltd. is a limited-liability public company whose shares are listed for trading on the Tel Aviv Stock Exchange. As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

---

8. GRI 102-45

In early 2018, following an in-depth process conducted by the Bank, Leumi drew up and adopted corporate social responsibility policy papers, approved by the Board of Directors. They first appeared in the 2017 Corporate Social Responsibility Report, and have been published on Leumi's website ever since. This year, as part of rendering the report more focused and condensed, and restructuring it in accordance with Bank Leumi's strategy in order to reach as wide an audience as possible - the Report references policy papers that are available online and its reading is not complete without them.

## Corporate Responsibility Manager

The Group's corporate social responsibility is based on a comprehensive policy, led by the Leumi Board of Directors. The Head of the Human Resources Division is responsible this domain. At Leumi, corporate social responsibility is managed by the Corporate Social Responsibility and Employee Volunteering Department, by the Corporate Responsibility Manager, who is responsible for integrating all of the relevant functions, and fully cooperates with the managers of the various units and corporate social responsibility contact persons at the subsidiaries and Leumi offices worldwide.

As part of their work, and wherever relevant, the Group's managers and employees responsible for corporate social responsibility participate, on a regular basis, in professional conferences on CSR. In 2018, four lectures were held on corporate social responsibility as part of the orientation days for Bank Leumi's new hires, and as part of the annual training meeting for all the parties engaged in the subject at the organization.



For more information about the corporate social responsibility statements, please see the Bank's website.



## Reporting Reliability Assurance

The Leumi Group carries out external and internal assurance of the corporate responsibility reports it publishes, in order to ensure their reliability and improve the information and data collection process necessary to preserve and strengthen the transparency of its operations.

As part of these assurance processes, this report underwent four assurances:

- **Routine assurance:** the Internal Audit Division conducts regular reliability checks of the information presented in the Report from different aspects, such as donations budget management and proper conduct. The report also undergoes validation by the department and division heads, all the way up to the Bank's management and Board of Directors.
- **Process assurance** was conducted by a team of consultants from BDO consulting firm's Corporate Social Responsibility and Sustainability Unit, to ensure proper implementation. The assurance process included full support of the entire program to implement corporate social responsibility at the Bank, including the work on the Report.
- **Assurance regarding the identification of material topics:** The GRI organization reviewed the Report and examined how the material topics were incorporated into the report (GRI Materiality Disclosures Service).<sup>9</sup>
- **External assurance** was carried out by Somekh Chaikin KPMG. The subjects which underwent reliability assurance are marked LA.<sup>10</sup>The information reliability approval document is found on p. 116

---

9. For further information about the GRI assurance, please see p. 19.

10. For further information about the reliability assurance conducted by Somekh Chaikin KPMG, please see p. 116

## Ongoing Dialogue with Stakeholders<sup>11</sup>

The Leumi Group attaches great importance to maintaining an ongoing dialogue with its stakeholders and devotes resources to enhancing communication with them. A transparent, open, and reciprocal dialogue enables the Bank to understand the needs and wishes of the stakeholders, respond to them, make improvements for them, and propose suitable solutions, if necessary.

The dialogue with the stakeholders is conducted across a range of channels and tools - Digital inquiries at conferences, surveys, and conversations and private meetings with customers, employees, suppliers, social and environmental organizations, regulators, and investors.

### Customers

- Personal meetings and conferences
- Focus Groups
- Surveys
- Social networks

### Suppliers

- Supplier conferences
- Surveys
- Feedback sessions

### The general public

- Discourse with social and environmental organizations
- Public discourse on social networks

### Regulators

- Forums and reviews
- Participation in Knesset discussions

### Employees

- Internal surveys
- Executive meetings
- Virtual meetings with the President and CEO
- Round Tables
- Feedback processes

### Investors

- Conferences and personal meetings
- Analyst reviews
- Dedicated page on the Bank's website

## Ongoing Dialogue with Stakeholders

11. GRI 102-44 ,GRI 102-40 ,GRI 102-42 ,GRI 102-43

## About the Report

This is the 10th Corporate Social Responsibility Report published by the Leumi Group, which was written pursuant to the Global Reporting Initiative (GRI) standards under the Comprehensive reporting option.<sup>12</sup> The report also contains reporting in accordance with the principles of the UN Global Compact (UNGC) Initiative.<sup>13</sup>

The corporate social responsibility strategy focus process for the Bank's business operations includes adapting the structure of the Report to Bank Leumi's business strategy and to the spirit of its operations. The Leumi Group maintains reporting continuity, publishing a Corporate Social Responsibility Report annually.<sup>14</sup>

## Content of the Report

The Report covers the Leumi Group's activity in 2018, in the following areas: The economy, society, the environment and corporate governance. Except where noted otherwise, the Report refers to the Leumi Group's activity in Israel and overseas.<sup>15</sup>

The environmental data in the Environmental and Social Performance and Corporate Governance chapter refers to the environmental performance of Bank Leumi and Leumi Card, which employed about 91 percent of all the Group's employees in 2018 and were the source of more than 84 percent of its profits.<sup>16</sup>

The 2018 Corporate Responsibility Report includes reference to Leumi Card Ltd. (now MAX). Following the enactment of the Strum Law, the Bank sold its entire stake in Leumi Card in July 2018. The transaction was completed in February 2019, from which date the Bank has no interests in Leumi Card. Since the Report refers to 2018, when Leumi Card was still under the Bank's control, the data in the report includes reference to Leumi Card. Due to the sale of Leumi Card, specific written reference to Leumi Card is limited.

For more information about the UNGC Initiative and the manner in which Leumi works to advance it, please see Leumi's website.

12. This report includes the reporting sections in the the appendix dedicated to financial sector entities.

13. GRI 102-45; GRI 102-46; GRI 102-48; GRI 102-49

14. The 2018 Corporate Social Responsibility Report is not part of the Group's financial statements, nor of the immediate reports or periodic reports of Leumi. In case of any discrepancy between the CSR Report and the other reports, the version in the financial statements is the binding one.

15. The data in the Report cover the period from January 1, 2018 to December 31, 2018.

16. By contribution to the Group's net income

## Terms

We use the terms “Leumi Group” or “the Group” to describe the activities of the entire Group, as defined in the Report. We use the term “Leumi” when describing the activities of Bank Leumi Le-Israel B.M only. We mention subsidiaries and foreign offices when describing the activities taking place in these companies alone.

Contact person: Ms. Hadar Manor, Corporate Responsibility Manager at Bank Leumi,  
[Hadar.Manor@BankLeumi.co.il](mailto:Hadar.Manor@BankLeumi.co.il)

## Acknowledgements

We would like to thank all the parties in Leumi and the subsidiaries involved in the management and advancement of corporate social responsibility content and who assisted in collecting data and preparing materials for the Report.

The report was published in September 2019.

## Identifying Material Topics for Reporting<sup>17</sup>

Under the GRI standards, pursuant to which the Leumi Group reports, the Group seeks to identify economic, environmental, and social issues that are material to its business and stakeholders in order to improve its impact and performance in these domains. These topics form the basis for Bank Leumi’s corporate social responsibility work plans and are used to define the scope of the reporting required in this report.

Ahead of the 2018 reporting process, we narrowed the list of topics, from 18 to 14, by consolidating topics with a common denominator and removing topics that Bank Leumi is committed to and which it reports by virtue of its operations. The process of rating the 14 topics and estimating their importance is undertaken by a weighted analysis of the Bank’s position (50 percent) and the stakeholders’ position (50 percent) on these topics. The process of identifying the importance of the topics is based on feedback to surveys and qualitative analysis.<sup>18</sup>

**The Bank’s position** is defined by weighting the results of the surveys of the Bank’s management (70 percent) and Board of Directors’ representatives (30 percent).

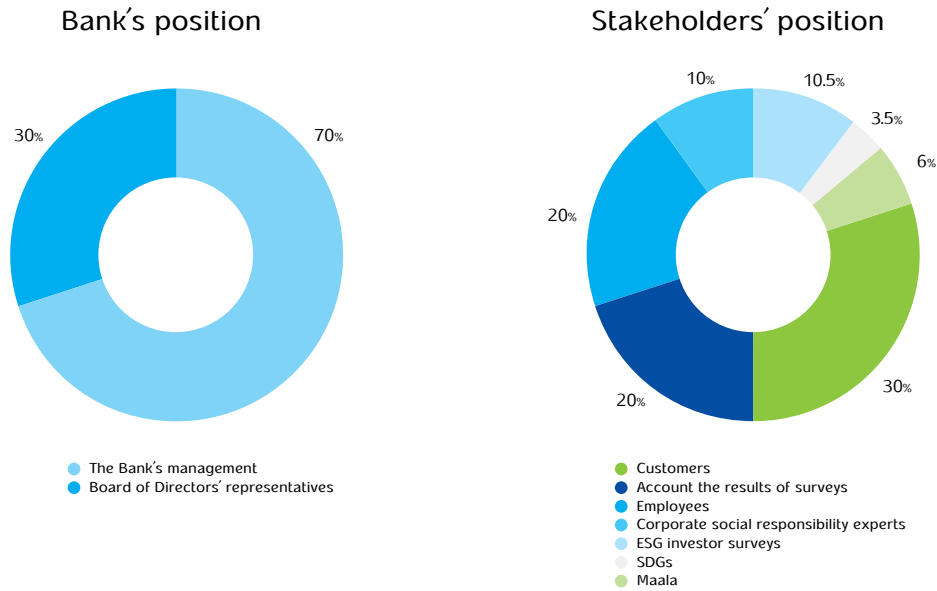
**The stakeholders’ position** is defined by taking into account the results of surveys of 500 customers (30 percent), 190 employees (20 percent), and six corporate social responsibility experts (10 percent), as well qualitative analysis of four ESG investor surveys (10.5 percent), the Maala ratings questionnaire (6 percent), and the UN Sustainable Development Goals (3.5 percent).<sup>19</sup>

17. GRI 102-42; GRI 102-46; GRI 102- 47.

18. Compared with 2017, the topic of social and environmental considerations for granting credit was combined with such considerations in investment decisions; the GRI topics on fair business conduct and financial performance were removed due to the applicable regulation on reporting these topics; the topic of dialogue with stakeholders was removed because it is the very basis for the material topics and is regularly undertaken by the Bank’s various divisions.

19. The percentage in parentheses is the weight given to each group in the final score.

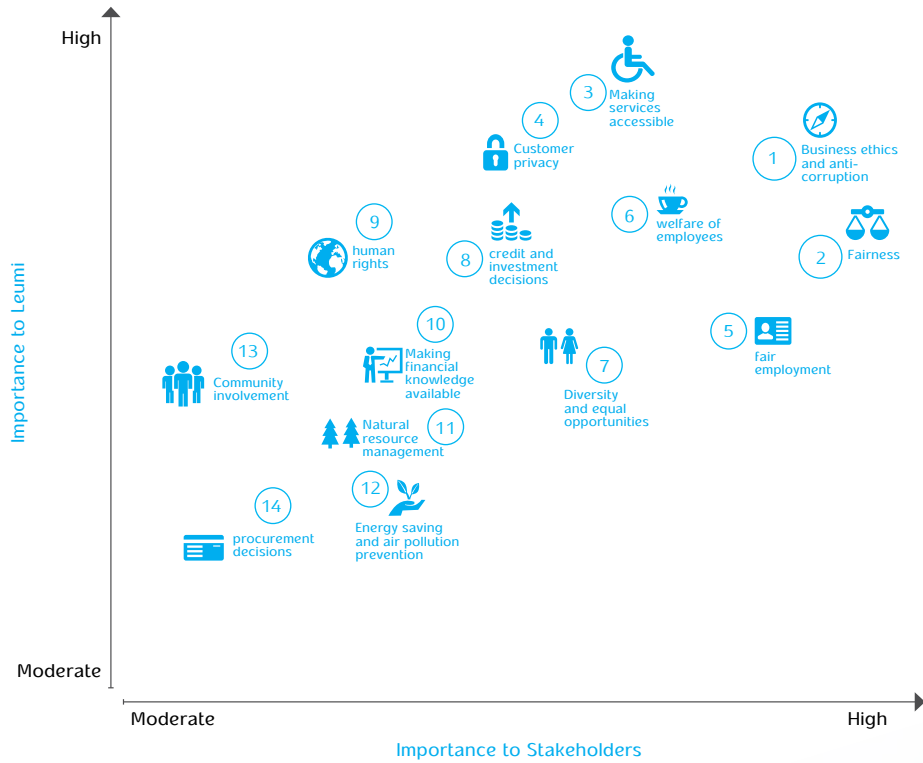
## How the Stakeholders' Positions Were Weighted



As a leading Israeli financial institution, Bank Leumi considers all the selected 14 topics as material to its operations. Therefore, and for the sake of reporting continuity, Bank Leumi reports on all the topics mentioned below. In order to comply with the GRI reporting standards, Bank Leumi set the median of the topics' score as a threshold that differentiates between topics that require full reporting pursuant to the standard's requirements and topics that will be reported based on the scope of its business. Therefore, in the Report, the first seven topics in the rating are material topics for reporting pursuant to the GRI standard.<sup>20</sup>

20. For further information on how Bank Leumi adjusts the material topics identified for the GRI reporting standard, please see p. 119

## The Materiality Matrix and Reporting Topics for 2018



Current location	List of topics
1	Business ethics and anti-corruption
2	Fairness towards customers
3	Making services accessible for disadvantaged populations
4	Customer privacy and information security
5	Maintaining fair employment conditions for employees
6	Health, training and welfare of employees
7	Diversity and equal opportunities in employment
8	Integrating environmental and social considerations in credit and investment decisions
9	Protection of human rights within the framework of the organization's activities
10	Making financial knowledge available
11	Natural resource management
12	Energy saving and air pollution prevention
13	Community involvement
14	Integrating environmental and social considerations in procurement decisions



Fair  
Business  
Conduct

The Leumi Group seeks to champion entrepreneurial, state-of-the-art banking and innovation for all its customers, which serves as the basis for the Group's Code of Ethics – the Leumi Way: Vision, Core Values and Ethics, which serves as a compass that expresses the Group's worldview. Publicly available on Leumi's website, the Code of Ethics outlines the Group's business and professional conduct with its customers and various stakeholders.

## Compliance

The Leumi Group is subject to a wide range of domestic and international laws, ordinances and regulations, including directives issued by the Banking Supervision Department, the Israel Securities Authority and the Antitrust Authority. Pursuant to the Leumi Group's organizational culture, compliance with legislation is built into workflows.

The Bank handles any breach of compliance provisions severely, imposing sanctions such as dismissal, reprimand and reduced personal compensation, with backing by the heads of the divisions.

The compensation policy at Bank Leumi also takes into account compliance aspects, including mandatory enforcement measures or, in certain cases, positive incentives. The compensation programs and measurement of excellence for the business lines support compliance with laws, regulatory directives and the Bank's procedures and core values. The objective is to ensure a culture of compliance with high standards and mitigate the materialization of compliance risks.

For more information about the Code of Ethics – the Leumi Way: Vision, Core Values and Ethics, please see Bank Leumi's website

For more information on Leumi's statement on business ethics, please see the Bank's website

For more information on Leumi's statement on compliance, please see the Bank's website

For more information about risks facing Leumi and its built-in risk management mechanisms, please see p. 49 in the 2018 Annual Financial Statements.

## Risk Management

The Leumi Group is committed to act responsibly, while mitigating the risks facing it. Risk management is a necessary precondition to meeting the Group's current and long-term objectives. The Group is engaged in a wide range of activities that involve financial and non-financial risk-taking. The risk management methods and work procedures in Israel and overseas are regularly assessed and updated, taking into account the changes taking place in the business environment and the requirements of the Bank of Israel and of other Israeli and foreign regulators.<sup>21</sup>

21. For more on social and environmental considerations in credit granting and investment, please see p. 40.



## Internal Auditing

The Internal Audit Division is responsible for auditing the entire Leumi Group and its units in Israel and overseas, in accordance with the multiyear work plan that assists the Group in achieving its targets. The Audit Division regards itself as a tool for assisting the Group's proper and effective operation and serves as a management tool for supporting the Bank's managerial backbone, aiding the Board of Directors and management in fulfilling their responsibilities.

Pursuant to Proper Conduct of Banking Business Directive No. 307, the Audit Division performs an independent evaluation of the effectiveness of the Bank's internal control framework, in order to maximize value and improve the activities of the Bank and the Group. The functions of the Audit Division include:

- Verifying that the Bank's actions comply with the law, regulations, and bank policy and procedures
- Verifying that decisions and directives of the Board of Directors and its committees are implemented
- Examining and assessing the Bank's internal audit systems and their effectiveness
- Reviewing the Bank's implementation and effectiveness of its risk assessment and management procedures and methodologies
- Reviewing of the steps taken to preserve the Group's assets, with emphasis on cost effectiveness
- Conducting special inspections and handling employee complaints about unusual activity and concerns for compromise of proper conduct or integrity



## Rotation of Internal Auditors

The internal auditors at Bank Leumi and its subsidiaries are appointed to their positions, which means that the Board of Directors carries out the appointment process and terminates their work, in accordance with suggestions made by the Audit Committee.<sup>22</sup> Internal and external rotation of the internal audit staff is nevertheless practiced. This facilitates revitalization of perspectives and innovation in auditing, and supports maintaining and following career paths.

The auditors or Audit Division initiate the rotation, after a minimum period of time, in line with procedures and maintaining a 12-month cooling off period when transitioning from a business unit to the Audit Division. The Audit Division aims to pursue internal rotation every five years.

## Preventing Bribery and Corruption

The Leumi Group is subject to regulation against bribery and corruption in every country of operation. Group employees are forbidden to offer, promise, accept, or grant payment or any other item of value, including employment opportunities, in order to influence the recipient to perform, or refrain from performing, any official act, in order to cause the recipient to engage in business with the Leumi Group or to gain an unfair competitive advantage. The Group's system of communications with suppliers, employees, and customers is based on quality, availability, reliability, conditions, and service. The Group has mechanisms for reporting an irregular action, while keeping the identity of the reporting party confidential. The Leumi Group makes every effort to avoid discrimination, while maintaining the best interests of the Group, ensuring confidentiality of its information and making objective and impartial decisions.

In 2018, to detect corruption-related risks in Bank Leumi's activity, the Bank examined and analyzed the activity of the Banking Division, Corporate Department, Commercial Department, Construction and Real Estate Department, Capital Markets Division, and Special Credit Department. The same procedure was followed for business customers in sectors susceptible to bribery and corruption, where employees are required to sign a declaration stating that they are taking action to prevent bribery and corruption.

86 percent of Bank Leumi's employees took an online tutorial on prevention of bribery and corruption and identifying the risks embodied in them for all of the Bank's employees. In addition, as part of the lectures in various banking courses, participating employees were briefed about how handle leading public figures. Lectures on preventing bribery and corruption were held for members of the Board of Directors during 2018.

Bank Leumi regularly monitors implementation of its policy for preventing bribery and corruption. In 2018, the Bank revised its plan for implementing its anti-bribery and corruption policy in cooperation with an external consultant. The revised plan was brought before the Board of Directors for approval in the second quarter of 2019.

---

22. According to Section 53(a) of Proper Conduct of Banking Business No. 307.

## Ethics

- In 2018, Leumi's ethics hotline received 39 inquiries, 29 of which involved questions regarding conflict of interest, 4 regarding gifts and 6 were concerned with other issues. Leumi Card's ethics hotline received no inquiries.
- In 2018, for the first time, the Bank initiated a comprehensive plan for instilling ethical values, and had contract workers working at the Bank sign statements to that effect. In 2018, 90 percent of Leumi's employees successfully completed a tutorial on ethics and core values.
- 98 percent of Bank Leumi's employees signed conflicts of interest statements in 2018. 97 percent of managers inspected their employees' statements on this matter.

For more information on Leumi's statement on prevention of bribery and corruption, please see the Bank's website

For more information on Leumi's statement on business ethics, please see the Bank's website



## Legal Proceedings during the Reporting Period

Below is a list of unusual incidents and relevant legal proceedings filed against Leumi and/or concluded in 2018. Other claims filed against Leumi focused on different subject matters.<sup>23</sup>

Legal claims in 2018	Regarding discrimination	Regarding corruption, bribery and money laundering	Regarding antitrust and anti-competitive behavior	Regarding labor relations, employee rights and breach of protective labor laws	Regarding violation of the Protection of Privacy Act	Regarding adequate disclosure, transparency and fairness towards customers
Claims filed in 2018	0	0	0	11	0	11
Of which: No. of regular claims	0	0	0	11	0	0
Of which: No. of class actions	0	0	0	0	0	11
No. of class actions concluded	0	0	0	0	0	8
No. of settlements and sanctions	0	0	0	0	0	0
No. of convictions	0	0	0	0	0	0

## Handling Inquiries from the Public and Employees

The Public Inquiries Bureau is responsible for measuring and handling complaints and inquiries received by the Bank from the public and employees. The bureau is headed by a public inquiries commissioner, a Bank Leumi executive who reports to the Bank's General Counsel. There is a range of means available to the public and employees for contacting the Public Inquiries Bureau: The contact information for filing an inquiry with the Bank is available on Bank Leumi's website, on its internal portal, at Leumi information kiosks, and on signs at the branches and headquarters (specifically for security, catering and cleaning contract workers).

23. For more information about financial sanctions, legal claims, and other proceedings, please see the 2018 Annual Financial Statements.

**Breakdown of public complaints on Bank Leumi and Leumi Card only in 2018<sup>24</sup>**

Topic	Total no. of complaints	No. of complaints found to be justified
Quality of service	2,515	195
Means of payment	2,881	300
(Non-housing) loans	672	44
Housing loans	385	27
Dormant accounts	55	6
Foreign currency	192	30
Information	498	20
Securities	131	9
Current account (excl. current loan accounts)	848	85
Deposits and savings	95	8
Clearing house activity	27	3
Other activities of the banking corporation	702	37
Other	97	3
<b>Total</b>	<b>9,098</b>	<b>767</b>

40 additional complaints, which were not broken down by the above topics, were received by other subsidiaries, 12 of which were found to be justified. In 2018, the Leumi Group received 9,138 complaints, of which 779 were found to be justified.

**Public complaints on Bank Leumi and Leumi Card on additional topics In 2018<sup>25</sup>**

Topic	Total no. of complaints	No. of complaints found to be justified
Protection of privacy	11	3
Information security	12	0
Discrimination	8	1
<b>Total</b>	<b>31</b>	<b>4</b>

24. In view of the changes in the Bank of Israel's reporting directives, Bank Leumi is obligated to report to the public only complaints and requests handled by the Public Inquiries Bureau, rather than complaints and requests concerning the Bank that were handled by the Bank of Israel. In order to maintain the greatest possible transparency, the data in this CSR report contain all of the complaints and requests filed regarding Bank Leumi. There is consequently a difference between the data appearing above and the public report available on the Bank's website.

25. The complaints segmented in the above table on the subject of protection of privacy, information security, and discrimination are included in the general table for 2018 segmented by topic.

In 2018, the Public Inquiries Bureau also received 26 inquiries from employees of subcontractors about employment terms and conditions and employee benefits. No ethics-related complaints were filed.

In 2018, Bank Leumi's Public Inquiries Bureau granted relief in respect of complaints in the amount of NIS 2.9 million, NIS 1.4 of which were in respect of justified complaints, and others - ex gratia.<sup>26</sup>

For more information on the Bureau of Public Inquiries and employees, complaints received and their handling, please see Bank Leumi's website

## Objectives

### 2018 Objectives - Implementation Status

Topic	2018 objective	Status	Details
Promoting business ethics	Continue to instill ethics, values and conduct principles at the Bank and division levels	Done	At least 70 percent response for the ethics/conduct tutorial; customized activities at the various divisions (emphasis on conduct in the business lines)
Promoting business ethics	Continue the Ethics Committee's activity to promote ethics, values and conduct in the divisions	Done	Hold at least two meetings of the Ethics Committee
Promoting business ethics	Ensure the Ethics Hotline provides quality service	Done	Respond to 100 percent of the calls within a reasonable period of time, until the call handling cycle has been completed

### 2019 Objectives

Topic	2019 objective	Details
Ethics	Customized implementation in the divisions	Conduct at least one implementation activity in each division, whether the activity is dedicated to a specific topic or part of organizational development processes
Ethics	Update the Code of Ethics	Extend the existing Code and include the separate charters in it
Ethics	Strengthen the position of the Ethics Forum and perception of ethics representatives' role	Convene the Ethics Committee twice a year
Ethics	Ethics call center - Instill and devise a high standard of response in cooperation with the divisions	Professional response within 5 working days

26. Complaints which were unjustified or about which it was impossible to form an opinion.



# Innovation and Digital

**Launch of VIDEA** – an innovative investment company of the Leumi Group, which aims to make investment managing smarter, more accessible and simpler

**NIS 2.3 million** was procured from Israeli startups in 2018

**Expansion of Pepper** – A first of its kind online-only digital banking platform in the Israel and one of the first worldwide

**215,000 one-on-one tutorials** for customers to help them become better versed in digital tools, with focus on the elderly

**ME:** An advanced application for smart family budget management, which allows parents to have a prepaid card issued and monitor their children's expenses

**“Digital Women in Business”** – Approximately 150 women entrepreneurs attended a digital marketing course in collaboration with Saloona

## Leumi's Innovation Strategy

The Bank's vision is based on our aim to create a dynamic business environment which incorporates the Bank's values into product and technological innovation. The purpose of this environment is to give our customers the best and most suitable solution to their financial needs, while striving for adequate profitability, maintaining the Bank's stability and striking a balance with the needs of our employees and the shareholders' expectations. As a financial group with major impact on Israel's business and public culture, Leumi regards its commitment to the community as a social and ethical anchor it will continue to cultivate.

In order to accommodate the changing needs of our customers and ensure that the best available technological and financial tools are at their disposal, Bank Leumi has outlined an innovation strategy designed to lead an enterprising banking system that leverages technological innovation to create added value to our customers and support the development of Israeli society as a whole.

**Bank Leumi promotes innovation on several levels:**



### Internal

The Bank's community of innovation leaders encourages innovation for dealing with the needs and challenges facing the employees through Leumi Ideas - a platform for managing and promoting initiatives



### Banks across the world

Reciprocal learning and cooperation with leading financial institutions



### Academic institutions

Promoting entrepreneurship among students studying financial subjects



### The FinTech community

Cooperation and ventures with the FinTech community in Israel through accelerators, incubators, mentoring for ventures, etc.



## Creating Value for Customers by Using Digital Tools

As part of Leumi's vision of leading digital banking innovation, we continued to expand the digital services provided in the application and on the Leumi website. Furthermore, in 2017, we launched the **Pepper** banking app and the **Pepper Pay** payments app, which are the first principal milestone on our course to set up a mobile digital banking service.

**Pepper** is a first of its kind online-only digital banking platform in the Israeli banking industry and one of the first worldwide – from opening a bank account to fully managing their bank accounts via smartphones.

**Pepper** is a fee-free online current account, based on a unique technology that helps customers manage their money better, provides them with an in-depth understanding of how they spend their money, and teaches them how to save and conduct their finances more efficiently. Based on artificial intelligence, **Pepper's** unique technology is able to become acquainted with each and every customer's unique characteristics and adapt the content accordingly, thereby providing them with an utterly personal banking experience.

**Pepper's** user experience is similar to Facebook's "Personal Feed"; it provides a dashboard summary of the account and recent transactions, featuring personalized content, consumer insights, comparisons with people with similar banking needs, expense summaries, weekly and monthly expenses analyses, live updates, consumer tips, and more – all in a simple and engaging language.

**Pepper** provides a 6/24 response through online chats with a banker or our call center, which is manned by bankers.

Taking just a few minutes, the procedure for opening an account with **Pepper** is quick and can be done from any location and at any time that is convenient for the customer. Once the account-opening process is completed, alerts on the customer's credit facilities are sent directly to their mobile phone. Credit cards and checkbooks are also provided free of charge and are delivered to the customer's home by courier.

In 2018, the Leumi Group founded **VIDEA** – an online investment portfolio management company. This is a groundbreaking move in Israel. **VIDEA** manages customers' funds using an innovative algorithm. It offers customers online, transparent, straightforward investment portfolio management. In this way, **VIDEA** renders investment portfolio (of as little as NIS 50,000) more accessible, offering a wider audience such investment products and services.

---

**Pepper** is a first of its kind online-only digital banking platform in the Israeli banking industry and one of the first worldwide – from opening a bank account to fully managing their bank accounts via smartphones

Bank Leumi offers advanced digital solutions that enable its customers to obtain service without going to a branch. It thereby also reduces its indirect energy consumption. In addition to saving paper, this helps reduce the distance driven by customers in order to receive service at the branches, thus reducing air pollution and fuel consumption by customers.

During 2018, Bank Leumi developed new digital tools aimed at creating value for its customers and enabling them to conduct the transactions they need at any time and any place:

- **ME:** The Bank launched an advanced application for smart family budget management. The app allows parents to monitor their children's expenses by giving them rechargeable debit cards, thus contributing to the entire family's smart money management.
- **Improving deposits of checks on mobile devices:** A new scanning interface can be used to view the status of the deposit and the reason for its rejection, when applicable. The service increases the ceiling to NIS 20,000 and enables cooperation with other banks.
- **Payment in installments on the website and via mobile device:** Granting a loan to a customer making a bank transfer (the amount is transferred to the payee in one lump sum, and the customer repays the loan in installments).
- **Digital mortgage:** The Bank launched an innovative, first of its kind service in the local banking industry, allowing customers to apply for mortgage through digital channels. The service allows customers to submit an application and receive approval in principle without physically arriving at the branch or calling the call center.
- **Management of payees for business customers:** Options for digital management of all types of payees in a concentrated table, creating a number of payees simultaneously, setting maximum amounts for payees.
- **Management of payments to suppliers and payrolls:** Making payments to suppliers and payrolls using the application.



## Empowering the Israeli High-Tech Industry

As a leading financial institution in Israel, Bank Leumi greatly impacts Israeli society and the development of the economy. As part of its impact, Leumi's strategy is aimed at supporting the growth and prosperity of the Israeli high-tech industry through its **LeumiTech** department. Besides its significant presence in Israel, **LeumiTech** has a presence in global high-tech hubs such as Silicon Valley, New York, and London. The department advances the high-tech industry in Israel and worldwide by providing consulting services and credit, developing products and programs adapted to the industry's needs, and offering financial solutions for technology companies tailored to their current stage in order to support their growth.

During 2018, Leumi initiated conferences and events at which professional content and lectures were given about technology for various audiences from different industries in Israel. Hundreds of high-tech customers took part. The conferences focused on the interface between the high-tech industry and other industries and sectors in the economy, including food, manufacturing, real estate, etc.

In addition to the financial tools provided by **LeumiTech**, Bank Leumi cooperates, assists, and sponsors entities that encourage the founding of startups with social value, such as:

**Kamatech** - The first ultra-Orthodox tech accelerator, located in Bnei Brak, which promotes startups founded by entrepreneurs from the ultra-Orthodox sector. Since its inception, dozens of companies have emerged from this accelerator. The aggregate value of these companies is in the hundreds of millions of dollars.

**TechForGood** - For the third straight year, LeumiTech has been assisting TechForGood - an accelerator focusing on the nurturing and development of technological startups having a positive impact on society and the environment, in addition to generating a financial return.

**EIF Fund** - Starting in 2016, the Bank has been cooperating with the European Union's European Investment Fund (EIF). As part of this cooperation, the Bank offers beneficial loans to small and medium-sized businesses that further technological innovation, growth businesses; research, development and venture capital activity; etc.

**Social bonds** - "Leap to Education": Leumi continues to support social bonds as part of its collaboration with Social Finance Israel, a public benefit company which strives to achieve social goals through the issue of social bonds. Since 2015, Leumi has been investing in the "Leap to Education" program, which strives to reduce dropout rates by students from disadvantaged populations

studying computer science. As part of the program, about 600 students are expected to receive personal support, study assistance and scholarships (according to certain criteria), in order to allow them to keep up with the curriculum.

NIS **2.3** million

Bank Leumi regards the advancement of Israeli startups as essential. In 2018, the Bank spent NIS 2.3 million on purchasing services from such companies

## Protecting Customers' Privacy and Information Security

Encouragement of innovation and development of technological and digital financial tools for the benefit of customers and the high-tech community in Israel change the channels of communication between people and companies and shape new habits of information consumption and sharing. At the same time, technological development entails double responsibility: Protecting customers' privacy and information security while ensuring continued access to the range of services for all customers affected by these changes.

Bank Leumi utilizes many tools for preserving and protecting the privacy of our customers' information. We regularly update and improve these defense systems according to technological developments. In order to enhance awareness among Leumi employees of the information security risks in activity with customers, Leumi's employees undergo digital training on the subject that includes information, instructions, and procedures. During 2018, 93% of Leumi's employees completed an information security tutorial.

During 2018, Leumi received 11 complaints concerning protection of privacy, 3 of which were found to be justified. 12 complaints were received concerning information security, one of which was found to be justified. Leumi regularly implements procedures for drawing conclusions from such events in order to prevent recurrence of the cases that resulted in complaints. For more details about the complaints received and the remedies for them provided by Leumi, please see p. 28.

## Promoting Digital Literacy

During 2018, in the realization that in addition to hundreds of thousands of active customers on its digital channels, there are still many customers who need assistance in crossing the digital divide in the financial realm, Leumi expanded its Israel IL project. Launched in 2017, **Israel IL** is a training project that equips Leumi customers with a set of tools to enables them to use digital channels for conducting the banking transactions they need. The project's activity was expanded in 2018. Beyond imparting digital tools, it now also provides financial education to both private and business customers on either a group- or individual format through Leumi's network of schools.<sup>27</sup>

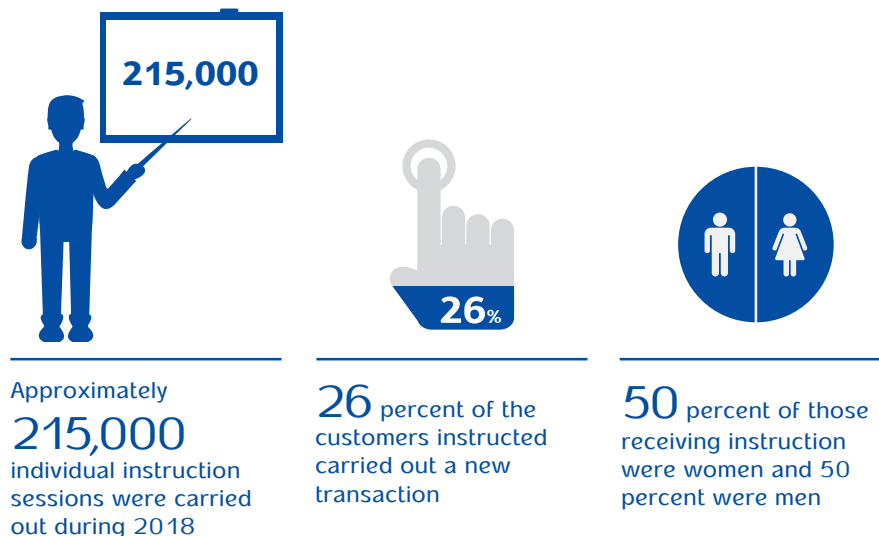
During 2018, approximately 130,000 digital training sessions were held for the general public, in addition to publication of "How to" videos [explaining how to use the Bank's various digital channels](#).

Digital assistants have been placed at the Bank's branches where the teller stations have been converted into digital stations, to help teach customers how to carry out transactions using automated devices and mobile phones.

For more information on Leumi's statement on privacy and information security, please see the Bank's website

27. Leumi's schools offer courses in a range of areas, such as: Business management, the capital market, digital marketing, financial education, and home economics workshops. For more details about Leumi's schools, please see p. 51. For further information about the proposed programs, see the [project's website](#).

As part of the project, Leumi offers training and holds conferences on the digital devices available at the entrances to all of its branches. It offers its customers training videos on its website and application, and provides special training on the topic for the Bank's employees. Israel IL is designed for customers of all ages. However, Leumi has decided to allocate additional resources to the elderly population, first and foremost through the Israel-IL-Mobile, a vehicle which makes a variety of services accessible to elderly people residing in assisted living facilities. During 2018, the Israel IL van - which makes ATM services accessible to customers of all of the banks - visited approximately 40 assisted living facilities and offered Leumi customers the opportunity to conduct a range of transactions and obtain information at digital service kiosks installed in the vehicle with the help of a banker, who also assisted in carrying out banking services requiring direct communications with the branch.



Surveys conducted among customers who have undergone training on our digital services indicate that they continue to perform digital transactions, are more satisfied with the Bank's service, and feel more loyal towards it. We are continuing to provide significant added value for our customers in this era of comprehensive digital changes, and recognize our responsibility to continue helping our customers connect to the digital world.

## Partnerships with Social Organizations to Promote Digital Literacy

**ORT's Surfing Club:** The project focuses on empowering and developing leadership skills and social involvement of youth by volunteering with adults to reduce digital divides. About 500 middle school students from 36 schools across Israel meet once a week with the elderly and help them become better versed with the digital domain, teaching them computer skills and useful applications.

**Machshava Tova:** Machshava Tova works to reduce social gaps through technology. As part of the cooperation, employees of the Leumi Technologies Division volunteer at the Machshava Tova Technology Center in Lod. The employees serve as mentors and lecture on employment at the NGO's service, support the youth groups, and run Summer Tech, a one-week technology summer camp, featuring presentations developed and delivered by the Bank's knowledge experts.

A financial education project for the elderly in cooperation with the Bank of Israel and the Association of Banks in Israel was conducted in order to bridge the gap and help this population group acquire tools that will help it to conduct business in a digital world. The project consisted of two stages:

- **Stage 1** – A generic lecture on the subject of “Digital Banking Empowerment” given by bankers at movie theaters all over Israel as part of the “Shlishi B’Shlaykes” venture launched by the Ministry of Social Equality. Approximately 4,000 people attended such lectures.
- **Stage 2** – Personal instruction at the Bank’s branches on digital banking services available to them, including hands-on experience.

## Objectives

### 2018 Objectives - Implementation Status

Topic	Objective by end of 2018	Status	Details
Promoting financial knowledge	Render the application fully accessible and provide highly-responsive mobile support for the websites	Done	Full accessibility pursuant to the to AA standard
Promoting financial knowledge	Financial education - Launch a tool to encourage economic conduct and independence for youth	Done	Launch the ME application and debit card for pocket money management, allowing parents to control their children’s spending, and youth - to manage their money independently. The app is linked to a debit card and allows parents to monitor its usage

### 2019 Objectives

Topic	Objective as at end of 2019	Details
Digital innovation	Development of an incubator for senior citizens as part of the cooperation with TechForGood	Support for an incubator focusing on creating solutions for senior citizens’ needs as part of the cooperation with TechForGood
Promoting digital literacy	Tutoring customers about Leumi’s digital services	Tutoring 100,000 customers



# Contributing to the Economy and Society in Israel

**NIS 5.3 billion** was invested as credit to advance social and environmental issues

**About 20** suppliers were added to the Maala ratings, at the initiative of Bank Leumi in 2015-2018

**NIS 293.2 million** – the Group's total investment in the community since 2010

**NIS 5.8 million** – total procured from companies promoting the hiring of people from underemployed sectors

**100 percent** of the Bank's branches are physically accessible pursuant to the required regulations

**About 34,600 volunteer** hours were invested by approximately 4,700 Group employees during 2018

**Local procurement:** 95% of total procurement during 2018 was made from Israeli companies

**NIS 41.4 million** – the Group's total investment in the community since 2018 – about 0.84% of the Group's net income

As one of Israel's largest banking groups, the Leumi Group has extensive economic impact on the Israeli economy and its stability. As an organization that operates in the community, we recognize our responsibility to strengthen Israel's society and economy and empower the parties that can develop and implement appropriate solutions for the challenges they face.

This impact is reflected on two main levels:

**The Leumi Group's direct impact on Israel's economy and society**, which stems from the Group's being a leading financial entity in the economy, providing credit and other financial services to millions of customers, whose business success is related to the social and economic strength of the community in Israel.

**The Leumi Group's indirect impact on Israel's economy and society** – derived from support of economic activity in Israel through financing of infrastructure projects, advising a range of industries – including manufacturing, commerce, chemicals, and food, the advancement of small businesses and trade and involvement in the capital market, services with social and environmental value, domestic and global procurement, financial contribution to the community, and payment of taxes to the state treasury.

## Creating Environmental and Social Value

In recent years, the Israeli economy has undergone significant changes in the area of renewable energy and has made a shift to natural gas, while reducing its consumption of polluting energy and its greenhouse gas emissions. Consequently, the Group offers its customers a range of financial products that help them tackle the environmental challenges they face and adapt their operations to them, while reducing their impact and boosting positive impacts on the environment. These challenges affect, inter alia, the agriculture, construction, transport, energy and water sectors.

To meet the social challenges facing its customers, the Leumi Group develops unique social credit products, which help support economic and social development by granting credit to educational, healthcare and affordable housing facilities, encouraging small businesses and promoting disadvantaged populations in Israel. The Banking Division promotes social businesses, such as those which employ people with disabilities or youth at risk.

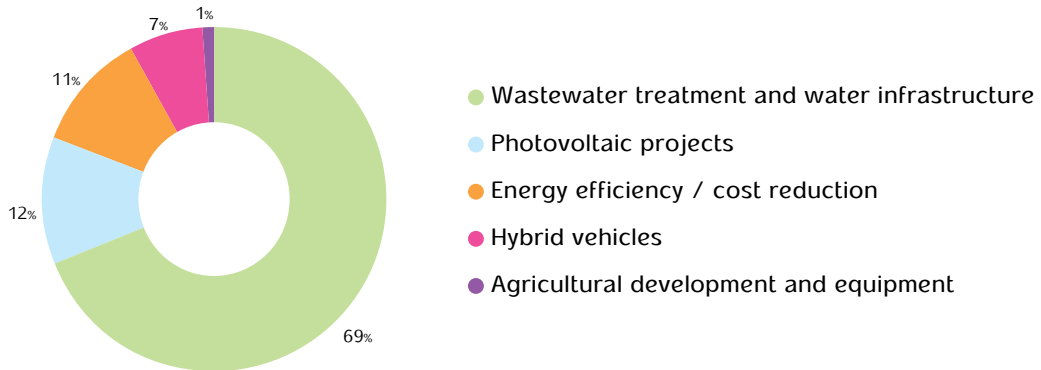
while recognizing the potential risks embodied in some of its areas of activity and taking care to hedge them, in order to avoid causing harm. Social and environmental loans are provided by the Corporate Division and Banking Division.<sup>28</sup>

---

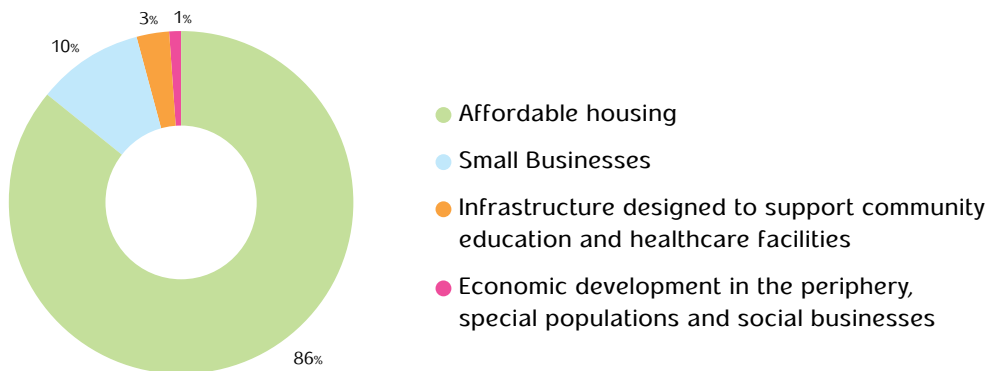
28. The figure shown below reflects the total new credit granted in 2018, rather than the total cumulative or revolving credit granted in previous years.



In 2018, Leumi granted approximately NIS 0.6 billion in credit to advance environmental issues<sup>29</sup>



In 2018, Leumi granted approximately NIS 4.7 billion in credit to advance social issues<sup>30</sup>



For more information regarding the economic value created by Leumi Group during 2018, please see the Group's 2018 Annual Financial Statements

For more information on Leumi's statement on credit and investment consideration, please see the Bank's website.

29. Including credit granted to finance projects in China and Africa (NIS 0.5 billion). The data presented herewith were collected manually and are not automatically retrievable and therefore not comparable with previous years. The data include financial credit and guarantees.

30. Including credit granted to finance projects in China and Africa (NIS 0.5 billion). The data presented herewith were collected manually and are not automatically retrievable and therefore not comparable with previous years. The data include financial credit and guarantees.

## Contributing to Growth of Private Customers and the General Public

The Leumi Group provides service to private customers through the Banking Division at Bank Leumi and through **Pepper** and **VIDEA**. The Leumi Group is deployed nationwide to provide the full range of its services and products to all its customers, through multiple channels: Online and mobile, by the call centers, branches, at Leumi Information kiosks, and ATMs.

Leumi's Banking Division strives to constantly improve the level of service and create value for its customers at different stages in their lives. The main products and services provided to private customers are: checking accounts, deposits and savings, consumer credit, credit cards, mortgages, investment advice and pension counseling.

## Service Accessibility for the Entire Population and Promoting Disadvantaged Populations

The Leumi Group seeks to make services accessible through branches for all groups in Israeli society, irrespective of gender, religion, geographical location, or physical disability. As of the end of 2018, Bank Leumi had 208 branches nationwide, including 39 in the heart of peripheral communities, 24 in predominantly ultra-Orthodox areas, and about 40 in predominantly Arab areas. 100 percent of the Bank's branches are physically accessible pursuant to the required regulations.

During 2018, Bank Leumi and newspaper Mishpacha jointly convened a conference for ultra-Orthodox businesswomen, which focused on banking management of small businesses. About 1,000 ultra-Orthodox opinion leaders and businesswomen participated.

Bank Leumi strives to help customers avoid getting into debt and engages in direct, sensitive, fast, and purposeful dialogue with customers in financial difficulties, through an individual examination of their ability to settle their debts and finding as comfortable solution as possible, both by holding meetings with indebted customers and various other services, such as mortgage moratorium to help homebuyers during this period.

In 2018, about 250 "customer days" were held, during which Leumi representatives met with about 4,300 customers in debt in an effort to assist them in finding the best solution to settle their debts.

## Contributing to Growth of Arab Society in Israel

Bank Leumi offers a range of designated products and services for the Arab community in Israel, following the merger of Arab Israel Bank and Bank Leumi in 2016. Today, Arab Israel Bank's former customers enjoy Leumi's strong financial position and its wide range of credit and investment products and value propositions alongside attentive, dedicated face-to-face service in Arabic. The bank will also strengthen the digital representatives stationed at the branches in Arab-concentrated areas to personally train customers at the on site.

As part of Leumi's efforts to contribute to the growth of Arab society in Israel, the Bank offers enrichment activities and meetings to empower women, encourages women-owned businesses and grants loans tailored to the needs of businesses and entrepreneurs from the Arab sector, as well as special loans ahead of the Arab community's holidays.

During 2018, Bank Leumi and The Marker convened the Arab Society Economic Conference with the participation of key personalities in the Arab sector. The conference had 600 attendees. The conference engaged in a range of ways to promote the economy in Arab sector and the challenges it faces.

For more information on Leumi's statement on accessibility to people with disabilities, please see the Bank's website

For more information on Leumi's statement on services to promote disadvantaged populations, please see the Bank's website



## Promoting Financial Knowledge

The Leumi Group strives to provide its customers with the knowledge and tools needed to optimize use of the financial services available to them, with the objective of enabling them to create a financial base that will influence their personal, career, and business development.

### **Initiatives to Enhance Customers' Financial Knowledge:**

**Simplifying information for the customer:** As part of its efforts to improve customer service, Bank Leumi revised and redesigned notices being sent to customers – such as regarding fees and commissions, overdrawn accounts and banking ID – so as to make them simpler and easier to understand.

**Encouraging customers to save and consumer awareness:** Bank Leumi helps customers manage their bank accounts in the best way possible, in order to encourage saving, wise consumption, and planning for the future. For this purpose, the Bank offers a wide range of deposit- and savings plans with various linkage options.

**Pension consulting services:** The Bank offers relevant customers professional comprehensive pension consulting services, which are tailored to their insurance, financial, and family needs, as well as to their retirement plans.

**Financial education conferences:** Customer conferences enable Bank Leumi to provide a targeted response to different populations, adapting to their needs information regarding family budget management and the financial tools available to them.

**Digital Cafe:** In 2018, Leumi held six open lectures on a wide range of financial topics – from digital banking to banking for businesses (formerly “Economics on the Bar”).

**Leumi Blog:** Each month, Leumi Blog publishes around eight new posts with up-to-date and helpful information on a wide range of topics. During 2018, Leumi crossed the one million visits per year threshold.

**Bank Leumi also supports NGOs and social initiatives that seek to enhance financial knowledge:**

**Pa’amonim NGO:** The NGO assists individuals, families, organizations and populations in a variety of life situations, who are interested in undergoing mentoring and financial counseling and who need to acquire knowledge, tools and new habits in this area. The assistance is provided by issuing information and tools for independent work and individual or group financial assistance, for a period of several months, in the field of financial conduct. The organization also operates financial education programs throughout Israel, offering presentations, study programs and group workshops.

**Shiur Acher** – Leumi volunteers give financial education classes in schools, expanding children’s and youth’s financial knowledge in various educational frameworks. In 2018, the activity included 350 employees, 36 adopting units and 40 classes at schools across Israel’s geographic periphery. The scope of the activity is estimated at 360 volunteer hours.

For more information on Leumi’s statement on making financial knowledge available, please see the Bank’s website

For further information about the Leumi Group’s efforts to make financial information accessible to private customers, please see the list of Leumi schools on page 51

## Shared-Value Products and Services for Private Customers

In order to provide as many population groups as possible access to financial services customized to their needs and means, Bank Leumi offers its private customers products tailored to their different characteristics, with the objective of maximizing shared value - social, environmental, and economic - for Bank Leumi, the customers who use its services, and Israeli society in general.

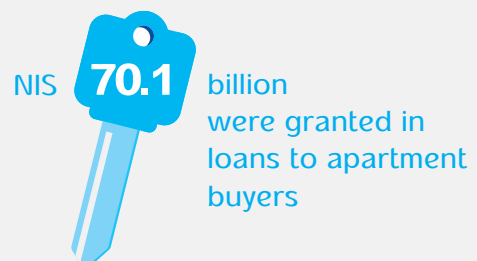
- **Student loans:** Bank Leumi identifies customers in the growth period of their lives and offers them loans customized to their needs, in cooperation with educational institutions by subsidizing interest, thus expanding access to higher education. **In 2018, Bank Leumi granted NIS 195 million in such loans.**
- **Support of women victims of violence** - The Israeli banking sector has signed a voluntary charter entitled Banking Availability. The charter's objective is to facilitate and provide financial solutions for battered women who are residing in shelters and transitional living arrangements. For this purpose, the banks have provided designated contact persons for the women. Bank Leumi has joined the charter and helps customers residing in shelters to conduct their financial affairs and manage their accounts by providing personal, sensitive assistance and protecting their secrecy and privacy. This includes assisting battered women in handling joint accounts, often locating and providing account information, easing payments, rescheduling debts, issuing credit cards and checkbooks, etc. **In 2018, we handled the cases of dozens of such women in this manner.**
- **Customized loans for customers in the Arab sector:** Bank Leumi recognizes the complexity and challenge in registering real estate properties in Arab society and provides its customers a special loan for building or renovating homes without placing a lien on the property. **In 2018, Bank Leumi granted NIS 13 million in these loans.**
- **Loans for private solar installations:** Leumi provides its customers with financing tracks for small and medium-sized solar installations intended for customers who own a roof, structure or land on which the facility can be installed, as well as for entrepreneurs who wish to rent a roof or land for that purpose.
- **Loans to finance the purchase of hybrid vehicles:** Leumi offers private customers special loans for the purchase of hybrid vehicles. **In 2018, such loans totaled NIS 40 million.**

As of the end of 2018, deposits by households and private customers with the Leumi Group

totaled approx. **139.9** NIS billion.

Credit granted to private customers totaled

**107.5** NIS billion.





## Contributing to the Growth of the Business Sector

### Empowering Small and Medium Businesses

About 578,000 businesses – which constitute about 99 percent of the businesses operating in Israel – belong to the micro-, small- and medium-size business sector. This sector provides approximately 1.74 million jobs in Israel, accounting for 52 percent of the business sector's GDP and constituting one of the Israeli economy's main growth engines.<sup>31, 32</sup> To strengthen the competitiveness of small businesses, who have a significant effect on Israel's economy and society as a whole.

Small business owners deal with bureaucratic challenges, lack of management know-how and find it difficult to cope with conventional credit tracks due to lack of capital or appropriate financial collateral. In recognition of the needs of small and mid-sized businesses, and their importance to the economy, in 2018, the Leumi Group continued to initiate and develop measures and products customized to the needs of this sector.

Total credit provided to small and micro-businesses as at the end of 2018 was approximately NIS **60.7** billion and the total credit extended to the mid-sized (commercial) business sector as at the end of 2018 was approximately NIS **27.3** billion, for a total of NIS **88** billion.<sup>33</sup> Deposits by small and medium businesses with the Leumi Group amounted to NIS **93.2** billion as at the end of 2018.

31. 2017 figures: from Demography of Businesses - Survivability and Movements of Businesses, 2015-2017, Active Businesses by Economic Sector and Size Groups (Table 1), Central Bureau of Statistics, 2018.

32. 2017 figures: Salaried Employee Positions by Economic Sector and Size Groups (Table 2) Central Bureau of Statistics, 2018; from the Business Survey, Ministry of the Economy and Industry; and Large Groups, Central Bureau of Statistics, 2018

33. The credit does not include off-balance sheet credit and derivatives.

## Empowering Corporations

The Leumi Group provides banking and financial services to the leading corporations in Israel, including corporations in fields such as construction and real estate, infrastructure, industry, transportation, chemicals and technology. The Group's ability to provide financing and services to these corporations has made a crucial contribution to the growth of the economy, subject to regulatory restrictions.

The services given include, among other things, ongoing financing according to the customers' needs, financing investments to maintain and expand operations, providing financing solutions in the area of international trade, financing and supporting national and international projects, financing mergers and acquisitions, organizing syndicates, financial instruments to hedge against currency risks, interest risks and changes in commodity prices, investment services and capital market activities.

In addition, Leumi Card offers its customers various plans - which include clearing services, immediate crediting of their accounts and a one-stop-shop service station - all for a fixed monthly fee.

Total credit provided to the large business segment as at the end of 2018 was NIS **61.9** billion.<sup>34</sup> Deposits of large businesses with the Leumi Group as at the end of 2018 amounted to NIS **49.5** billion.



34. The credit does not include off-balance sheet credit and derivatives.



## Initiatives to Promote Knowledge Among, and Provide Tools for Business Customers

**Making financial information and analysis available to businesses:** Managing and processing financial information pose significant challenges for CFOs of businesses. A CFO bases his/her work on current information, and the quality and reliability of that information has great impact on the company's financial management and decision making in real time, and a result – on its success.

To help companies cope with these challenges, Leumi has launched its Cash Management service. The service makes a variety of products and solutions available to businesses through a secure, easy to use online interface. The service includes tools to manage and obtain concise financial information from the entire banking system in Israel and abroad, including cash flow statements and cash flow forecasts. The service enables CFOs to be more proactive and efficient in managing financial risks for their companies.

**Workshops for business customers:** During 2018, dozens of conferences and professional sessions were held for thousands of business customers, to improve the knowledge available to them and become better acquainted with them and their needs. The workshops included information on the Cash Management system, improving and managing cash flow, managing family and inter-generational businesses, investments and securities. To promote green energy, Bank Leumi also initiates meetings and lectures on the advantages of solar energy use.

**Leumi Right to Your Doorstep:** Every week in 2018, Bank Leumi managers met business customers on their premises to discuss their challenges and offer immediate banking and other solutions (as part of the Bank's overall value propositions for small businesses). Altogether, thousands of meetings have been held outside Bank Leumi branches. In addition, as part of a new business service model, an in-depth meeting is held with the customer (at the business or branch) every six months, to understand his/her business and personal needs and offer them the best value proposition for the short- and long term.

## Shared-Value Products and Services for Business Customers

Alongside the range of services and credit tracks, the Leumi Group offers unique tracks and benefits to small businesses, businesses operating in geographically and socially peripheral areas and organizations engaged in social activities, seeking to create shared value.

**Leumi-Koret program to promote small businesses in the periphery:** Under this program, Bank Leumi has been granting beneficial loans to small businesses in the periphery since 2009. **In 2018, about 190 loans, totaling NIS 46 million, were granted.**

**Government Guarantees Fund:** For more than ten years, with the objective of supporting and promoting the Israeli economy, financially justified small and mid-sized business-owners that have the potential to grow and create new jobs in Israel, but which struggle to obtain credit, may benefit from state-guaranteed loans. Under this collaboration, Bank Leumi grants loans to businesses in a range of industries, with the objective of enabling them to fulfill their potential and contribute to employment and output for the good of the Israeli economy. **In 2018, 1,414 loans, totaling NIS 427 million, were granted.**

**Yozmot Atid – Loans to female micro-entrepreneurs:** A joint venture with NGO Yozmot Atid (formerly “Latet Atid”), which was launched in 2012. Under this collaboration, the NGO advises financially struggling female entrepreneurs, who own a business or have a concept for one, and offers them a support package that includes a business plan, business advice from a mentor or mentors, business training, benefits for opening a business, and access to financing from Bank Leumi, which grants loans of up to NIS 40,000. **In 2018, eight female entrepreneurs participated in the initiative and received NIS 90,000 in loans.**

**Solar loans for small businesses:** With the objective of promoting the use of green energy by small business-owners, businesses that own properties where solar energy panels can be installed may be eligible for a loan of up to 100 percent of the value of the solar installation. **In 2018, 48 loans, totaling NIS 12 million, were granted.**

**Financing environmental infrastructures projects:** In 2018, Leumi participated in the financing of several projects with a positive impact on the environment, such renewable energy and waste treatment facilities.

NIS **70** million

---

New credit totaling NIS 70 million was granted in 2018 to various business line customers



## Leumi Schools

As part of its extensive efforts for economic empowerment of various population segments in Israeli society, the Bank established Leumi's Schools, designed to provide the general public and the Bank's customers with a range of professional tools and financial skills, by leading experts, free of charge.

Framework	Topics	Scope of activity
Leumi's Business School	<p>An extensive course designed to provide small business owners with a variety of practical tools to help them grow and develop their businesses. Free of charge, the course is offered to customers of all banks.</p> <p>The course's curriculum features the following topics: Networking, negotiation, e-commerce, digital marketing, business development, financial aspects of business management, taxation.</p>	<p>During 2018, the course was held once, in 6 different areas across the country, at the same time. Each of the courses included a total of 35 academic hours, with about 1,000 business owners participating. In 2014-2018, about 4,000 business customers from across the country participated in the course.</p>
Digital Marketing School	<p>Established in 2017 with women's portal Saloona, Leumi's Digital Marketing School targets early-stage women entrepreneurs or small business owners, providing them with practical tools for establishing and marketing their businesses through a variety of digital platforms. Open School for all bank customers.</p>	<p>In 2018, 150 female entrepreneurs attended five courses of seven meetings each.</p>
Next Generation School	<p>The course is designed for next-generation mid-sized family business owners who are in the process of inter-generational transition. The course is designed to provide participants with practical tools to improve their business skills, while addressing the unique needs of the businesses in a changing world. The course features the following topics: Strategy and innovation, negotiating for a family business, networking, how to win in a competitive world and more.</p>	<p>The course includes 3 sessions. In 2017, 70 of Leumi's customers participated in the course, free of charge.</p>
Capital Market School	<p>Leumi's Capital Market School was established to provide customers with hands-on tools for smart conduct in the capital market. Free of charge, the course teaches various topics, such as the capital market, including investment in securities, adjusting investments and investment psychology, "Leumi Trade", pension savings, etc.</p>	<p>In 2018, the Capital Market School's second course, which included 5 meetings, was held in collaboration with the Open University.</p>
Family Finances Schools	<p>Workshops for private customers and young families - aimed at providing them with professional tools for managing a growth-oriented family budget - were held by professional staff from the Bank and an external company.</p>	<p>In 2018, about 2,000 private customers participated in 60 meetings on family finances</p>

## Engaging and Dialoguing with Customers

Listening to the customer's voice is one of the cornerstones of the service improvement process at the Banking Division. A number of service quality control measures exist for this purpose:

**Regular service surveys** in which customers are asked about their satisfaction with all service channels – their branch, Leumi Call, website and mobile.

**Undercover inspections** – Monthly inspections designed to identify the customer experience from the moment he/she enters the branch in order to better understand the customers' needs and offer them personalized solutions and services.

**Routine inspections** of branches and customer call centers' face-to-face and telephone availability, according to targets.

In 2018, about 72,000 surveys were initiated to monitor Leumi customers' satisfaction with the service they receive from the branches, call centers, divisions and various units. The surveys use various measures, according to the type of customers, their needs and Leumi's strategy. In cases of abnormal results, Leumi uses quality control measures by identifying failures and ways to take corrective actions and implement them on a regular basis. The overall customer satisfaction score in the Banking Division was 7.59 (on a scale of 1–10) in 2018:<sup>35</sup> In 2018, approx. 29,000 customer satisfaction and customer experience surveys were initiated among Leumi Card customers.

---

35. With 10 being the maximum score; the Banking Division is Bank Leumi's largest division. In 2017 report, there was a typo in the customer satisfaction score, such that in 2017, the score was 8.95 (rather than 95.8, as reported).

## Supply Chain

Leumi's procurement activity mostly includes the ongoing purchase of products and services for projects, for all of Leumi Group's functions, including the subsidiaries, as needed.<sup>36</sup>

Bank Leumi's Procurement Department is responsible for identifying and screening suitable suppliers, as well as for negotiating, entering into agreements, and managing regular relations with them.

Procurement at Leumi is divided into technology procurement (hardware, software, product maintenance, IT consultants and communications) - which comprises approx. 70 percent of total procurement, and general procurement (office equipment, security and safety, printing and mail, marketing & advertising, transportation, construction, cleaning and maintenance), which comprises approx. 30 percent of total procurement. The Group also works with several suppliers that provide products specific to the banking industry, such as ATMs and machines for counting banknotes.

## Procurement Data

- In 2018, Leumi Group worked with approximately 2,326 suppliers.<sup>37</sup>
- 100 percent of the suppliers which began providing services to the Procurement Department in 2018 undertook to comply with the fair employment environment criteria (terms of employments, safety, etc.).
- Depending on the type and extent of engagement, Leumi's contracts with its suppliers include clauses regarding commitment to employee rights.
- 100 percent of the 31 construction and maintenance suppliers, which began providing services to the Procurement Department in 2018, undertook to comply with environmental criteria similar to other suppliers of the Bank in these sectors.
- NIS 5.8 million of Bank Leumi's total procurement in 2018 was from suppliers that employ under-represented populations, a 26 percent increase over 2017.<sup>38</sup>
- The Bank's social procurement from NGOs and social businesses totaled NIS 1.1 million in 2018.

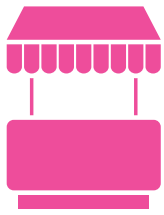
36. Most of the procurement activity is carried out by the general procurement function, which is responsible for procurement processes and for carrying out large transactions. The Procurement Department of the Finance Division is responsible for these processes. In addition to these procurement activities, direct purchases are made by the headquarters, units and branches. The information in this section refers to the general procurement activity only, unless noted otherwise.

37. Leumi classifies its suppliers as follows: Small suppliers - Businesses with 0-20 employees; mid-sized suppliers - Businesses with 21-100 employees; excluding data of Leumi Partners and Leumi USA suppliers.

38. Businesses with an overwhelming majority of employees from the ultra-Orthodox and Arab sectors.

Responsibility considerations are implemented by the Leumi Group's supply chain on two levels:

- Responsible Conduct with Suppliers
- Enhancing Positive Impact on the Community through Procurement



**61%**

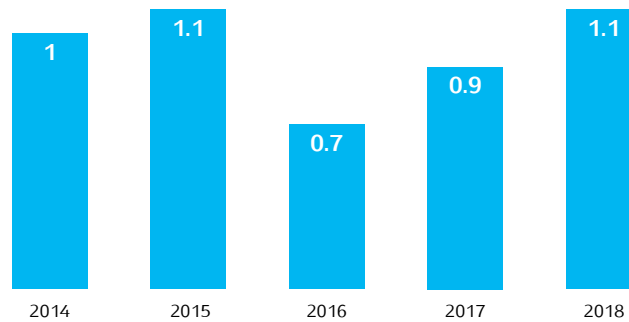
of the suppliers working for Leumi's Procurement Department in 2018 were small and mid-sized businesses



**95%**

of Leumi's total procurement during 2018 was from local suppliers registered in Israel.

Social Procurement by Bank Leumi (in NIS million)



## Responsible Conduct with Suppliers Financial Division, Procurement Department Financial Division, Payments Unit

In 2013, the Leumi Group drafted a Supplier Charter based on the Leumi Way, outlining the Group's conduct towards its suppliers, with an emphasis on, transparency, sensitivity to conflicts of interest, exercising discretion, confidentiality, fairness, professionalism and protecting the environment.

### Initiatives to Promote Responsible Conduct with Suppliers

#### Ongoing cooperation

- The Procurement Department establishes regular dialogue with most suppliers through a secure portal enabling fast and transparent uploading of agreement documents and invoices.
- The payment schedule to suppliers is EOM + 30 days, unless alternative terms of payment are noted in the purchase order.<sup>39</sup>
- To help its suppliers, subject to a special request and pursuant to the "chain of command", the Leumi Group may bring payment forward if the supplier faces liquidity difficulties.

#### Supplier Selection

- Where material transactions are concerned, the Bank strives to manage the bidding processes through an online system, which allows for the submission of questions and providing a response to all the suppliers participating in the procurement process in a quick and uniform manner. In addition, the phase of selecting the winning supplier is conducted while maintaining separation between aspects of quality and cost, with emphasis on fairness.

#### Coordinating expectations

- Before issuing tenders for construction projects, the Procurement Department initiates a preliminary tour for subcontractors, with the

aim of enabling potential suppliers to coordinate expectations, understand the nature of the project and in order to maintain transparency.

#### Constant Improvement of the Procurement Department

- Every two years, the Procurement Department conducts a supplier survey to assess suppliers' perceptions of their interfaces with the Procurement Department, with emphasis on applying the values of the Supplier Charter (fairness, equality, confidentiality, etc.). In December 2018, a supplier survey was conducted among the Bank's suppliers.
- The suppliers' overall satisfaction score: 8.4<sup>40</sup>

39. The data refer to payments made by the Central Payment Unit. There may be differences in payments made by other units.

40. With 10 being the maximum score.

## Enhancing Positive Impact on the Community Through Procurement

The Leumi Group's growing awareness of the responsibility involved in managing the supply chain and its impact on the environment and community where it operates is reflected in its process of selecting suppliers and products. Suppliers must declare that they are not involved in taking and/or accepting bribes, and, depending on the nature of their business - that they are responsible for various environmental issues, such as air pollution, water pollution, soil contamination, noise, odor, ionized and non-ionized radiation, waste, hazardous substances, business permits, causing nuisances, harm to public health and the environment, tort liability, as well as work safety and hygiene liability.

Procurement Department personnel meet representatives of the main suppliers to establish a regular dialogue on the Leumi Group's satisfaction with their joint work. As of 2017, all suppliers participating in procurement procedures with quality criteria are asked to answer a corporate responsibility questionnaire.

### Supplier Conduct Evaluation

Supplier CSR evaluations include three main topics:

- **Suppliers employment conduct:** The Leumi Group requires its suppliers to sign a declaration that they uphold the provisions of the labor laws applicable to their employees. Companies that provide security, cleaning, and catering services are required to comply with the provisions of the Law for the Enhanced Enforcement of Labor Laws, in addition to the provisions of the general laws. The Leumi Group conducts periodic sample inspections of these suppliers through an accountant in order to verify that their employment conditions comply with the law. The companies are required to issue collateral to ensure the terms of the contract. These collateral are saved and used, inter alia, to ensure that the suppliers pay their workers in accordance with the law uphold their rights. Furthermore, by law, the Bank's Public Complaints Bureau is the key entity handling complaints by employees of security, cleaning and catering companies. If a security, cleaning or catering contractor is replaced for any reason, the former supplier's employees have the legal right to switch to the new supplier and retain their benefits. In 2018, audits were conducted on all of Bank Leumi's security, cleaning, and catering contractors. Total of 9 companies. Deficiencies were found in three companies, which remedied them.
- **Suppliers' environmental conduct:** Depending on the nature of the supplier's activity, the Group examines, inter alia, aspects such as air pollution, waste generated in manufacturing processes, and the use of green materials. The Real Estate Department inspects and audits construction and maintenance companies for environmental impact. Among other things, materials used by the suppliers are tested and, if necessary, the suppliers are asked to present relevant certificates, including: Material Safety Data Sheets (MSDSs), landfill permits, standard certification, etc.
- **Proper and ethical conduct by suppliers:** When collecting information about suppliers and, according to the nature of their activity, warning signs are checked, including the suppliers' prior convictions, if any. As part of their contract terms and conditions with the Bank, suppliers undertake that they are not involved, and shall not be involved, in giving or receiving bribes, and that no criminal proceedings have been filed against them due to violation of laws related to giving or receiving bribes. Suppliers are required to report to the Bank, effective immediately, of any change in the above.



## Promoting Social Procurement

As part of its business-social approach, Bank Leumi supports the activity of Israeli start-ups, prioritizing technological purchases from them. In addition, to expand the scope of Leumi's social procurement - which is handled by Leumi's Procurement Department - targets were set for purchasing from diverse suppliers, such as NGOs and social businesses, small and mid-sized suppliers, "green" suppliers, etc.

In this framework, Bank Leumi initiates actions aimed at expanding the Group's positive impact through procurement:

- **Establishing criteria for environmentally-friendly procurement:** To reduce the Bank's adverse environmental impact, environmental best practices are applied to procurement procedures of construction, maintenance, and electronic products, such as lighting and refrigerators. The list includes cleaning detergents, product packaging, biodegradation rate of the materials, use of recycled or recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more. Furthermore, as part of the Bank's detailed specifications for workstations procurement, the Bank requests information about the product's power consumption. This figure is taken into account in the product evaluation process.
- **Collaboration with Maala:** In 2018, Leumi continued to require suppliers to fill out Maala's questionnaire for medium-sized businesses, in order to check their compliance with corporate responsibility norms and to promote this issue among them. In 2015-2018, about 20 suppliers were added to the Maala ratings, at the initiative of Bank Leumi. In 2017, Leumi was even given a recognition award by Maala for its efforts to add suppliers to the rating and promote corporate social responsibility in Israel.
- **Support for the WESOURCE initiative:** In 2018, Leumi continued to support the WESOURCE initiative of NGOs Jasmine and Zionism 2000, in order to set up an online pool of diverse social suppliers. The objective of the pool of suppliers is to make it easier for large organizations to increase the scope of procurement from social businesses, NGOs and businesses who employ people from underemployed populations as well as small businesses.

## Community Outreach

The Leumi Group promotes its social-values vision by investing in the community through donations and social sponsorships. Members of the Donations and Sponsorships Committees are appointed by the President and CEO, and evaluate applications for support meticulously and thoroughly, in accordance with predefined criteria.

The Group does not grant donations earmarked for political parties, or for promoting political aims.

During 2018, the Leumi Group invested approximately NIS 41.4 million in the community<sup>41</sup>



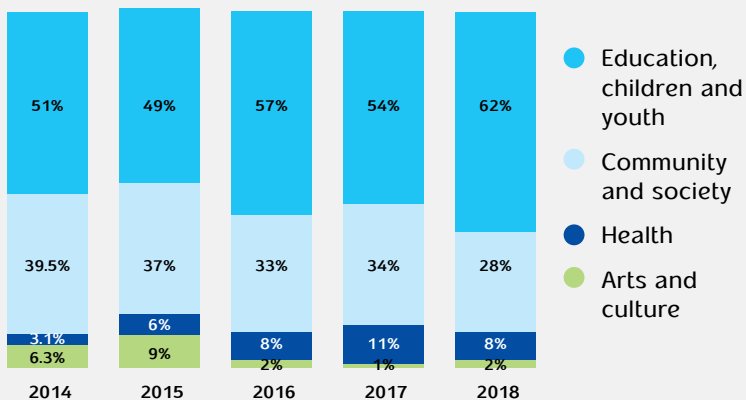
NIS **295.2** million

The Leumi Group's total investment in the community since 2010

### Total Investment in the Community - Leumi Group (NIS Milion) Since 2014



### Breakdown of Budget for Community Investment by Field



41. The donation of equipment and computers to organizations, which meet the donations criteria, and office space for ELEM - Youth in Distress are valued at NIS 200,000 a year.

## Promoting the Next Generation

The Leumi Group has put the advancement of youths and young people - Israel's next generation - at the focus of its community outreach. In addition to donations and sponsorships that Bank Leumi provides different entities, the Group has strategic partnerships with NGOs that have education programs for promoting youths and young people nationwide and from different sectors.

The Leumi Group promotes three main areas derived from its social policy:

- Leadership development and promoting values education and social involvement
- Increasing the number of high-school graduates eligible for a matriculation certificate and making academic education accessible to youth
- Increasing the number of recruits for quality service in the IDF

The Group also helps needy populations, distributing food packages ahead of the Passover, Ramadan, Easter, and Nebi Shuieb holidays

**In 2018, about 19,000 youths from different socioeconomic backgrounds and a range of population sectors participated in the activities of NGOs supported by the Leumi Group.**

## Main Social Projects Supported by the Leumi Group in 2018

- **Follow Me!** - Youth Leading Change is an NGO that seeks to integrate teenagers and young adults at risk in Israeli society, by education for values and leadership development, and offering tools. The non-profit organization operates about 400 groups throughout Israel, in which about 8,000 teenagers a year from all sectors participate, in approximately 150 communities across Israel: Groups for leadership and preparation for the army, hiking courses, matriculation study centers, empowerment for youth of Ethiopian descent, pre-military service preparatory programs, community service communes, Nahal units and a graduates' organization. The Follow Me! - Youth Leading Change NGO has been the Leumi Group's strategic partner for 17 years. The Group is the NGO's main donor and supports its activities in the periphery; the Bank's CEO chairs the NGO's Friends Association. More than 550 Leumi employees volunteered in Follow Me! projects in 2018.

In 2018, the Group's total expenditure on community outreach totaled

**NIS 41,380,297**

which constitutes

**450**

organizations. This amount includes the total donations and social sponsorships by Leumi and the Group's subsidiaries, budgets of employee volunteer activities, and donations of equipment and employee volunteer hours.

For more information on Leumi's statement on community outreach, please see the Bank's website

For more information on the Leumi Group's investment in the community over the years, please see page 98



From the Follow me! program graduates survey conducted in 2019:



**66%** of the male graduates and **30%** of female graduates served as combatants in the military



**36%** of the male graduates and **27%** of female graduates served in command positions



**66%** of graduates attended higher education institutions



**80%** of graduates hold jobs



**84%** of the graduates said that that Aharai! boosted their motivation to do meaningful military service.



**72%** of the graduates said that Aharai! improved their capabilities and skills for success in life

- **Etagarim** is an NGO founded with the aim of using outdoor sports to empower and integrate people with disabilities into society. Since 2017, Bank Leumi has sponsored an Etagarim summer camp in the Tzipori Forest for special needs children and youths. The summer camp enables special needs children to experience outdoor activities at a camp setting. Hundreds of children with physical, emotional, sensory, and cognitive disabilities and a range of populations from all across the country participate in the camp. About 500 Bank Leumi employees volunteer at the camp every year, as part of the cooperation, running the stations and accompanying the children.

- **The Atidim Friends NGO:** The Bank's supports the Kedem Atidim program, which promotes scientific excellence and empowerment among high-school students in peripheral areas. Some 4,000 youth participate in the program in 15 communities across Israel.
- **Young Entrepreneurs:** The NGO was adopted by the Leumi Group since its founding twenty years ago. Some 3,500 youth participate in the program in 90 communities across Israel and all population segments. The young entrepreneurs are exposed to production processes and gain experience in marketing and sales, financial management and reporting. At the end of the program, they dissolve their companies, distribute profits among them, or decide to donate the proceeds to the community. In addition to the financial support, Leumi employees invest their own time and energy in providing ongoing guidance and training on financial and business matters to the young entrepreneurs.
- **The ORT Israel Surfing Club:** See the Innovation and Digital section, p. 37.
- **Passover food donations:** Since 2005, ahead of the Passover holiday, the Leumi Group distributes food packages to some 4,100 disadvantaged families throughout the country. Leumi employees take part in the campaign through monetary donations, and by packing food parcels and distributing them to families. In 2018, Leumi Tomorrow and Leumi employees distributed food packages to more than 4,800 needy families across Israel, including Christians – ahead of Easter, and Druze – ahead of the Nebi Sheib holiday.
- **Ramadan Karim:** For the past four years, we have prepared and distributed food packages for the needy. This activity is a continuation of similar activity which was conducted by Arab Israel Bank before its merger with Bank Leumi. A celebratory packaging event is held in Umm el Fahm, with employees of branches in Arab communities, in cooperation with NGOs Latet and Amanina. As part of the program, 660 food packages were distributed to the needy for Ramadan.
- **Yeladim – Fair Chance for Children:** The NGO helps children at boarding schools or who have no family support by providing them with usable tools and opportunities for progress and growth. The donation has funded the establishment of seven therapeutic gardens in various boarding schools as part of the Flourishing Gardens venture, in which Bank Leumi employees volunteer with the boarding schools' children each week.
- **Shiur Acher** – please see the section entitled Contributing to the Economy and Society in Israel, p.45



- **Leumi with the Community:** Cooperation with the Israel Association of Community Centers, where Bank Leumi employees can volunteer nationwide, with an emphasis on the social and geographical periphery.
- **Machshava Tova:** Please see the Innovation and Digital sector, p. 37.
- **Friends for Health:** An NGO supporting patients and handicapped people in distress. Since 2010, the organization has managed a special support fund donated by Bank Leumi. In 2018, the Bank's donations helped about 250 patients.
- **Adopt a Fighter – Association for the Wellbeing of the Soldier:** Bank Leumi has adopted five units as part of this program – the School of Field Intelligence, the Central Knights Battalion, the commando Duvdevan Unit, as well as the 12th Battalion of the Golani Brigade and the Magellan Unit. Under the project, each unit receives a NIS 100,000 annual grant for the soldiers' wellbeing.
- **Yozmot Atid (Initiatives for the Future):** A program to help women entrepreneurs under the poverty line achieve economic independence. The program offers a support system, including loans at preferential terms, personal business consulting, group training, and networking.
- **Consul – Business Accelerator:** An NGO that helps small and mid-sized enterprises promote growth, streamlining, and digital transformation. Consul does this by applying teams of project managers, student-interns, and professionals aided by industry, high-tech, and financial executives. Under the collaboration with Bank Leumi, credit officers and experts from the Bank participate in Consul's activities, train its interns, and help enterprises understand their financial condition and identify growth and streamlining opportunities. In 2018, 15 enterprises received assistance as part of the program.
- **Pa'amonim** – please see the section entitled Contributing to the Economy and Society in Israel, p. 45.
- **The Lod Development Fund:** An organization engaged in developing the city of Lod in various fields. Bank Leumi's donations, beginning in 2013, focus on student activities in the city, in an effort to induce change. Participating students live in Lod during their studies, volunteering for the town's residents in an effort to create a positive impact on the population.
- **Israel IL – the Bridge to a Digital World:** please see the section entitled Contributing to the Economy and Society in Israel, p. 36.
- **Synergy:** The Synergy program is an innovative model for strengthening the boards of directors of social organizations and developing leadership among business leaders. Under the leadership of Bank Leumi, JDC Israel Institute for Leadership and Governance, and social NGOs and organizations, the program enables managers from the business world to become acquainted with the third sector and have social impact. The program includes:
  - Training a selected group of managers from the Bank's One Hundred Forum to serve as directors in the organization
  - Personal mentoring and matching social organizations with participating Forum members
  - Support on assuming the position of director, including personal mentoring and fostering personal development.

Bank Leumi's Synergy program was launched in 2018 with the participation of 18 senior managers at the organization, of whom ten were placed in positions at social organizations.

## Employee Volunteering

The social involvement of its employees is a key element in the Group’s approach to its responsibility towards the community. The employees view it as their mission, investing their time and skills in social causes. The employees’ volunteer work is carried out in cooperation with local authorities and NGOs, focusing on activities to reduce social gaps and promote disadvantaged populations, with emphasis on children and youth at risk.

The principles guiding the volunteer activity of Leumi’s employees are as follows:

- Long-term, significant communal partnership and coordination between employees’ abilities and the community’s needs
- Diverse volunteer activities, varying in scope and nature, in accordance with the volunteers’ skills and the needs of the community as they arise
- Volunteers’ involvement in structuring the volunteering process and strengthening their commitment to the activity they are involved in
- Activity within the local community, with a focus on “the next generation” – children and youth

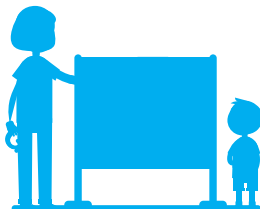
The employees’ volunteer work is carried out in cooperation with local authorities and NGOs. It includes



**Social and values enrichment**, as well as financial education (in after- school programs, kindergartens, schools, youth groups, hostels, boarding schools, and hospitals);



**Improvement of living conditions** (food distribution, renovation, collecting equipment);



**Improvement of scholastic achievements** (help with homework, mentoring, and lectures);



**And other areas** (food harvesting, food distribution, support of Holocaust survivors, activity in clubs for the elderly).

## Management of Volunteer Work at the Leumi Group

The volunteer work at Leumi is managed by the Corporate Social Responsibility and Employee Volunteering Department in the Human Resources Division. The unit is responsible for establishing contacts with social organizations, initiating projects, overseeing the activities and supporting the volunteers. The field work is operated by a network of social leaders across Israel, with about 300 leaders in the districts, subdivisions and branches across the country.

The social leaders are responsible for identifying needs, creating and liaising with social organizations, managing the unit's volunteering budget and implementing the program. Activities to recognize the leaders and volunteers are held at the divisional and Bank levels. Most of the employees' volunteer work is carried out outside working hours.

### Volunteering at Leumi

About **4,700** Leumi Group employees did volunteer work during 2018

**7.4** Average number of volunteer hours by volunteers at the Leumi Group

**47%** Percentage of volunteers out of the Group's total no. of employees



For more data regarding the Leumi Group's volunteer work over the years, please see p. 99





## Measuring the Effectiveness of Investing in the Community<sup>42</sup>

Bank Leumi examines the effectiveness of its community outreach activity, including meeting targets, using defined measures derived from the social policy prescribed by the Bank's board of directors.

Employee volunteering is meticulously managed and its data is monitored, such as the number of volunteers and volunteer hours; the effectiveness of large donations is monitored by the objectives and targets of the relevant NGOs.

All of the above is measured and monitored by materiality surveys and employee satisfaction surveys of the Bank's investment in the community activity.

---

<sup>42</sup>. Data regarding volunteering include Leumi and Leumi Card employees only.

## Objectives

### 2018 Objectives - Implementation Status

Topic	2018 objective	Status	Details
Volunteering	Have at least 3,500 employees participate in at least one volunteer activity	Done	4,100 of Bank Leumi's employees volunteered at least once during 2018
Impacting the community through procurement	Continue collaboration with Maala to have Leumi's suppliers join Maala's rating of mid-sized businesses	Done	Incorporate Leumi's suppliers in Maala's rating of mid-sized businesses
Impacting the community through procurement	Make socially-conscious purchases according to the work plan	Done	Map and execute relevant transactions with diverse or social suppliers
Impacting the community through procurement	Encourage small-size suppliers to enroll in Leumi's Small Business School	Done	Contact potential suppliers

## 2019 Objectives

Topic	2019 objective	Details
Service accessibility	Verify compliance with accessibility standards, subject to organizational development, process- or restructuring constraints, etc.	Monthly monitoring of the units to close existing gaps, in accordance with the timetable and commitments to the Commissioner for Equal Rights for People with Disabilities
Service accessibility	Convene a quarterly forum that includes representatives of all the Bank's units	to instill, synchronize, and champion accessibility at the Bank level
Service accessibility	Conduct accessibility surveys at Bank Leumi branches.	About 40 branches a year, including monitoring deficiencies and corrective actions thereof
Accessibility training and learning	Regular annual training for accessibility trustees	Update, refresh, and conduct hand-on training of new and current trustees on accessibility regulations
Accessibility training and learning	Train digital representatives and guides on the use of the Bank's website and applications on digital devices, with emphasis on visually-impaired users.	Have digital representatives guide and support customers with disabilities to enhance their independent use of devices.
Accessibility training and learning	Mandatory new employee tutorial to become acquainted with accessibility at Bank Leumi	For all new hires
Accessibility training and learning	A knowledge refresher quiz for customer-facing and call center Bank employees	80 percent of the population
Financial education	Make expert content more accessible through family finances workshops for the disabled	Podcasts are planned for the general public and improving accessibility for people with disabilities
Financial education	Customize family finances for the ultra-Orthodox sector and recruiting customers	5 sessions for potential customers
Financial education	Use of digital means to increase exposure to family finances workshops to more customers	Exposure to 50,000 customers
Financial education	Establishment of digital lobbies - Establishment of two independent "digital lobbies" for the benefit of the ultra-Orthodox (in Elad, Betar Illit)	Establishment of two digital lobbies

<b>Topic</b>	<b>2019 objective</b>	<b>Details</b>
Procurement	Continue collaboration with Maala to have Leumi's suppliers join Maala's rating of mid-sized businesses	Incorporate Leumi's suppliers in Maala's rating of mid-sized businesses
Procurement	Continue to make socially-conscious purchases according to the work plan	Map and execute relevant transactions with diverse or social suppliers
Procurement	Continue to encourage small-size suppliers to enroll in Leumi's Small Business School	Contact potential suppliers
Volunteering	Employee volunteering	Have at least 3,500 employees participate in at least one volunteer activity
Volunteering	"Follow me!" and "Etgarim"	Have at least 1,000 volunteers participate
Volunteering	Employee volunteering to distribute food parcels for Passover	800 volunteers



# Human Capital

Ranked **7<sup>th</sup>** among the 100 Best Companies to Work For held by BDICode and The Marker in Israel and **1st** among companies in the financial sector

**30,983** – no. of training days provided to the Leumi Group employees in 2018

**Shift** – the School for the Future's Professions was founded in 2018, with the objective of preparing for changes in the banking domain and to prepare Bank Leumi employees for the changing job market

**60%** of all employees are women and **77%** are academics

**About NIS 64.5** million was invested in teaching and training Bank Leumi's employees

**9%** of all employees hired by the Leumi Group in Israel in 2018 were people from under-employed populations

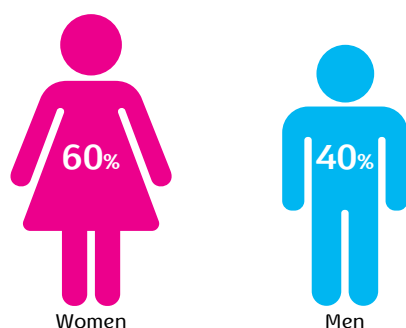
The Leumi Group employs people in Israel and abroad and regards them as key to its success. The Group attaches great importance to its employees' well-being, satisfaction and professional and personal development. The Leumi Group seeks to promote fairness in employment, equal opportunity, job diversity, and avoid offensive employment, while maintaining a constant dialogue with its employees, promoting their professional development, and protecting their health and welfare.

**Total number of employees in the Group by year - no. of positions as at the end of the year:<sup>43</sup>**

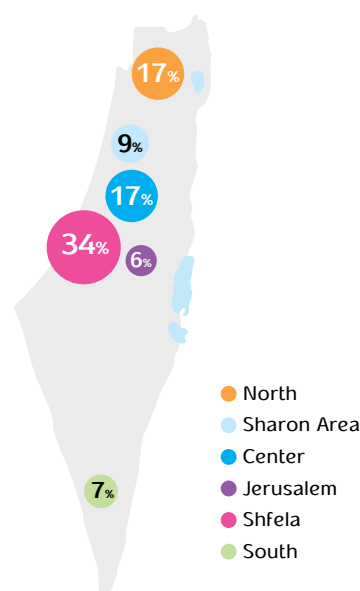
	2018	2017	2016	2015
The Bank in Israel	8,637	8,867	9,285	10,226
Consolidated companies in Israel	275	303	295	293
<b>Group in Israel - Total</b>	<b>8,912</b>	<b>9,170</b>	<b>9,580</b>	<b>10,520</b>
Consolidated companies - Overseas	828	859	875	961
<b>Group in Israel and abroad - Total</b>	<b>9,740</b>	<b>10,029</b>	<b>10,455</b>	<b>11,480</b>
Leumi Card	1,170	1,198	1,182	1,213

Following is a breakdown of the Group's employees as of December 31 2018:

#### Breakdown by Gender, 2018



#### Geographical Distribution in Israel of Leumi Group's Employees<sup>44</sup>



#### Breakdown by Rank, 2018



43. Position - a full-time position including specific overtime, working hours of service bureaus and contract workers.

44. In 2018, for the first time, the geographic deployment of Bank Leumi in Israel was mapped based on employee residence, rather than on their place of work.

**147** employees, who represent 1.5 percent of the Group's total workforce in Israel, work in part-time positions<sup>45</sup>

For more information on Leumi's statement on employment, please see the Bank's website

### Hiring Managers from Local Communities

As of December 31 2018, Leumi employed 5 Israeli managers in the US, 3 in the UK and one in China. The remaining employees are local.

For more information on Leumi's statement on employees' health and welfare, please see the Bank's website

### Employment Characteristics at Bank Leumi

**Trial/temporary status employees** is the status granted to new hires at Leumi. Employees may remain in this status for several years, after which the Bank decides whether to grant them tenure.

**Permanent status employee:** Workers granted permanent employee status.

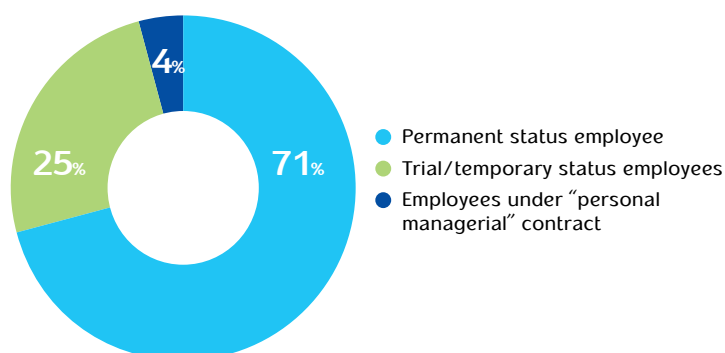
Employees under "personal professional contracts": Employees in unique positions, who have a personal contract with the Bank

**Employees under "personal managerial contract":** Senior executives (subdivision heads and upwards).

For a breakdown of employees by age, rank and gender, please see p. 100 (in the section entitled Social, Environmental and Corporate Governance Performance)

For more information on Leumi's statement on employee learning and development, please see the Bank's website

#### Breakdown of the Group's employees by type of the contract only in Israel



45. The Bank's workweek is 39 standard hours, which is about three hours less than the number of hours prescribed by law. In addition to these 1.5 percent of the employees, there is another 3 percent who work part-time at the call center.

## Maintaining Proper Labor Relations

The work relations between the Bank's management and the employees are based on a system of collective agreements and other accords created over the years, including ad hoc agreements between the Bank's management and the employees' representative body<sup>46</sup>. In 2018, relations between the management and employee representatives remained good, based on mutual respect and attentiveness. In 2018, there were no labor disputes, strikes or lockouts initiated by the employee representative body at Leumi.

In 2018, about 97 percent of employees and managers in the Leumi Group in Israel were employed under collective bargaining agreements. The Group's remaining employees in Israel are employed through personal contracts. There were no collective employment agreements at the foreign offices during 2018.<sup>47</sup>

## Employee Engagement and Increasing Transparency

Leumi has several structured mechanisms in place for dialogue between employees and management, such as:

- **Live meetings with the President and CEO:** In 2018, two virtual meetings were held with the President and CEO, which were broadcast to all Bank Leumi employees. The meetings focused on strategic topics at Bank Leumi and were intended to connect the employees to "The Leumi Way" and give them a sense of belonging.
- **Meetings between employees, the President and CEO, and division managers:** Throughout the year, regular meetings are held between groups of employees and the President and CEO and division managers. These meetings enable an open and direct dialogue between management and diverse employee groups. Members of management also visit different branches and HQ units, during which they talk with the employees and senior managers.

---

46. The collective agreement applies to Bank employees from day one, regardless of whether they are under trial/temporary or permanent status. Employees with a personal contract, professional contract, or personal management status are not included in the collective agreement.

47. GRI 102-41



## Contract Workers

Leumi obtains services from employees of manpower agencies, service providers and software companies, who serve in various capacities: Tellers at the branches, call centers representatives, IT workers and programmers, etc. These workers are employed by the manpower agencies and software companies, rather than by Leumi.

Following are several examples of services Leumi receives from contract workers:<sup>48</sup>

1. **Call center, tellers, and office workers** are employed by personnel companies.
2. **Outsourced workers:** Employees of software companies who usually work off-premises, providing computer and software services to Leumi or serving as digital representatives at the branches, etc.

As at December 31 2018, Leumi received services from contract workers totaling 1,151 positions.<sup>49</sup> Leumi Card received such services totaling 117 positions.<sup>50</sup>

As part of its policy, in some cases, Leumi hires contract workers as employees, according to need. In 2018, 89 employees, who comprise 7.7 percent of the total contract workers engaged by Bank Leumi, were hired as Bank employees.

The contracts that Bank Leumi signs with personnel companies include the latter's commitment to declare that, in the five years preceding the drawing up of the agreement, they were not convicted of, and no fine was imposed on them for, failing to grant benefits or payments to any of their employees. The companies must also notify the Bank of any proceedings pending against them by the authorities and of any conviction and/or fine imposed on them during the agreement term.<sup>51</sup>

For more information on Leumi's statement on employee safety and security, please see the Bank's website.

For more information on Leumi's statement on employee safety and security, please see the Bank's website.

For the rate of absenteeism due to the employees' illness or work accidents, please see p. 101

48. Services provided by suppliers - such as representatives and assimilators working as part of short term projects, or providing security, catering and cleaning services are not included in the contract worker data.

49. The data refer to positions of contract workers who work on the Bank's premises.

50. Some of the contract workers provided services to the Bank part-time.

51. For further details about how Bank Leumi ensures suppliers' fair conduct and the Bank's responsible procurement policy, please see p. 53.



## Preventing Discrimination and Promoting Gender Equality

### Systematically Rooting Out Discrimination

Leumi views incidents of discrimination very seriously, and handles them immediately. Any complaint by a candidate or employee regarding discrimination based on any cause whatsoever is examined in depth. In 2018, 5 claims of gender-based discrimination were handled. Although it was determined that no actual discrimination took place, relevant procedures were reinforced among the Group's employees.<sup>52</sup>

**9%**

of all employees hired by the Leumi Group in Israel in 2018 were people from under-employed populations.

**8%**

of Leumi's employees are from the Arab community; 23% of them are managers

**21%**

of Bank Leumi's branch managers are from the Arab community

52. Hiring data includes Bank Leumi and Leumi Card employees only.

## Prevention of Sexual Harassment

Leumi views sexual harassment and harassment at the workplace with utmost seriousness, and places great importance on preventing them. To prevent such offenses and create a safe, respectable, and pleasant working environment, which promotes equality and mutual respect, the Bank has appointed a senior attorney to be responsible for the prevention of sexual harassment at the Bank. Any complaints of sexual harassment are submitted to her. Sexual harassment was defined by the organization as a serious offense. Regulations on the topic have been personally sent to every employee and are given to every new hire. The regulations and how to contact the officer in charge appear on the Bank's organizational portal and posted on bulletin boards in the various functions. In 2018, the Human Resources Department issued a letter to all employees, outlining the significance that attributed by the Bank to a work environment that is free from sexual harassment, and distributed an updated procedure on the prevention of sexual harassment. Complaints about sexual harassment are handled professionally, efficiently, and swiftly by the sexual harassment prevention coordinator. In 2018, few sexual harassment complaints were filed: the sexual harassment prevention coordinator investigated each case, pursuant to the Prevention of Sexual Harassment Law. No complaints about sexual harassment were filed at Leumi Card in 2018.

60%

are women bank employees

46%

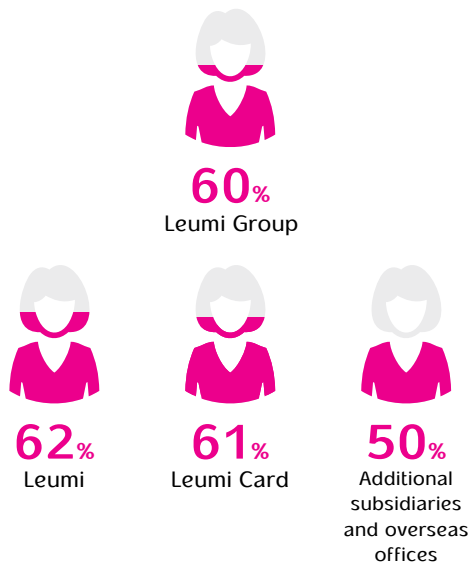
of women are Senior executives

50%

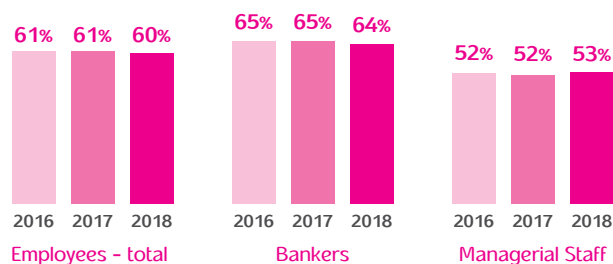
of Bank Leumi's branch managers are women

## Gender Equality at Leumi

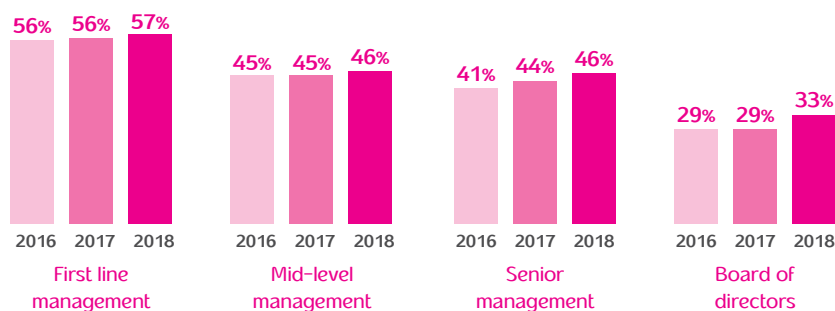
### Percentage of Women at the Leumi Group



### Percentage of Women at the Leumi Group



### percentage of women at the Leumi Group, by managerial staff



## Fair Wages at Bank Leumi

The Leumi Group operates with complete fairness and full transparency with respect to employment terms and conditions. Salary terms at every level are set on the basis of professional and factual criteria and are anchored in salary agreements. The Group compensates its employees solely based on performance, irrespective of their other personal characteristics, such as gender, religion, or nationality.

In 2018, the minimum monthly wages for men and women at Bank Leumi was the minimum wage in Israel.

In 2018, there was a 8% year-on-year decrease in the ratio between the maximum monthly salary and the minimum monthly salary paid by Leumi.<sup>53</sup>

In 2018, the highest salary paid by Leumi was 11.7 times the median salary per employee. In 2017, this ratio stood at 1 to 10.9. In 2018, there was a 8.7 percent year-on-year increase in the maximum wage paid to an employee and a 1.3 increase in the median wage.<sup>54</sup>

In 2018, the government sold its remaining shares in Bank Leumi. Under its commitment to Bank employees with respect to granting a put option, approximately 10 percent of the shares were offered to

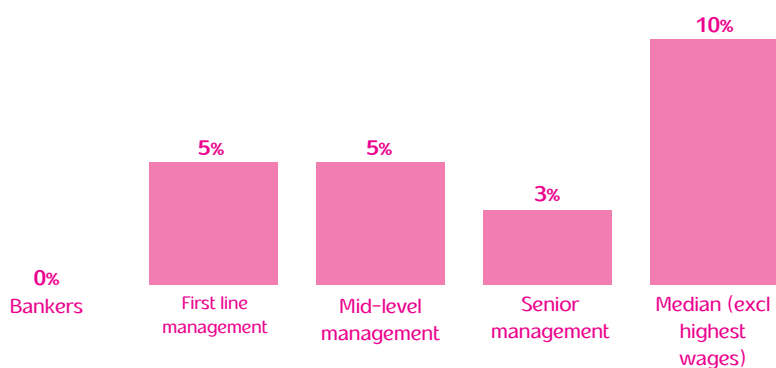
53. Wage/salary in this section mean taxable income, net of bonuses; the wage data are for employees who worked at over 95 percent of their position during 2017. For more information about officeholder compensation, please see the financial statements.

54. The median average employee salary is calculated net of the highest salary, pursuant to the GRI standard requirements.

Bank employees at a 25 percent discount. Under the option, 7,773,055 shares were purchased by Bank employees in December 2018.<sup>55</sup>

The chart below shows the ratio between women's and men's wages by rank.<sup>56</sup>

#### Wage Gaps between Men and Women at Bank Leumi in 2018



**In 2018, 41 percent out of the 10 percent of the employees at the highest pay grade at Leumi were women.**

The figures in the diagram refer to wages for which provisions are calculated in Leumi and the Bank's core population. The gaps arise from the great variance among the employee population of each group, including differences in age, seniority, rank, position, and additional personal characteristics of the employee. No significant gaps in the average wages for men and women were identified compared to previous years.

55. For more information about the sale of state-owned Leumi shares, please see p. 175 of Bank Leumi's 2018 Annual Financial Statements.

56. The salary ratio between men and women is calculated as a man's salary divided by a woman's salary minus 1; it is emphasized that the test is made relative to the average monthly salary at each rank.

## Development of Human Capital

The human factor is the basis for the Leumi Group's activity and success; the Group attaches great importance to nurturing its employees in order to inspire in them a sense of identification and pride in their workplace and to continue attracting quality people. Bank Leumi's management supports its business units in achieving their business goals through teaching and training, with a focus on improving the professional and managerial skills of its employees and managers, in line with the changing work environment.

In 2018, approximately NIS 64.5 million in resources was invested in training Bank Leumi employees.<sup>57</sup>

### Shift – The School for the Future's Professions

Bank Leumi established Shift – the School for the Future's Professions – in 2018, with the objective of preparing for changes in the banking domain and to prepare Bank Leumi employees for the changing job market. Shift offers bank employees to learn one of the professions the Bank has identified as likely to be more and more in demand in the future.

Three programs were launched in the first stage: for data analysts, digital product managers, and QA software testers. Each program has a thorough screening process to identify the most suitable candidates. The school's first class, attended by some Bank Leumi employees at the same time as their work, was launched in early 2019.

### Employee Development Initiatives

- **Sales and service simulator:** An innovative and unique training and learning space for employees and managers to train in and develop interpersonal skills: Service and sales skills, interpersonal communication skills, management skills and negotiation skills.
- **Leadership Program:** A unique two-year program for the development of senior middle management, led by members of management and top executives. As part of the program, managers develop their leadership and influence skills, while focusing on three main areas: Self-management, management of relationships and systems management. The program combines academic studies with workshops and peer learning.
- **Business class and "gyms":** Workshops and one day training seminars for improving skills and reducing knowledge gaps in business areas.

57. This figure includes, inter alia, the cost of Training Department employees' positions, cost of absence due to participation in training, training hours, and a training support budget.

## Training

Employee training, knowledge management and retention have become key catalysts to the growth of the Bank in an era of frequent organizational change, when Bank's employees are required to change the type of job they do or to acquire new knowledge or skills, while at the same time undergoing intensive streamlining processes accompanied by intensive retirement.

In 2018, learning activities were focused on enhancing the professional knowhow of employees and managers with an emphasis on core banking areas and designated training activities that support organizational changes, according to the Bank's business objectives. Furthermore, the learning processes were supported by training activities pertaining to knowledge retention and support for retiring employees. In 2018, Bank Leumi also began the development and implementation of data-based teaching, such as Target Learning at banking centers.

In 2018, the total number of training days for the Leumi Group stood at 30,983.57 percent of training days at Bank Leumi are conducted online.<sup>58</sup>

### Average Hours of Training per Employee Group



### Leumi Jobs: Improving transparency in internal transfer and placement procedures

Leumi has an online system which allows employees and managers to view available positions at the Bank and apply for them. The platform encourages employees to play an active role in managing their careers, increases transparency and is an expression of Leumi's view on promoting and developing employees.

In 2018, 11 percent of the Bank's employees (clerks and staff) were promoted. 100 percent the Bank's employees received a pay raise.

58. Following the migration to the new learning system and improvement of the employee training and development array, changes were initiated in the data training metrics method; consequently, they are incomparable to previous years. The data in the information systems cannot be broken down by level or gender, pursuant to GRI requirements, and as shown in previous years. The training data breakdown shown above does not include Bank Leumi UK and Bank Leumi USA.



## Employee Feedback and Evaluation

Employee performance meetings are held once a year as part of the annual evaluation review process, both as a tool for supporting decision-making, and to improve performance, development, and professional empowerment. The evaluation meetings are structured, and include reference to meeting the targets for the preceding year and setting targets and emphases for the coming year. Most of the process is conducted between the employee and their direct supervisor, providing an opportunity to obtain the manager's feedback about the employee's performance and quality of work, coordinate mutual expectations looking forward, and thinking together about possible ways to pursue learning and development. Once a year, a "mid-year dialogue" is also held for a more open discussion about meeting targets, feedback, and development needs.

In addition to the annual evaluation process, Bank Leumi carries out other manager evaluation processes by (external) assessors.

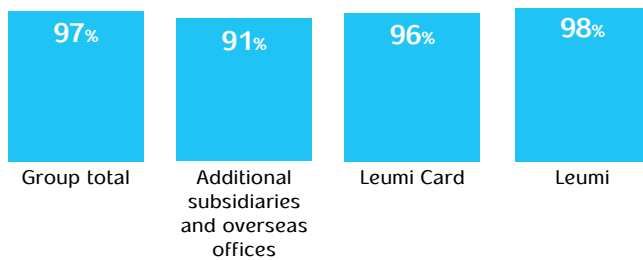
11%

---

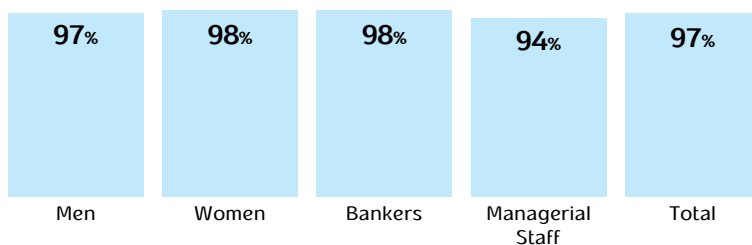
In 2018, 11 percent  
of the Bank's employees  
were promoted



### Percentage of employees participating in feedback and evaluation processes during 2018, by company



### Percentage of employees participating in feedback and evaluation processes during 2018, by gender and group employee<sup>59</sup>



## Employee Satisfaction

Since 2013, Bank Leumi has carried out the Leumi Pulse surveys - concise, focused surveys offering a quick, continuous, up-to-date snapshot of employee perceptions about key aspects of the organizational culture, implementation of the vision and core values, about leadership at the Bank and employee engagement. The surveys' results are brought before the Bank's management as a basis for dialogue, and for drawing lessons and recommendations for improvement at the Bank's division levels.

Every year, Bank Leumi allows BDICode conduct an external employee satisfaction survey, which, among other things, is used to set the Bank's ranking among the 100 Best Companies to Work For in Israel.

about **70%**

In 2018, about 70 percent of Bank Leumi's employees, at all of the Bank's units, responded to the Leumi Pulse surveys.

**7<sup>th</sup>**

Out of the 100 best companies to work for

**1<sup>st</sup>**

Placing first in the financial industry.

59. The percentage of feedback recipients at the Leumi Group is based on the percentage of feedback recipients out of the total number of participants in the annual evaluation process.



## Work-Life Balance

Leumi Group recognizes the importance of its employees' and managers' work-life balance. Therefore, the employment terms and conditions at Leumi allow for a combination between building a professional career and family life (raising children, caring for elderly parents, etc.). In 2018, the Bank began implementing flexible work hours, using an attendance system. The terms of employment, alongside the organizational culture at Leumi, provide a supportive environment for every employee – man or woman – to balance their family and work life.<sup>60</sup>

The Group implements several practices to support this balance:

- A five day, 39-hour, work week - three hours less than is customary in the Israeli economy
- Employees will only work overtime if necessary and on the instruction of a manager
- The rules for accumulating and utilizing sick days provide employees with benefits beyond those required by law, both for their own illness and for that of their family members
- Nursing mothers at Leumi are entitled to an hour of nursing per day, which exceeds the time stipulated by law, in an effort assist employees returning to work after maternity leave
- Leumi subsidizes expenses for pre-school activities and summer camps for eligible employees
- Leumi reimburses eligible employees for their children's college tuition
- Leumi holds fun days for its employees and their families, as well as extensive cultural activities

---

60. As of 2018, 95.5 percent of Leumi's employees work full-time. Any differences between benefits granted to full-time employees and those granted to part-time employees are the direct result of the percentage of their position.

## Saluting IDF Reservists

Bank Leumi's Reservists Charter undertakes to support and protect the rights of employees serving in IDF reserve duty, with the objective of promoting and encouraging a supportive attitude by their colleagues and managers.<sup>61</sup> The Charter is based on the idea of a close relationship between serving IDF reserve duty and high-quality employees - people with values and loyalty, who strongly contribute to the organization and have leadership and management skills.

Leumi also grants special benefits to employees recognized as handicapped IDF veterans, who are eligible to ten additional vacation days per year for rehabilitation and recovery under law and due to their handicapped IDF veteran status. Under the terms, Bank Leumi allows these employees to redeem unused vacation days or accumulate them beyond the annual quota allocated to each employee, up to a maximum of 10 days.

## Maternity and Parental Leave for Employees

Pursuant to Israeli law, Bank Leumi grants employees who give birth a 26-week maternity leave.<sup>62</sup> The maternity leave consists of a 15-week long paid leave (Maternity Leave A) and 11 weeks of unpaid leave (Maternity Leave B). At the end of the 26 weeks, an employee is entitled to continue her unpaid leave until one year from the birth date has elapsed,<sup>63</sup> without prejudice to her rights. After returning from maternity leave and until 12 months have passed from the date of birth, the employee is entitled to a "parenting hour" - working 60-90 minutes less each day (depending on the area of residence) while continuing to receive a full salary.<sup>64</sup>

A female or male employee who has had a child is entitled to a maternity or parental leave of up to 20 weeks, consisting of 9 paid weeks (Parental Leave A) as well as up to 11 weeks of unpaid leave (Parental Leave B). It should be noted that the spouse is eligible for a mandatory paid parental leave for the first 6 weeks, so that, together, they receive a total of up to 26 weeks of maternity and parental leave.<sup>65</sup>

about **3,350**

Bank Leumi employees served about 3,350 days of reserve duty in 2018

Bank Leumi won the Reservists Shield award from the Minister of Defense, IDF Chief of Staff, and Chief Reservist Officer. The Reservists Shield is awarded to businesses that invest the most in their employees doing reserve duty.

61. For more information regarding the Reservists' Charter, please see the Leumi Way: Vision, Core Values and Ethics

62. For women who have been employed by the Bank for over a year. Women who have been employed by the Bank for less than a year are entitled to 15 weeks of paid leave and unpaid leave only.

63. Subject to her seniority with the company.

64. A full-time regular employee. Under law, for non-permanent employees, the entitlement ends after 4 months from the beginning of the maternal and parental leave period; the number of parental hours is determined according to the employee's place of residence.

65. As long as the spouse meets the legal requirements thereto.

A male or female employee is entitled to continue their unpaid leave until one year from the birth date has passed, without prejudice to their rights.<sup>66</sup> After returning from the maternity leave and until 12 months from the date of birth have elapsed, and if the mother waives it, her spouse is also entitled to parental hours, as mentioned above.<sup>67</sup>

Employees returning from maternity or parental leave, going back to their position, except for exceptional cases, in agreement with the employee.

## Data on Maternity and Parental Leave for Employees – Bank Leumi and Leumi Card

Data includes Leumi and Leumi Card employees	Women	Men	Total
No. of employees who have taken maternity or parental leave in 2018	584	8	592
No. of employees who returned from maternity or parental leave in 2018	558	7	565
Ratio between the no. of employees who have taken maternity or parental leave and returned to work in 2018	96%	88%	95%
No. of employees who have taken maternity or parental leave in 2017 and have worked at least 12 months after their return to work (Leumi only)	344	6	350
Ratio between the no. of employees who have taken maternity or parental leave in 2017 and have worked at least 12 months after their return to work and the no. of employees who have returned from maternity or parental leave in 2017 (Leumi only)	79%	86%	79%

## Employee Turnover

Bank Leumi offers its employees retirement training a year before retirement age. The courses featured lectures on a range of topics, including retirement as a turning point, post-retirement from a social perspective, organizing time post-retirement, relationships with the family after retirement, improving memory, leading a healthy lifestyle, wills and inheritance, retirement and post-retirement targets and investment planning, sleep disorders, volunteering, and medical insurance, etc.

In 2018, Leumi Card had a voluntary retirement plan at preferential terms. Under the plan, 130 employees chose to sign retirement arrangements, under which they received benefits in accordance to their seniority.<sup>68</sup>

For a breakdown of employee turnover by age, please see p. 102

66. Subject to the employee's seniority at the organization.

67. A full-time regular employee. Under law, for non-regular employees, the entitlement ends after 4 months from the end of the maternity and parental leave period. The parental hour may be split between the two parents.

68. The benefits include early retirement until reaching the legal retirement age or increased severance pay, subject to the plan's criteria.

## Objectives

### 2018 Objectives - Implementation Status

Topic	2018 objective	Status	Details
Security and Safety	A 10% year-on-year drop in work accidents with casualties.	Done	Annual safety tutorial, issue to branch safety trustees a summary of conclusions on work accidents, distribute content
Security and Safety	Hold the required safety certifications for safety trustees for relevant employees according to the regulations - cover at least 95% of the training sessions	Done	Cover all the necessary training according to a table listing the relevant employees
Security and Safety	Train building and maintenance contractors on work safety - conduct safety training for 25 contractors during 2018	Done	Invite contractors to a conference to be held at Keshev and to makeup classes for contractors who cannot attend
Security and Safety	Have safety supervisors at the branches and headquarters conduct 40 safety surveys - 90% of the required safety surveys	Partially done	Cover surveys according to a five-year plan
Security and Safety	Hold refresher courses for 90% of the safety trustees at the branches	Done	Invite all trustee to a refresher full-day workshop at the training center
Security and Safety	Hold refresher courses for 90% of the safety trustees at the branches	Not performed	Frozen, since the plan is to automate the activity. The task was submitted for execution in 2019

## 2019 Objectives

Topic	2019 objective	Details
Diversity hiring	Hire employees from diverse populations	Integrate 10 people with disabilities at Leumi
Health and safety	Achieve a 10 percent year-on-year drop in work accidents with casualties in 2018	Achieve a 10 percent year-on-year drop in work accidents with casualties as a result of construction or maintenance deficiencies in 2018
Health and safety	Hold the required safety certifications for safety trustees for relevant employees according to the regulations	Complete training and certification for 100 percent of all trustees at locations with 20 or more employees.
Health and safety	Train building and maintenance contractors on work safety	Conduct work safety training for new contractors and periodic training (two years) for others - at least 50 percent of the potential number.
Health and safety	Have safety supervisors at the branches and headquarters conduct 70 safety surveys	<ol style="list-style-type: none"> <li>1. Complete the safety survey automation process.</li> <li>2. 35 safety surveys were conducted since 2018.</li> <li>3. Conduct 35 safety surveys for 2019.</li> </ol>
Health and safety	Hold refresher courses for all safety trustees at the branches	Train 90 percent of the branch trustees
Health and safety	Control on branch safety surveys	Monitor the 20 safety surveys conducted during 2019 and over the past few years



# Environmental and Social Performance and Corporate Governance

**The Group's energy consumption decreased** by 4.5% compared to 2017

**100%** of all paper and electronic waste generated by Leumi are recycled

**About 90%** of the power consumed by Leumi was purchased from independent power producers using efficient technologies and natural gas

**About 640 m<sup>3</sup>** of water was saved by installing savings systems

**7%** year-on-year decrease in the Group's carbon footprint

**100%** of the Bank's buildings were certified according to environmental standard ISO 14001

**About NIS 64.5 million** was invested in teaching and training Bank Leumi's employees

## The Environment

The environmental impacts of companies' business operations is an integral part of the Leumi Group's business and financial considerations in all the markets in which it operates.<sup>69</sup> The Group recognizes its responsibility for managing the direct and indirect impacts of its operations and for reducing the negative impacts on the environment, climate and natural resources available in the areas in which it operates. For this purpose, in addition to complying with regulatory requirement, the Leumi Group strives to voluntarily adopt and comply with the leading and most advanced standards in this field globally.

The Leumi Group's direct impact on the environment is derived from three main factors:

- **Energy consumption:** Consumption of power, fuels for transportation and emergency generators
- **Carbon footprint:** Direct and indirect carbon emissions resulting from energy consumption
- **Waste and water:** Responsible treatment of electronic waste and paper waste, and total water consumption

The Building and Maintenance Subdivision of Leumi's Real Estate Division is responsible for managing environmental issues at the Bank, for systematic annual measurement and for providing guidance to the subsidiaries in this area. As part of these efforts, data are gathered about Leumi's activity, such as on consumption of power, fuel, water and paper and about recycling of paper and of electronic waste. During 2018, the Group revised and validated its safety and environmental policy, which was approved by the heads of its divisions on January 2019.

Under its safety and sustainability policy, the Bank is committed to investing the resources necessary to prevent cases of environmental contamination and waste of natural resources, mitigating risk factors for environmental nuisances and continually improving its performance in this area through compliance with ISO standards and ongoing monitoring.

For more information on Leumi's statement on credit and investment considerations, please see the Bank's website.

For the total environmental credit granted by Leumi during 2018, please see p. 41

69. All data in this chapter refer to the environmental performance of Bank Leumi and Leumi Card only, any reference in this chapter to the "Leumi Group" include these companies only.

The environmental data in the chapter refer to the environmental performance of Leumi and Leumi Card, which account for about 91 percent of all employees in the Group and over 84 percent of its profits.



## Characteristics of the Group's Activity

The Group's activities are characterized by office work, and therefore most of the energy consumption is derived from the power consumption in the headquarters of the Group's subsidiaries, branches, and units. The Leumi Group makes every effort to identify and promote energy efficiency and power saving measures in existing facilities and when planning new ones.

The Real Estate Department, in cooperation with other units, is leading measures to install systems and integrate solutions that save energy, fuel and water and allow for significant reductions in pollutant emissions and consumption of depletable resources. These processes include the following:

- Installation of power consumption control systems
- Installation of energy-saving systems and devices in HVAC systems
- Installation of energy-saving lighting systems
- Use of green building elements in new construction and renovation of existing branches
- Operation of an employee shuttle system between the Bank's main headquarters buildings
- Installation of automated systems for control and management of water consumption

During 2018, environmental aspects and their implications were mapped out by an external firm. As part of its management of this domain, the Group holds quarterly discussions of its environmental impacts.

Leumi was certified in several environmental and safety standards. As the first financial institution in Israel to be certified for the Green Service Mark, Leumi decided in 2018 it would no longer comply with the standard, but rather focus on improving its performance pursuant to the requirements of ISO 14001. The ISO 14001 certification applies to all of the organization's operations, including headquarters and the branches. The certifications for the standards were renewed in 2018.



In addition to external standards, an internal standard for Green Conduct was introduced at Leumi. It provides for internal annual inspections on a series of environmental criteria to be carried out at the branches, checking a series of environmental criteria through actual and online inspections and sampling at the branches.

## Initiatives and Actions to Promote Environmental Issues

- **Environmental trustees:** Environmental trustees have been appointed at all of Leumi's branches as well as at the headquarters units. They are responsible for managing environmental issues and for monitoring power and water consumption data in their respective units.
- **Employee training:** In addition to the activities of the environmental trustees, the Group's employees are required to undergo training and refresher courses on environmental issues from time to time.
- **Eco-friendly mail:** The Leumi Group promotes its customers' transition to using eco-friendly mail, i.e. – simple and convenient online messaging, through one's computer or mobile phone – which allows for reducing paper consumption. More than 1.5 million Leumi customers use this service.

## Energy Consumption

The total energy consumption of the Leumi Group in 2018 was 374,952 gigajoules. This figure reflects a 4.5 percent year-on-year reduction in the group's energy consumption compared to 2017.<sup>70</sup>

### Power Consumption

Due to the nature of banking activity, over 90 percent of the Leumi Group's energy consumption comes from electricity. Efforts are made to reduce power consumption through various projects and processes.<sup>71</sup>

About 90 percent of the electricity consumed by Leumi was purchased from independent power producers using efficient technologies and natural gas. In 2018, there was a 5 percent year-on-year reduction in the Leumi Group's power consumption. Leumi does not consume natural gas directly.

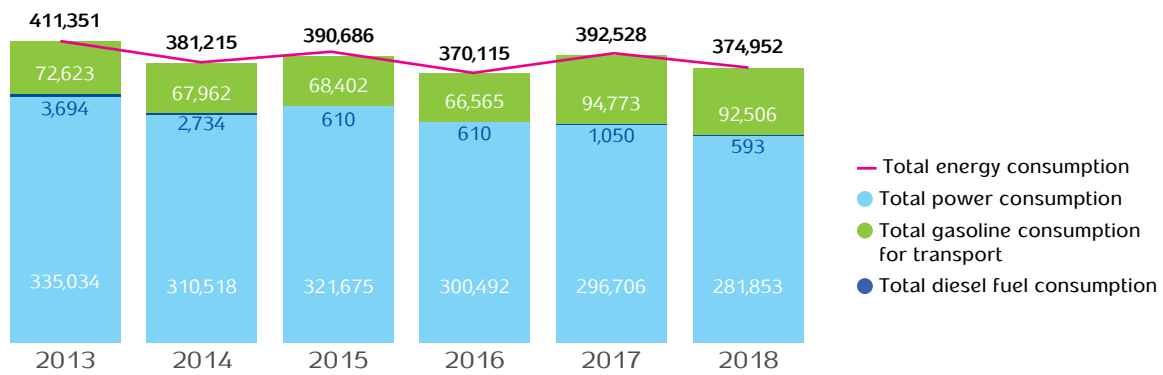
The total power consumption excludes 85,000 kWh that were produced by photovoltaic cells (solar energy) and sold back to the Israel Electric Corporation.<sup>72</sup>

70. As of 2017, data measuring systems were improved. As a result, the report also includes data on gasoline consumption for all of the executives' leased cars and data on the total diesel fuel consumption by Leumi's vehicles.

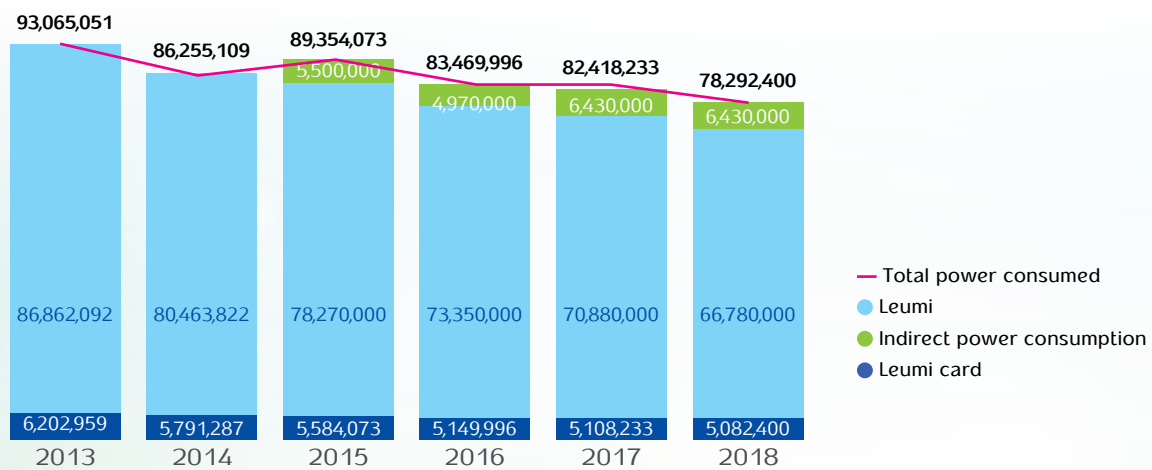
71. As of 2015, the Group improved its measuring and reporting of power consumption data, which now include power consumption in the branches and in properties in which electricity bills are paid directly to the property management companies. The Bank makes every effort to gather regular power consumption data on all its properties and branches for which the electricity bill is paid directly to the property management companies. The total consumption in these properties may vary from time to time, depending on the availability of the information and does not necessarily reflect an increase or decrease in the Bank's power consumption. A comparison of the direct power consumption data shows a 5.8 percent decrease.

72. Pursuant to the regulation, all renewable energy generated by Leumi (using solar panels) is sold to the Israel Electric Corporation.

### Breakdown of Energy Consumption by Source (GJ)



### Power Consumption by Year (kWh)



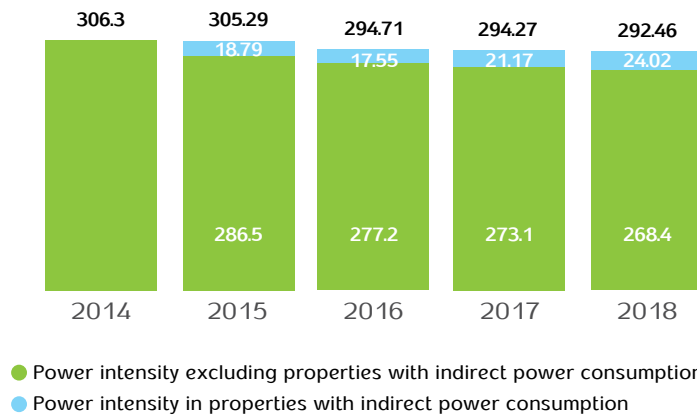
## Energy Intensity

The Leumi Group measures its energy intensity to test the effectiveness of measures taken to reduce power consumption. Intensity is measured by power consumption relative to the area in which it was consumed (m<sup>2</sup>).<sup>73</sup>

Following efficiency measures taken between 2012 and 2018, there was a decrease in energy intensity relative to the total space.

The Leumi Group provides banking services and is not a manufacturer. As a result, the Group does not calculate energy intensity per production unit.

### Energy Intensity (kWh/m<sup>2</sup>)



## Fuel Consumption

Most of Leumi Group's fuel consumption is made by its fleet of vehicles. In 2018, 2,827,277 liters of gasoline and 16,473 liters of diesel fuel were consumed. This figure reflects a 3 percent year-on-year reduction in fuel consumption in 2018.

73. A total of 267,707 m<sup>2</sup> in 2018.

## Initiatives to Reduce Energy Consumption

### Reducing Fuel Consumption

- **Shuttle service for employees:** To save fuel and optimize employees' transit between headquarters and the service center – located in Tel Aviv, Lod, and Bnei Brak – Leumi offers shuttle service between the sites.
- **Transportation service for employees:** Leumi offers employees roundtrip transportation to and from work.
- **Encouraging employees to commute by bicycle:** As part of the push for sustainable transport at Leumi, designated bicycle parking spaces were created at Bank Leumi headquarters in Tel Aviv and at the Leumi Service Campus in Lod. Showers were also installed for employees wishing to commute by bicycle.
- **Use of energy efficient vehicles:** As part of the Leumi Card's efforts to reduce its fuel consumption, during 2015–2018, fuel-efficient car models replaced some of the Company's vehicles. Currently, about 10 percent of all company vehicles are hybrid. This move has led to 16 percent savings in the Company's fuel consumption.
- **Reducing the distance driven by employees:** As part of its efforts to reduce the distance driven by employees, Leumi Card has set a limit on mileage covered during leisure time for employees using company vehicles. Under this procedure, the Company allows its employees a maximum of 2,000 km per month for driving during leisure time. If an employee exceeds this average, they are charged for the extra mileage.

### Reducing Power Consumption

- **Consuming power generated from natural gas:** As of 2014, Leumi consumes most of its electricity from a company generating power using natural gas.
- **Replacement of lighting fixtures by cost-effective ones:** In 2018, steps were also taken in this area in branches and headquarters buildings. Furthermore, several LED lighting fixtures were installed, which are characterized by high-energy efficiency and a longer-than average life.
- **Remote energy monitoring:** Installing of remote monitoring and control systems for power consumption at the branches and expanding existing control systems in Bank Leumi's headquarters buildings.
- **Analysis of energy consumption patterns at the branches:** As part of renovation and energy efficiency projects, the Bank frequently installs energy monitoring systems and smart building systems at the branches and headquarters buildings, to enable analysis of energy consumption patterns.
- **Circulated air filtration system:** Following a successful pilot at a branch in Beer Sheva, two additional circulated air filtration systems were installed in HVAC systems in order to reduce energy consumption.

- **Green Building:** When building a new branch or renovating existing ones, environmental aspects such as window coating on warm facades and remote control systems are taken into account.
- **Carbon offset:** As part of its community outreach activity, Leumi Card funded an installation of a solar roof in Kfar Ofarim, a home for autistic adults in Ramat Hasharon. The solar roof generates approx. 85,000 kWh annually, resulting in reduced power consumption and electricity cost savings. The meter has been defined by the Israel Electric Corporation as a “net meter”, enabling the facility to save on power consumption in the next 20 years.
- **Improving energy efficiency:** In every renovation or construction of a new building undertaken by Leumi Card, light bulbs are replaced with energy saving LEDs; a Virtualization Desktop Infrastructure (VDI) system has been installed - which virtualizes desktops across all computers in the organization; air conditioning and lighting are automatically turned off at a certain time; and controllers have been purchased to reduce energy consumption by lighting circuits.



about **85%**

of the electricity consumed by Leumi in 2018 was produced by independent power producers using efficient technologies and natural gas

## Carbon footprint

As part of its environmental policy, and in addition to monitoring and measuring its resource consumption, the Group regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion, etc.). The Leumi Group performs the measurement using the Ministry of Environmental Protection’s calculation tools of the emission coefficients of Defra (the UK Government’s Department for Environment, Food & Rural Affairs). Each year, the Leumi Group report its carbon footprint through international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental Protection’s voluntary Greenhouse Gas Emissions Registry in Israel, the annual Social Corporate Responsibility Report and the Maala Rating.

The systematic management of the issue relates to three main areas:

- **Direct emissions:** The Leumi Group’s direct impact (Scope 1) of greenhouse gases stem mainly from the combustion of gasoline by the organization’s vehicle fleet, from the combustion of fuel by emergency generators, and from emissions of fire extinguishing gases.<sup>74,75</sup>

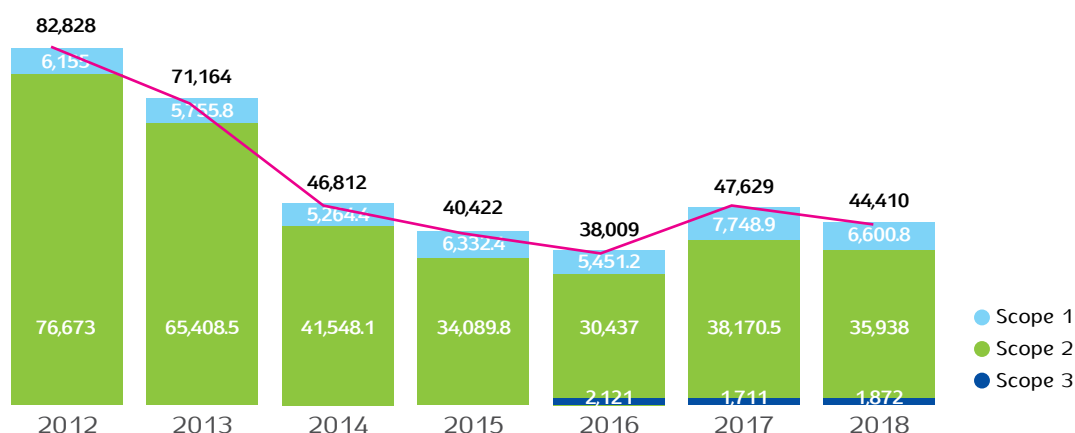
74. Please see the GHG Protocol for quantifying and managing emissions: <http://www.ghgprotocol.org/about-ghgp>.

75. Greenhouse gas emissions - such as methane, N2O and HFC - generated by Leumi’s activity, are included in the Scope 1 data as part of the Company’s carbon footprint reporting.

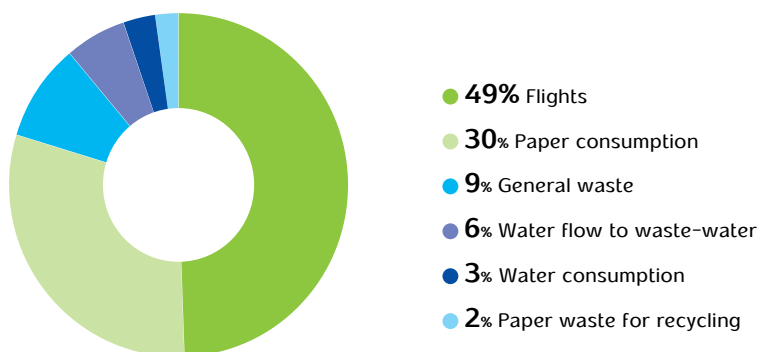
- **Indirect emissions:** (Scope 2) stem from power consumption and depend on the composition of fuels and the technologies used to generate power.
- **Other indirect emissions:** These emissions (Scope 3) are related to the organization’s activity, but do not result from it and include, inter alia, consumption of various products and services from suppliers or by customers.

The carbon footprint of the Leumi Group in 2018 is 44,410 tons CO<sub>2</sub>e.<sup>76</sup> Compared with 2017, there was a 7 percent decrease in the Group’s carbon footprint.

### Breakdown of Carbon Footprint, by Scope (Tons CO<sub>2</sub>e)



### Breakdown of Indirect Emissions – Scope 3



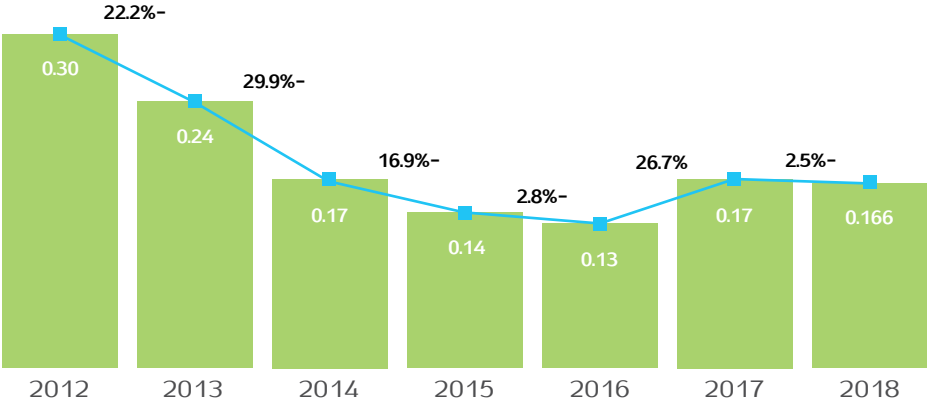
76. This figure includes emissions for all three scopes for Bank Leumi and Scopes 1 and 2 for Leumi Card; The carbon footprint components were calculated using the Greenhouse Gas Emissions Calculator of the Ministry of Environmental Protection, published in 2018.

### Carbon Footprint Reduction

As mentioned above, the Leumi Group invests significant efforts in identifying measures that would result in greater efficiency and energy savings and would have direct impact on the Group's carbon footprint and on climate change. These efforts are mainly reflected in steps such as transitioning to using electricity generated by natural gas.

An adjusted comparison to the Group's carbon footprint intensity data reported in 2017 shows a 2.5 percent year-on-year decrease.

Carbon footprint intensity (Tons CO2e per m<sup>2</sup>)





## Responsible Recycling and Disposal

The Group's commitment to environmental protection includes responsible disposal of its waste. Most of the waste produced by the Group is electronic and paper waste, which is collected and disposed of by authorized contractors.<sup>77</sup>

In 2018, 1,100 tons of waste were recycled, as follows:

Categories	Units	Leumi in 2018
Collecting batteries from employees and customers	Tons	0.5
Cardboard recycling	Tons	54
Fluorescent tube recycling	Tons	3
Paper recycling	Tons	785
Electronic waste recycling	Tons	258
<b>Total waste sent for recycling</b>	<b>Tons</b>	<b>1,100</b>

Paper consumption by Bank Leumi and Leumi Card totaled 650 tons and 5.6 tons, respectively - a 5 percent year-on-year decrease. 100 percent of the paper waste generated by Leumi is recycled. In 2018, the paper waste sent for recycling totaled approximately 785 tons.<sup>78</sup>

In 2018, Leumi continued its efforts to increase the use of recycled paper, which is currently used by most headquarters units. As of the end of 2018, recycled paper accounts for about 9 percent of Leumi's total paper consumption.

The Leumi Group generated approximately 263 tons of electronic waste - an 80 percent year-on-year increase. The increase stems from several instances during 2018 where electronic waste and obsolete furniture were collected and erroneously weighed together, resulting in a faulty measurement which does not reflect the total amount of electronic waste produced by the Group; 100 percent of the electronic waste was recycled.

Apart from the electronic waste, the total hazardous waste collected by Leumi during 2018 was 6.42 tons. 100 percent of the hazardous waste was recycled.<sup>79</sup>

77. Under the Bank's guidelines, all office paper is transferred for shredding and recycling, and all electronic waste is transferred for recycling by the Recycling Corporation.

78. Printing paper and envelopes; paper recycling exceeded paper consumption because of archive reduction and the closing of branches.

79. Hazardous waste includes batteries, magnetic media and fluorescent light bulbs.

## Consumption and Treatment of Natural Resources

### Water Consumption

Due to the nature of the Bank's activities, most water consumption is for office needs. The total consumption for 2018 was 148,569 m<sup>3</sup>. Adjusted to the number of employees, the water consumption per Bank employee is approximately 17.3 m<sup>3</sup>. A water leak detection and repair system is installed on Leumi's premises. The estimated savings from water loss prevention in 2018 was about 640 m<sup>3</sup>.

### Prevention of Leakage

Leumi manages its diesel fuel reserves for regular use and emergency purposes in accordance with the law and regulations, including periodic leak testing of the containers. In recent years, including 2018, no leaks were detected.

## Social

In addition to the information presented throughout the report, Leumi measures other aspects of its performance in various areas over time, striving to maintain its reporting transparency and continuity. Out of these, additional data are presented in this section which reflect the Group's operations and performance in 2018 and over the years.

### Additional Data to Those Included in the Contributing to the Economy and Society in Israel Section

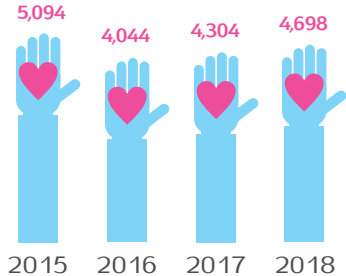
#### Community Investment by Country - 2018

Total: NIS **41.4** million      NIS **40.3** million Israel      NIS **1.1** million Foreign subsidiaries

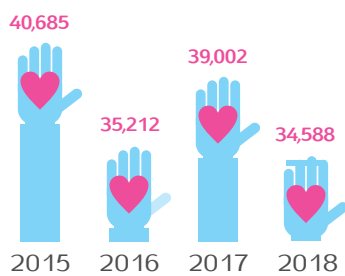


Employee volunteering<sup>80</sup>

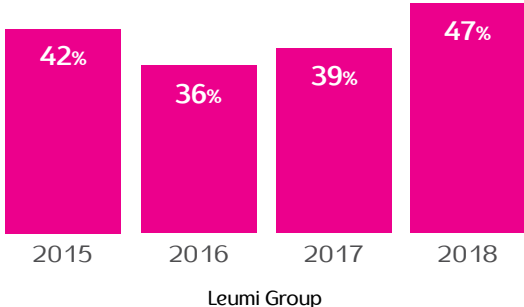
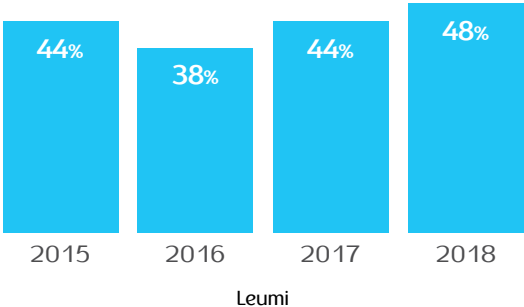
No. of volunteers



No. of volunteer hours



Percentage of volunteers out of total employees over time



80. Data regarding volunteering include Leumi and Leumi Card only.

## Additional data to those included in the Human Capital section

### Percentage of employees by age, rank and gender – Leumi Group<sup>81</sup>

Rank	Age	Women	Men	% of women
No. of senior executives	Up to age 30	0	0	0%
	Aged 31-50	50	52	49%
	Aged 51+	29	42	41%
	<b>Total</b>	<b>79</b>	<b>94</b>	<b>46%</b>
No. of mid-management employees	Up to age 30	0	0	0%
	Aged 31-50	299	305	50%
	Aged 51+	149	219	40%
	<b>Total</b>	<b>448</b>	<b>524</b>	<b>46%</b>
No. of first-line managers	Up to age 30	26	19	58%
	Aged 31-50	1125	842	57%
	Aged 51+	248	254	49%
	<b>Total</b>	<b>1399</b>	<b>1115</b>	<b>56%</b>
No. of bankers	Up to age 30	1284	560	70%
	Aged 31-50	2324	1505	61%
	Aged 51+	1094	550	67%
	<b>Total</b>	<b>4702</b>	<b>2615</b>	<b>64%</b>
Group total	Up to age 30	1310	579	69%
	Aged 31-50	3798	2704	58%
	Aged 51+	1520	1065	59%
	<b>Total</b>	<b>6628</b>	<b>4348</b>	<b>60%</b>

**44** is the average age of Leumi's employees

81. Employee data for Leumi UK are included in the 32-50 age category.

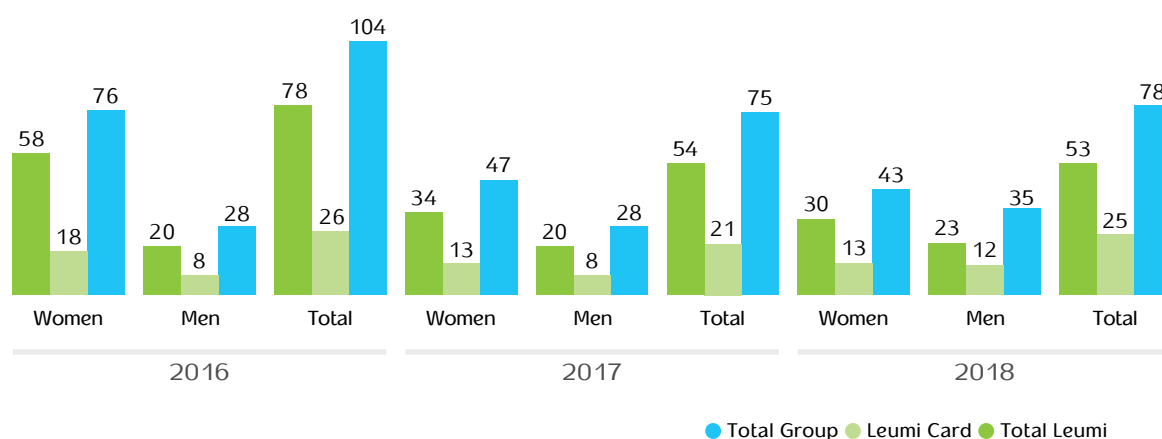
## Rate of absenteeism due to the employees' illness or work accidents in the Leumi Group<sup>82</sup>

Company	Category	2014	2015	2016	2017	2018
Leumi	Employee illness – excl. work accidents	3%	3%	3%	3%	3%
	Work accidents (including car accidents)	0.1%	0.1%	0.05%	0.1%	0.05%
Leumi Card	Employee illness – excl. work accidents	4%	4%	4%	4%	3.5%
	<b>Work accidents (including car accidents)</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>0.13%</b>
Other subsidiaries and oversea <sup>s</sup> offices <sup>83</sup>	Employee illness – excl. work accidents	1%	0.0%	0.1%	1.9%	1.5%
	Work accidents (including car accidents)	0.03%	0.0%	0.0%	0.0%	0.0%
Total	Employee illness – excl. work accidents	3%	3%	3%	3%	3%
	<b>Work accidents (including car accidents)</b>	<b>0.07%</b>	<b>0.06%</b>	<b>0.06%</b>	<b>0.21%</b>	<b>0.06%</b>

About 13 working days per 100 employees were lost

Zero accidents by construction and maintenance contractors in 2018

### No. of work-related accidents (incl. car accidents)<sup>84,85</sup>



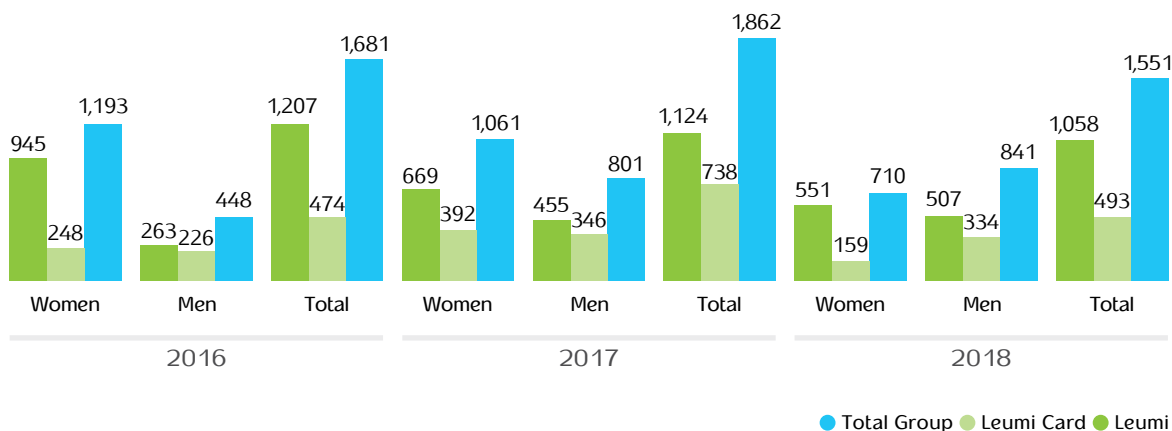
82. No. of absence days due to illness or accidents out of total no. of annual work days. Except Leumi Card, the data include information on existing employees as at December 31, 2018.

83. The subsidiaries' data do not include Leumi Partners; the absenteeism at the foreign subsidiaries are calculated in relation to the number of working days in Israel.

84. There were no fatalities from work accidents of Leumi employees, including contract workers.

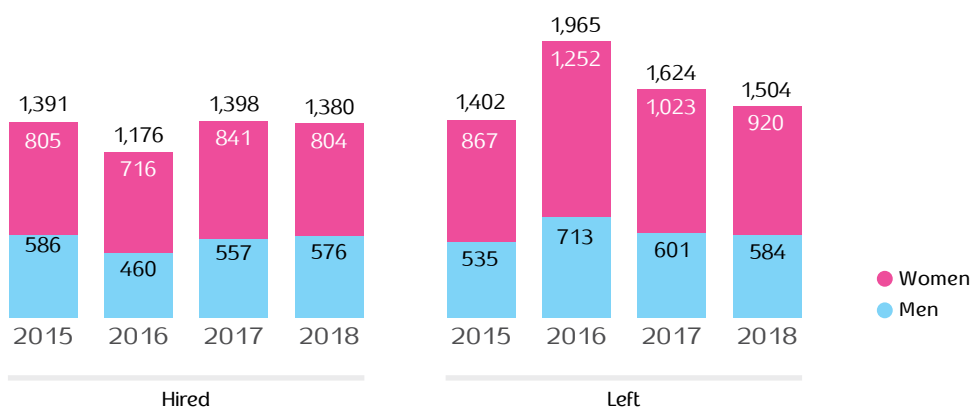
85. The data do not include absent days of employees who left the Company during the year.

**No. of absence days as result of work-related accidents (incl. car accidents)<sup>86, 87</sup>**



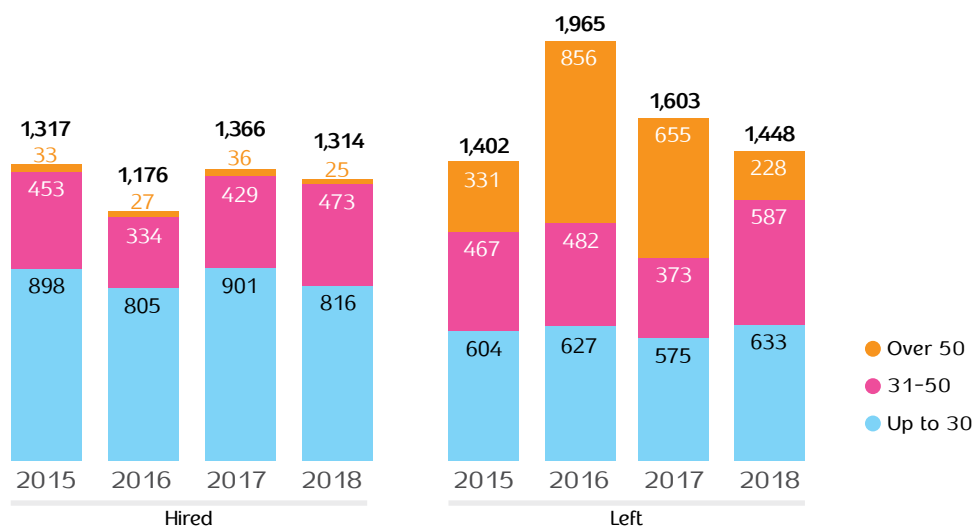
**Employee Turnover**

**Employee turnover by gender<sup>88, 89</sup>**



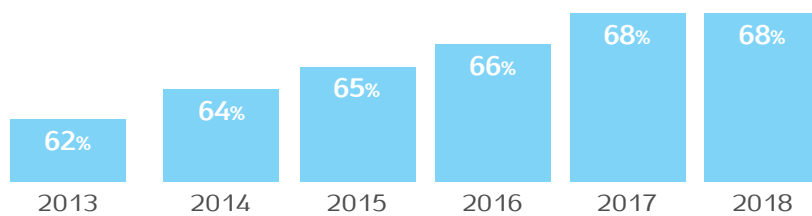
86. The data do not include Leumi Partners, Leumi Romania and Bank Leumi UK.  
 87. The employee turnover data for Leumi Capital Market Services, Leumi Partners and Bank Leumi UK are not segmented by age.  
 88. As of 2017, hiring data also include the hiring of contract workers as Bank Leumi employees..  
 89. Over 40 percent of Leumi Card's employees are service representatives, most of whom are 30 years or under. The highest employee turnover rate is therefore among employees in this age range.

### Employee turnover by age<sup>90</sup>



### Academics at the Leumi Group

#### Academics at the leumi group over time in israel



### Bank Leumi employees with college degrees, by gender and rank in 2018

Percentage of academics out of all employees	Percentage of bankers	Percentage of managerial staff	Percentage of women	Percentage of men
77%	68%	96%	75%	81%

90. Employee turnover data at Leumi Capital Market Services, Leumi Partners and Leumi UK are not segmented by age.

## Corporate Governance

As a complex financial organization, the Leumi Group requires robust corporate governance and management mechanisms that allow for coordination, control, and optimal risk management. The Group has high standards for managing corporate governance beyond compliance, deriving from the perception that this domain is material for its business success.

Bank Leumi is a limited liability public company incorporated under the Companies Law, 1999 (hereinafter: the "Companies Law"), a reporting company under the Securities Law, 1968, and a banking corporation. As such, it operates according to the law, which includes a list of laws and regulations, including the Companies Law, the Securities Law, 1968, banking laws, Directives of the Banking Supervision Department, including Proper Conduct of Banking Business Directive 301 – "Board of Directors" (hereinafter: "Directive 301") and the Articles of Association of Leumi published on the Magna website of the Israel Securities Authority ([www.magna.isa.gov.il](http://www.magna.isa.gov.il)). These rules and procedures govern the corporate governance aspects of Leumi's activity, including the Board of Directors' conduct, risk management, capital management and the granting of credit, fairness in customer service, proper disclosure of information, executive compensation, etc. It should be noted that the Board of Directors' work procedure reflects these provisions.

It is hereby clarified that the Board of Directors referred to in this chapter is Bank Leumi's Board of Directors, rather than of its subsidiaries and foreign offices, unless stated otherwise.

### Leumi's Board of Directors

According to Directive No. 301, the Board of Directors outlines Leumi's strategy, including the Group's risk appetite, and approves the policies that guides its ongoing operations; the Board of Directors oversees management's actions and ensures that they are consistent with the policies it has established; the Board of Directors verifies the existence of clearly defined areas of responsibility and clear reporting; the Board of Directors defines the roles, powers, and duties of the President and Chief Executive Officer and his reporting to the Board of Directors; the President and Chief Executive Officer is responsible for guiding and coordinating the activities of the members of management. In addition, the Board of Directors outlines the organizational culture, which requires the implementation of high standards of professional conduct and integrity, and approves the Bank's Code of Ethics; the Board of Directors ensures that Leumi acts in compliance with the law and regulations.

The member of management responsible for corporate social responsibility is the Head of the Human Resources Division. The Board of Directors and its committees receive reports regarding the positions of stakeholders such as employees and customers. The Board of Directors has approved the Code of Ethics and the Bank's vision, and in 2016, discussed the Code of Ethics according to the directives of the Bank of Israel. In 2018, the Board approved the Bank's donations policy for 2019, which includes the Leumi Group's community outreach budget.



## Board Members – Appointment and Qualifications

The Bank is defined as a banking corporation without a controlling core, and no shareholder is defined as the Bank's controlling shareholder. The process of electing the Bank's board members complies with the requirements of the Companies Law, the Banking Ordinance, 1941, the Banking (Licensing) Law, 1981 with respect to a corporation of this type and with the Bank's articles of incorporation. In a banking corporation without a controlling core, only the following may propose to the general meeting candidates to be appointed as directors: (1) Board Members Nomination Committee in Banking Corporations, established by the Governor of the Bank of Israel under Section 36A(a) to the Banking Law (Licensing), 1981 (hereinafter: the "Committee"); (2) Anyone holding more than 2.5 percent of the means of control (hereinafter: "Holder"); (3) A group of holders comprising two or three holders, each of whom holds more than 1 percent but no less than 2.5 percent, and together – no more than 5 percent, of a certain means of control in the Bank, as aforesaid (hereinafter: a "Group of Holders") and has complied with the reporting requirements regarding its holdings in accordance with the Banking Law and Banking Ordinance. The board members are elected by the General Meeting for a term of 3 years and may be re-appointed for 2 additional terms of 3 years each. The Board Members Nomination Committee for Appointing Directors is an independent committee that is in charge of electing board members in banks without a controlling core, and its composition is determined by the Banking (Licensing) Law. Pursuant to Section 36A of the Banking (Licensing) Law, the composition of the committee is to include two board members in the status of external directors. For this purpose, the meaning of "external director" is as defined by the Companies Law or Proper Conduct of Banking Business directives regarding the board of directors.

The Bank has no influence over the candidates' identity or selection, and it is not privy to data pertaining to their selection process, including the number of meetings held by the Nomination Committee during the reporting year, and the participation rate of the members of the Nomination Committee.

In 2018, pursuant to the Banking Supervision Department's instructions, the number of members on the Board of Directors was reduced to 12. Under the amendment to Directive No. 301, published on July 5 2017, the maximum number of members on the Board of Directors of banking corporations is to be reduced to 10 by July 1, 2020. As of August 2019, Leumi's Board of Directors comprises 10 members.

On November 6 2018, the Bank received guidance from the Banking Supervision Department, whereby in order to comply with the provisions of Directive No. 301 as well as with guidance issued in previous years to reduce the number of directors, in 2019 the number of directors will be reduced to 10 through the directors ending their third and last term. In this context, it should be noted that Mr. David Brodet (Chairman of the Board) and Yoav Nardi (member of the Board under the status of "other director") have ended their third and last term with the Bank on July 21 2019. As of that date, the number of members on Bank Leumi's Board of Directors is down to ten.

In accordance with Directive No. 301, the legal quorum required at the Board of Directors' meetings and for voting on its resolutions is a majority of the Board members, provided that at least one third of the Board members are directors meeting the eligibility requirements for external directors pursuant to Directive No. 301 (hereinafter: "External Directors") Directors.

Pursuant to Directive No. 301, at least one third of the directors should be external directors. As a result, as of August 2019, the Bank's Board of Directors includes 6 directors who are classified as external directors, including 4 EDs in accordance with the Companies Law.

In addition, following the definition of an “independent director” in the Companies Law, the Board’s Audit Committee has confirmed that the External Directors are independent members of the Board.

Pursuant to the Banking Supervision directives and the provisions of the Companies Law and regulations thereunder, the Bank’s Board of Directors decided that at least three directors with “accounting and financial expertise” serving on the Board of Directors at any given time shall participate in the Board plenum’s discussions of the draft financial statements and their approval, so as to enable the Board of Directors to meet its obligations in accordance with the law and the Bank’s articles of association, and especially its responsibility for examining the Bank’s financial position and preparing the financial statements.

In determining the said minimum number, the Board of Directors took into account the Bank’s size, the complexity of its activity and the diverse risks involved, as well as its existing systems and procedures, such as: Control, risk management, compliance, internal auditing and auditing by the independent auditors.

As of August 2019, and as approved by the Board of Directors based on their education, experience, skills and knowledge, all members of the Board meet the definition of directors with accounting and financial expertise and professional qualifications in accordance with the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications) Regulations, 2005.

All of the Bank’s directors are subject to the provisions of the law, including the Companies Law, the Banking Law (Licensing), 1981, the Banking Ordinance, 1941 and Directive No. 301, including in the matter of their appointment, qualifications (including strict requirements regarding the prohibition of affinity, inter alia, to the Bank), to a corporation under the Bank’s control, to an executive in the Bank or a holder of more than 2.5 percent of the Bank’s shares), the majority required for their election, their term of office, and more. A candidate for the Board of Directors is required to comply with a due diligence (fit and proper) process to assess their suitability, and their appointment is subject to approval by the Bank of Israel.

In 2018, the Bank held a training program for the members of the Board on topics such as corporate social responsibility, risk management, accounting, technology and IT, as well as regulatory updates.

Under Directive No. 301 – prior to its amendment published in July 2017 – at least one fifth of the Board members are required to have “banking experience”. Thus, as of August 2019, the Bank’s Board of Directors includes 4 directors classified as having “banking experience” (as defined by Directive No. 301) – Zipora Samet and Yitzhak Sharir.

As of August 2019, the Bank’s Board of Directors includes 3 directors classified by the Board as having proven knowledge and experience in information technology: E. Levanon, S. Haj Yehia and Y. Sharir.

Pursuant to the revised Directive No. 301, published on July 5, 2017, changes were made to the eligibility requirements of members of the Board of Directors, which will become effective July 1 2020, as follows:

- 1) The mandatory portion of directors with banking experience will increase from one fifth to one third;
- 2) At least half of the Board members will be required to have “professional qualifications” as defined in the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise) Regulations, 2005;
- 3) At least one Board member should have adequate knowledge and proven experience in information technology.

In addition, the Bank complies with Section 239(d) of the Companies Law, which establishes the right

of representation for both genders in the Board of Directors. In 2018, one of the directors was of Arab extraction. The directors do not report to the President and CEO.

In accordance with the Bank's articles of incorporation, the Board of Directors elects one of its members to serve as chairman of the Board of Directors. Pursuant to the Companies Law, the Chairman of the Board or their relative may not serve as CEO, unless approved by a special majority in a general meeting. According to Directive 301, members of the Board shall abstain from participating in the ongoing management of the Bank and may not attend meetings of management or its committees, excluding discussions regarding the Bank's overall strategy.

In 2018, the Board of Directors' plenum held 36 plenum meetings and its committees held 79 meetings.<sup>91</sup>

**The Audit Committee:** Six directors currently serve on the Audit Committee, including four External Directors in accordance with the Companies Law, one of whom serves as the Committee's chairperson. Two committee members are external directors, The independence, expertise and service period of the committee members are determined by the provisions of the Companies Law, Banking Ordinance and the Bank of Israel's Proper Conduct of Banking Business directive and are not under Leumi's control. During 2018, the Audit Committee held 38 meetings.<sup>92</sup>

**The Board of Directors' Strategy Committee** discusses, among other things, the Bank's management of the corporate social responsibility and its compliance with the Bank's overall strategy. The Bank's Board of Directors discusses and the Corporate Social Responsibility Report and the corporate social responsibility (CSR) objectives of the Bank and the Group for the coming years, as well as their implementation status and the Bank and Group's CSR management. In 2018, the Corporate Responsibility Report was presented and approved by the Board of Directors' plenum.

The Head of the Human Resources Division is responsible for presenting the annual Corporate Social Responsibility report to the members of the Strategy Committee. The report reviews the implementation of the CSR plan, the organization's performance, and whether it has met its goals and objectives for the coming years.

It shall be emphasized that each of Leumi's subsidiaries has its own Board of Directors. Corporate governance in the subsidiaries is managed in accordance with relevant laws and regulations, and in the spirit of Leumi. The Board of Directors of Leumi and the subsidiaries operate, inter alia, by means of standing committees and ad hoc committees, in addition to the committees required under law.<sup>93</sup> During 2018, three meetings of the Strategy Committee were held at Bank Leumi.<sup>94</sup>

91. For further information, [https://english.leumi.co.il/WnnnWn/Investor\\_Relations/6254/](https://english.leumi.co.il/WnnnWn/Investor_Relations/6254/)

92. For further information, [https://english.leumi.co.il/WnnnWn/Investor\\_Relations/6254/](https://english.leumi.co.il/WnnnWn/Investor_Relations/6254/)

93. For further information about the committees of the Board of Directors, their composition and functions can be found on the Leumi website: [www.leumi.co.il](http://www.leumi.co.il).

For more information regarding the participation rate of Board members in Board meetings during the year, please see the 2018 Annual Financial Statements and Corporate Governance Questionnaire.

94. For further information, [https://english.leumi.co.il/WnnnWn/Investor\\_Relations/6254/](https://english.leumi.co.il/WnnnWn/Investor_Relations/6254/)

## Composition of the Boards of Directors<sup>95,96</sup>

Company	No. of directors	No. of external directors	No. of directors with accounting and financial expertise	No. of women on the board	Up to age 30	Aged 31-50	Aged 51+	Main committees
Leumi	10	6	10	4	0	1	9	Audit, Risk Management, Credit, Compensation*
Leumi Card	6	2	4	1	0	1	5	Audit, Risk Management, Investment, IT and Compensation

The average age of the Board members is 67, with the youngest being 50 and the oldest - 75. There is no procedure limiting the age of a Board member but their maximum term of office is restricted - up to three terms of three years each.

## Activity of the Board of Directors

During 2018, Leumi's Board of Directors continued to carry out its duties, including - but not limited to - formulating strategy, supervising management's actions and their compliance with the Board's policy, ensuring clear boundaries of responsibility and reporting at the Bank, instilling a corporate culture which requires implementation of high standards of professional conduct and integrity, approving financial statements, approving policies in various areas - including risk management, and more. Leumi's Board of Directors held 36 plenum meetings and its committees held 79 meetings.

95. The data in the table is updated for August 2019

96. On December 31 2017, the Board Of Directors decided to merge the Audit Committee and Compensation Committee so that the Audit Committee will also serve as the Compensation Committee. Full details on the members of the Board of Directors can be found in Leumi's 2018 Financial Statements on the Israel Securities Authority's website: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

## Raising Issues for the Board of Directors' Agenda and General Meeting

The agenda for Leumi's Board of Directors is determined by the Chairman of the Board, in coordination with the President and Chief Executive Officer of the Bank, taking into account the relevant regulatory requirements. Social and environmental issues, as well as aspects of corporate governance, are discussed by the Board of Directors and its committees as necessary and/or as required by law. As a rule, the Chief Executive Officer, with the assistance of the Head of the Human Resources Division, manages all interactions with employees, subject to the receipt of appropriate approvals from the Board of Directors, as necessary. The Audit Committee of the Board of Directors has approved a procedure governing mechanisms for reporting on unusual activity by employees, inter alia, to the Chairman of the Audit Committee, as well as mechanisms to protect the identity of whistleblowers. It also receives periodic reports from the compliance officer regarding various issues, inter alia, on significant compliance and money laundering violations. In 2018, no complaints were made to the Board of Directors on critical material responsibility issues.

**Shareholders' meeting:** The agenda of the general meeting is set by the Board of Directors. Certain shareholders may request that the Board of Directors include additional issues in the general meeting's agenda. By law, the Bank must publish a prior notice regarding the convening of a general meeting if its agenda includes the election of directors, and may also include in the notice other topics on the agenda, at least 21 days prior to publication of the notice regarding the convening of the general meeting. The Bank publishes summons to general meetings on set dates, according to law. The notice includes the proposed agenda and the majority required for the various resolutions, as well as an explanation of the shareholders' right to vote in the general meeting on the various topics, including appointment of directors. In accordance with the law, all general meeting resolutions are posted on the Magna System by way of an immediate report. Resolutions made by the shareholders are published in the general meeting's resolutions when a special majority is required. Details of the shareholders' resolutions are attached as an appendix to the minutes of the general meeting, which is open to the shareholders' perusal at the Bank but not published.

For the participation rate of Board members in the meetings of the Board and its committees during the year, please see the 2018 Annual Financial Statements.

## Preventing Conflicts of Interest

Leumi operates in accordance with the legal regulatory provisions regarding conflicts of interest, including the provisions of the Companies Law and Directives Nos. 301 and 312 of the Banking Supervision Department. In accordance with the provisions of the Companies Law, a director in a bank has a fiduciary duty towards the bank and must act in good faith and for the best interest of the Bank. Pursuant to these provisions, no person may serve as a director in a bank, if their business or current occupations creates a permanent conflict of interest between them and the corporation. The Bank's procedures prescribe mechanisms for avoiding conflicts of interest situations (even when they are not conflicts of interest of a permanent nature), such as the prohibition on releasing background material and on participating in discussions and decision-making of the Board of Directors and its committees.

At the time of their appointment and twice a year thereafter, all directors are asked to provide regular information about positions held by them or their relatives and/or their holdings, or their relatives' holdings, in corporations, which may be considered as being in conflict with the Bank's interests. In addition, Leumi's Chairman of the Board does not serve as a member of the Bank's management, and the chairpersons of the subsidiaries' boards of directors in Israel do not serve, as a rule, as managers in those companies.

## Monitoring Performance and Risk Management

The Board of Directors oversees management's actions and monitors them by means of several mechanisms, including:

- Every six weeks, the Board of Directors receives a monthly report on the Bank's financial position, submitted in writing by Leumi's President and Chief Executive Officer, and discusses it.
- Following the Audit Committee's recommendation, the Board discusses the Bank's annual and quarterly financial statements and approves them.
- Each quarter, the Board of Directors discusses a quarterly risk report, which outlines the Bank's and Group's risk profile, following discussion by the risk management committee. In addition, each new significant product requires approval by the Board of Directors' Risk Management Committee.
- Every six months, the Board of Directors discusses the implementation of the decisions of the Board's Plenum and committees.
- The Board has at its disposal various tools for exercising proper supervision, including deliverables of the internal audit and control functions (such as the Internal Auditor, Risk Manager, Compliance Officer), and external functions (such as the independent auditor).
- The Board of Directors has defined a list of exceptional events about which it wishes to receive reports. In accordance with the work plan approved by the Board of Directors, the Internal Audit Division carries out audits at predetermined intervals, inter alia on the implementation of the Board's decisions on the matters being audited and the process of monitoring the Board's decisions.
- Any material deviation from limits approved by the Board of Directors is brought before the Board of Directors for approval.
- The Board of Directors exercises supervision and control mechanisms over the Leumi Group's subsidiaries.
- The Risk Management Committee of the Board of Directors receives regular periodic reports on relevant issues, including from the Chief Risk Officer, and submits its recommendations on these issues to the Board of Directors' plenum. In addition, the Chief Risk Officer reports to the Committee effective immediately, and if necessary – to the Board of Directors as well – on any issue, finding, or deficiency under her purview that could materially affect Leumi's risk management and/or business. The Chief Risk Officer may decide on other issues that are to be brought for further discussion and examination by the Risk Management Committee.
- The Audit Committee holds semi-annual meetings with the following: Chairman of the Board, Chief Legal Counsel, independent accountant, Chief Compliance Officer, Chief Accountant, Chief Risk Manager, Head of the Finance Division, Head of Human Resources, and Head of the Strategy and Regulation Division.

## Assessing the Board of Directors' Performance

Pursuant to Directive No. 301, every two years, the Board conducts a process of self-assessment to examine the effectiveness and efficiency of its work, including the Board's structure, the composition of its committees and compliance with the Bank's strategy and activity characteristics, as well as its work processes, in order to identify any shortcomings in its work. Later on, the Board discusses the findings of the assessment process and implements any necessary changes.

In addition, the Board of Directors periodically updates its working procedure, which is based, inter alia, on the applicable provisions of the law and on the Board's decisions. The procedure stipulates, inter alia, the purviews, powers and work methods of the Board and its committees, including the reports brought before them, as well as matters and transactions that are to be brought for the approval of the Board.

## Executive compensation

All directors serving on Leumi's Board of Directors, excluding the Chairman of the Board, receive compensation and reimbursement of expenses in accordance with the law regarding External Directors' compensation. The Chairman of the Board's terms of employment were approved by the Audit Committee (on December 31 2017, the Board Of Directors decided to merge the Audit Committee and Compensation Committee so that the Audit Committee will also serve as the Compensation Committee), the Board of Directors and general meeting.

The Bank's executive compensation policy is subject to approval by the Bank's general meeting and is brought for approval by the general meeting at least once every three years. In a general meeting held on November 3 2016, 630,452,474 out of 769,821,201 participating shares voted in favor of the compensation policy, while 139,368,727 shares voted against it.

In November 2016, the Bank's general meeting approved (following approval by the Board of Directors and in accordance with the approval and recommendations of the Compensation Committee), an executive compensation policy as from October 12 2016 through the end of 2019 (hereinafter the "**Compensation Policy**"). The compensation policy is based on the provisions of Amendment 20 to the Companies Law regarding terms of service and employment of the Bank's executives and Proper Conduct of Banking Business Directive No. 301A (hereinafter, Directive No. 301A), Compensation Policy at Banking Corporations. In addition, the Compensation Policy is based on the Law of Executive Compensation in Financial Corporations (Special Approval and Non Tax-Deductible Expenses Due to Exceptional Compensation), 2016 (hereinafter: the "**Compensation Limitation Law**"). The Compensation Policy is designed to reward the Bank's executives in accordance with the Bank's performance and profitability over time, including according to the Bank's and Group's long-term targets, and according to the actual contribution of the executives to achieving these performance targets. The Compensation Policy includes, among other things, reference to the salary component, additional benefits, retirement terms and annual bonus component. The Compensation policy is intended, first and foremost, to retain executives at the Bank and recruit senior employees with the experience and skills needed to manage a large-scale, complex financial corporation, despite the limitations imposed by the Compensation Limitation Law. The company may not issue preferred shares without the approval of shareholders for the expansion - please see Section 6 of the Bank's articles of incorporation.

The Audit Committee gives its recommendations to the Board of Directors regarding the Bank's Compensation Policy and compensation of the Bank's executives. Pursuant to the provisions of the



Companies Law and Directive No. 301, the Committee comprises External Directors and EDs. If necessary, the Audit Committee is assisted, inter alia, by external independent consultants.

More information on the Compensation Policy of executives can be found in Appendix C of the Bank's immediate report dated October 21 2016, regarding the convening of a special meeting which approved the Compensation Policy.<sup>9798</sup>

The general meeting held on October 4 2018 approved the appointment of the Bank's independent auditors. 790,578,347 shares voted in favor of the appointment. 124,339,379 voted against it. The Bank's independent auditor firms have served in this capacity for dozens of years - over fifty years. In a general meeting held in July 2019, the agenda included a motion to appoint a new independent auditor, as follows: To reappoint accounting firms Somekh Chaikin (KMPG) and Kost Forer Gabbay & Kasierer (EY) as the Bank's joint independent auditors, for the period starting on the date of the current annual general meeting until the approval date of the Bank's annual financial statements for 2019 (hereinafter: the "End Date") and authorize the Board of Directors to set their fees.

It was also resolved to appoint Somekh Chaikin (KPMG) and Brightman Almagor Zohar & Co. (Deloitte) as joint independent auditors of the Bank for a period that will commence after the End Date and until the next annual general meeting of the Bank and to authorize the Bank's Board of Directors to set the fees.

For more information regarding executive compensation, please see the Maya website and the 2018 Financial Statements

97. Ref. No.: 2016-01-066408.

98. For more information regarding the Bank's executive compensation policy, please visit <https://english.leumi.co.il/Articles/37696/>

## Objectives

### 2018 Objectives - Implementation Status

Topic	Objective by end of 2018	Status	Details
The environment	2% reduction in the total power consumption compared to 2017	Done	5.3% year-on-year reduction in energy consumption, even when taking into account the reduction in area, the reduced consumption exceeds the target (2%)
The environment	Renewed certification for new ISO 14001:2015	Done	
The environment	Increase awareness among environmental trustees at the branches	Done	Inspections and tours of the branches were conducted in respect of ISO 14001

### 2019 Objectives

Topic	Objective as at end of 2019	Details
The environment	Reduce carbon footprint	2% reduction in the total power consumption compared to 2018 through efficiency measures
The environment	Reduce the number of gasoline-powered vehicles	Continue to reduce the number of gasoline-powered vehicles used by the Bank's employees
The environment	Reduced fuel costs	Continue to reduce distance travelled
The environment	Reduce paper consumption	Reduce paper consumption by 4 percent compared to 2018 by boosting related training for all employees and identifying weak spots
The environment	Draw a work plan, including metrics and targets	Define and manage the work plan, which will be used as guidelines.
Transport safety	Map safety of company vehicles, including leased vehicles (accidents, fines, near-misses)	Monthly monitoring of maintenance status of vehicles handled by body shops due to accidents, dents, malfunctions, etc. and sampling their work.
Transport safety	Conduct theoretical and/or hands-on training every two years	<ul style="list-style-type: none"> <li>a. Distribute transport safety information to all employees, on topics such as winter driving, driving with lights turned on, etc.</li> <li>b. "How is my driving" - monitor and examine.</li> <li>c. Operate mandatory tutorial for all employees.</li> <li>d. Continue to update transportation newsletter, including information on various topics and uploading training presentations to the transportation website.</li> </ul>




# External Assurance Index

GRI | UNGC | SDGs

Somekh Chaikin  
KPMG Millennium Tower  
17 HaArba'a Street, 609 PO Box  
Tel Aviv 6100601  
Tel. +972-684-8000

### **Independent Report of Limited Assurance for the Readers/Users of the 2018 Corporate Social Responsibility Report of Bank Leumi Le-Israel B.M.**

The management of Bank Leumi Le-Israel B.M. (hereinafter: the "Bank") has requested that we carry out limited assurance regarding the issues specified in the table at the end of the Trust Assurance Report (hereinafter: "Specific Issues"), marked  in the body of the Report, regarding information contained in the Corporate Social Responsibility Report for the year ended December 31, 2018 only, by Bank Leumi Le-Israel (hereinafter: the "Report"). The Bank's responsibility is to: a) Prepare and present the Corporate Social Responsibility Report, in accordance with the principles of the Global Reporting Initiative - Sustainability Reporting Standards (hereinafter: "GRI-SRS") as set out on pages 119-127 of the Report, as well as all relevant information and representations included in the Report; b) Set the objectives of Bank Leumi Le-Israel with regard to sustainable development, performance and reporting; c) Establish and maintain appropriate systems for internal control and assessment of the performance and management results relating to the preparation and presentation of the Corporate Social Responsibility Report without any material misstatement, whether due to fraud or error; d) Identify stakeholders and material issues for reporting.

Our responsibility is to conduct limited assurance and draw a conclusion based on the work performed. We have performed the engagement in accordance with the *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000) published by the International Standards on Auditing and Assurance Standards (IAASB). This standard requires us to comply with acceptable ethical requirements, including independence requirements, and that the work is planned and executed to ensure limited assurance so as to ensure that the topics we have examined in the Report do not include a material error.

Engagement to perform limited assurance regarding information and data included in the specific topics of the Corporate Social Responsibility Report involves conducting interviews, especially with the parties at the Bank responsible for the preparation of the information presented in the Report, as well as implementation of additional analytical testing and procedures to gather supportive evidence of adequate scope. These procedures included the following:

- Examination of material topics included in the Report for the purpose of implementing limited assurance based on public information sources, becoming acquainted with the Bank's activities and comparative information with similar organizations.

- Conducting interviews with members of management to gain an understanding of the topics that are material to the stakeholders of Bank Leumi Le-Israel B.M.
- Hold interviews with senior management and relevant staff in the Bank's management regarding the Bank's corporate social responsibility strategy and the Bank's policy regarding material topics and their implementation across the Bank's business activities.
- Conduct interviews with relevant management and Bank units responsible for providing the information required for the Report's preparation.
- Visiting the Bank's sites in Tel Aviv (Beit Leumi, Beit Manny, Beit Lin) and Bnei Brak selected on the basis of the reporting risks, which included the quantitative and qualitative data in the information featured in the Report.
- Drawing a comparison to ensure that the specific topics presented in the Report are consistent with the references in the sources of information relevant for the purpose of preparing the Report, in order to determine whether all the material information contained in these sources has been included in the Report.
- Wherever relevant, conducting interviews on the method of calculation, addition, consolidation and methods used to gather the material information and reporting.
- Reading of the information presented in the Report to determine whether it is consistent with the general knowledge and experience regarding the corporate social responsibility performance of Bank Leumi Israel Ltd.

The procedures regarding the scope of collecting and examining supporting information carried out as part of the limited assurance process are less restrictive than those required for carrying out reasonable assurance, and therefore - a lower level of assurance is provided regarding Bank Leumi Le-Israel B.M.'s Corporate Social Responsibility Report.

Based on the procedures for performing the limited assurance described above, nothing has been brought to our attention that could indicate that Bank Leumi's Corporate Social Responsibility Report for 2018 is not properly presented in all material respects, in accordance with the SRS-GRI principles and reporting criteria of Bank Leumi Le-Israel B.M.

The limited assurance is provided solely for Bank Leumi Le-Israel B.M. and is in accordance with the terms of our engagement with Bank Leumi Le- Israel B.M. Our work was done so that we can conduct limited assurance for Bank Leumi Le-Israel B.M on the topics we have been asked to examine in our work and for no other purpose. We do not accept nor assume that we have any liability towards any party other than Bank Leumi Le-Israel B.M. and its subsidiaries, with regards to the work performed or the conclusions drawn by the limited assurance.

Tel Aviv

September 10, 2019

Somekh Chaikin

It should be noted that the assurance covered information and data included in the topics listed in this list alone, as these appear in the Investor Performance Dashboard on p. 4-5 of the Report. Following is a list of topics on which limited assurance has been conducted regarding specific information and data:

Topic	Sub-topic
Involvement in corporate social responsibility initiatives and ratings	Involvement in corporate social responsibility initiatives and ratings in 2018
Identifying material topics for reporting	Process of validating and revising of the material topics for reporting
	The materiality matrix and reporting topics for 2018
Economic	Total credit granted to promote environmental issues in 2018
	Total credit granted to promote social issues in 2018
	The scope of the budget defined as sustainable procurement in Leumi in 2018
	Percentage of local procurement out of Leumi's total procurement in 2018
	Total budget out of the total procurement budget paid to companies promoting employment of people from underemployed sectors
	Total budget invested in procuring products and services from nonprofits and social businesses
Social	Leumi ranked among 100 Best Companies to Work For held by BDICode and <i>The Marker</i> in 2018
	Percentage of employees from underemployed populations hired out of total new hires in the Leumi Group in 2018
	Percentage of women out of total employees in the Leumi Group 2018
	Percentage of women out of executive managers in the Leumi Group 2018
	Percentage of women branch managers in Leumi - 2018
	Percentage of women among the top decile of wage earners at Leumi - 2018
	Percentage of employees who received performance feedback at Leumi and the Leumi Group – 2018
	Percentage of total employees covered by collective bargaining agreements
	Percentage of employees who received a pay raise in 2018
	Total investment in employee development and training - 2018
	Total community outreach budget – 2018
	Community outreach budget as a percentage of the net income - 2018
	Making Leumi's branches accessible to people with disabilities
	Encourage mid-sized suppliers to join Maala's rating - 2015-2018
The Environment	Percentage of energy savings by Leumi in 2018
	Percentage of year-on-year decrease in Leumi's carbon footprint in 2018
	Percentage of power consumption from manufacturers using efficient technologies or natural gas in 2018
	Percentage of construction and maintenance procurement suppliers who have declared their compliance with environmental criteria
	Percentage of paper and electronic waste recycled by Leumi - 2018
	No. of women on Leumi's board of directors - 2018

# Index



This report successfully supplements the GRI materiality assurance indices.<sup>99</sup> srs10255

In recent years, Bank Leumi has reported its compliance with the GRI standards, matching them with the UN Global Compact principles, to which the Bank is party for the eleventh year. This year - as part of Bank Leumi's support for the UN Sustainable Development Goals (SDGs), and following the 2016 mapping for analysis of its efforts to realize these goals - we have matched the SDGs with the sustainability goals promoted by the Bank as part of its compliance with the GRI standard, based on the SDG Compass initiative, as outlined in the index below.<sup>100</sup>

## GRI 102: General Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
<b>Organizational profile</b>				
102-1	Name of the organization	10		-
102-2	Activities, brands, products, and services	6, 10, 40, 42, 47		
102-3	Location of headquarters	10		-
102-4	Location of Operations	11		-
102-5	Ownership and legal form	104		-
102-6	Markets served	11		-
102-7	Scale of the organization	10, 40		-
102-8	Information on employees and other workers	70, 100	6	
102-9	Supply chain	53		-
102-10	Significant changes to the organization and its supply chain	15		-
102-11	Precautionary Principles or approach	40, 88	7	
102-12	External Initiatives	6, 36	1-10	
102-13	Membership of associations	15	1-10	
<b>Strategy</b>				
102-14	Statement from senior decision-maker	8		
102-15	Key impacts, risks, and opportunities	40, 42, 47		
<b>Ethics and integrity</b>				
102-16	Values, principles, standards, and norms of behavior	24	10	16
102-17	Mechanisms for advice and concerns about ethics	24, 26	10	16

99. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

100. For more information about the initiative and Bank Leumi's support for them, please see p. 6

## GRI 102: General Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
<b>Governance</b>				
102-18	Governance structure	104		-
102-19	Delegating authority	104		-
102-20	Executive-level responsibility for economic, environmental and social topics	18, 107		-
102-21	Consulting stakeholders on economic, environmental, and social topics	104		-
102-22	Composition of the highest governance body and its committees	108		16
102-23	Chair of the highest governance body	110		16
102-24	Nominating and selecting the highest governance body	105		16
102-25	Conflicts of interest	110		16
102-26	Role of the highest governance body in setting purpose, values, and strategy	104		-
102-27	Collective knowledge of highest governance body	106		4
102-28	Evaluating the highest governance body's performance	112		-
102-29	Identifying and managing economic, environmental, and social impacts	111		16
102-30	Effectiveness of risk management processes	111		-
102-31	Review of economic, environmental, and social topics	16, 111		-
102-32	Highest governance body's role in sustainability reporting	107		-
102-33	Communicating critical concerns	107		-
102-34	Nature and total number of critical concerns	109		-
102-35	Remuneration policies	112		-
102-36	Process for determining remuneration	112		-
102-37	Stakeholders' involvement in remuneration	112		16
102-38	Annual total compensation ratio	76		-
102-39	Percentage increase in annual total compensation ratio	76		-
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups	12		-
102-41	Collective bargaining agreements	20		8
102-42	Identifying and selecting stakeholders	18, 20		-
102-43	Approach to stakeholder engagement	18, 20		-
102-44	Key topics and concerns raised	18		-
<b>Reporting practice</b>				
102-45	Entities included in the consolidated financial statements	19		-
102-46	Defining report content and topic Boundaries	19, 20		-
102-47	List of the material topics	20		-



**GRI 102: General Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
102-48	Restatements of information	19		-
102-49	Changes in reporting	19		-
102-50	Reporting period	19		-
102-51	Date of most recent report	19		-
102-52	Reporting cycle	19		-
102-53	Contact point for questions regarding the report	20		-
102-54	Claims of reporting in accordance with the GRI standards	19		-
102-55	GRI Content Index	119		-
102-56	External assurance	17		-

**Economic Performance****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	40	-	
103-2	The management approach and its components	40	-	
103-3	Evaluation of the management approach	40	-	

**GRI 201: Economic Performance 2016**

201-1	Direct economic value generated and distributed	40	7	8, 9
201-2	Financial implications and other risks and opportunities due to climate change	88		
201-3	Defined benefit plan obligations and other retirement plans	84	-	
201-4	Financial assistance received from government	11, 40	-	

**Market Presence****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	40	-	
103-2	The management approach and its components	40	-	
103-3	Evaluation of the management approach	40	-	

**GRI 202: Market Presence 2016**

202-1	Ratios of standard entry level wage by gender compared to local minimum wage	40, 76	6	8
202-2	Proportion of senior management hired from the local communities	71	6	8, 5

**Indirect Economic Impacts****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	40	-	
103-2	The management approach and its components	40	-	
103-3	Evaluation of the management approach	40	-	
<b>GRI 203: Indirect Economic Impacts 2016</b>				
203-1	Infrastructure investments and services supported	40	-	9, 5
203-2	Significant indirect economic impacts	40	-	10, 8

**Procurement Practices****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	-	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53		
<b>GRI 204: Procurement Practices 2016</b>				
204-1	Proportion of spending on local suppliers	53	-	8, 5

**Anti-corruption****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	26	-	
103-2	The management approach and its components	26	-	
103-3	Evaluation of the management approach	26		
<b>GRI 205: Anti-corruption 2016</b>				
205-1	Operations assessed for risks related to corruption	26	10	16
205-2	Communication and training about anti-corruption policies and procedures	26	10	16
205-3	Confirmed incidents of corruption and actions taken	28	10	16

**Anti- Competitive Behavior****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	26	-	
103-2	The management approach and its components	26	-	
103-3	Evaluation of the management approach	26		
<b>GRI 206: Anti- Competitive Behavior 2016</b>				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	28	-	16

## Energy

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	88	7, 8, 9	
103-2	The management approach and its components	88	-	
103-3	Evaluation of the management approach	88		
<b>GRI 302: Energy 2016</b>				
302-1	Energy consumption within the organization	90	7, 8	
302-2	Energy consumption outside of the organization	Not measured	8	
302-3	Energy intensity	92	8	
302-4	Reduction of energy consumption	92	8, 9	
302-5	Reductions in energy requirements of products and services	40	8, 9	

## Emissions

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	88	7, 8, 9	
103-2	The management approach and its components	88	-	
103-3	Evaluation of the management approach	88		
<b>GRI 305: Emissions 2016</b>				
305-1	Direct (Scope 1) GHG emissions	94	7, 8	
305-2	Energy indirect (Scope 2) GHG emissions	94	7, 8	
305-3	Other indirect (Scope 3) GHG emissions	94	7, 8	
305-4	GHG emissions intensity	96	8	
305-5	Reduction of GHG emissions	96	8, 9	
305-6	Emissions of ozone-depleting substances (ODS)	Negligible	7, 8	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Negligible	7, 8	

## Supplier Environmental Assessment

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	8	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53	-	
<b>GRI 308: Supplier Environmental Assessment 2016</b>				
308-1	New suppliers that were screened using environmental criteria	53	8	
308-2	Negative environmental impacts in the supply chain and actions taken	53	8	

**Employment****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	70	-	
103-2	The management approach and its components	70	-	
103-3	Evaluation of the management approach	70		
<b>GRI 401: Employment 2016</b>				
401-1	New employee hires and employee turnover	84	-	8, 10, 4, 5
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	83	-	8, 5
401-3	Parental leave	83		8, 5

**Labor - Management Relations****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	70	-	
103-2	The management approach and its components	70	-	
103-3	Evaluation of the management approach	70		
<b>GRI 402: Labor - Management Relations 2016</b>				
402-1	Minimum notice periods regarding operational changes	71		

**Occupational Health and Safety****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	74	-	
103-2	The management approach and its components	74	-	
103-3	Evaluation of the management approach	74		
<b>GRI 403: Occupational Health and Safety 2016</b>				
403-1	Workers representation in formal joint management-worker health and safety committees	74	-	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	74	-	
403-3	Workers with high incidence or high risk of diseases related to their occupation	74		
403-4	Health and safety topics covered in formal agreements with trade unions	74		

**Training and Education****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	78	6	
103-2	The management approach and its components	78	-	
103-3	Evaluation of the management approach	78	6	
<b>GRI 404: Training and Education 2016</b>				
404-1	Average hours of training per year per employee	79	6	5, 4
404-2	Programs for upgrading employee skills and transition assistance programs	78	-	8, 4
404-3	Percentage of employees receiving regular performance and career development reviews	81	6	10, 5

**Diversity and Equal Opportunity****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	74	6	
103-2	The management approach and its components	74	-	
103-3	Evaluation of the management approach	74		
<b>GRI 405: Diversity and Equal Opportunity 2016</b>				
405-1	Diversity of governance bodies and employees	108	6	5
405-2	Ratio of basic salary and remuneration of women to men	76	6	8, 10, 5

**Non-discrimination****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	74	6	
103-2	The management approach and its components	74	-	
103-3	Evaluation of the management approach	74		
<b>GRI 406: Non- discrimination 2016</b>				
406-1	Incidents of discrimination and corrective actions taken	29	6	8, 5, 16

**Human Rights Assessment****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	56	1, 2	
103-2	The management approach and its components	56	-	
103-3	Evaluation of the management approach	56		
<b>GRI 412: Human Rights Assessment 2016</b>				
412-1	Operations that have been subject to human rights reviews or impact assessments	41, 56	-	16
412-2	Employee training on human rights policies or procedures	27	1, 2	16
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	41	1, 2	

**Local Communities****GRI 103: Management Approach Disclosures 2016**

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	58	1	
103-2	The management approach and its components	58	-	
103-3	Evaluation of the management approach	58		
<b>GRI 413: Local Communities 2016</b>				
413-1	Operations with local community engagement, impact, assessment, and development programs	28, 59	1	4
413-2	Operations with significant actual and potential negative impacts on local communities	28	1	

## Local Communities

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
FS13	Access points in low-populated or economically disadvantaged areas by type	42		8
FS14	Initiatives to improve access to financial services for disadvantaged people	32		4

## Supplier Social Assessment

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	53	-	
103-2	The management approach and its components	53	-	
103-3	Evaluation of the management approach	53		
<b>GRI 414: Supplier Social Assessment 2016</b>				
414-1	New suppliers that were screened using social criteria	53	-	8, 5
414-2	Negative social impacts in the supply and actions taken	28	-	8, 5

## Public Policy

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	26	-	
103-2	The management approach and its components	26	-	
103-3	Evaluation of the management approach	26		
<b>GRI 415: Public Policy 2016</b>				
415-1	Total political contributions	58	-	16

## Marketing and Labeling

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	25	-	
103-2	The management approach and its components	25	-	
103-3	Evaluation of the management approach	25		
<b>GRI 417: Marketing and Labeling 2016</b>				
417-1	Requirements for product and service information and labeling	25	-	
417-2	Incidents of non-compliance concerning product and service information and labeling	28	-	16
417-3	Incidents of non-compliance concerning marketing communications	25		

## Customer Privacy

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	36	-	
103-2	The management approach and its components	36	-	10
103-3	Evaluation of the management approach	36		
<b>GRI 418: Customer Privacy 2016</b>				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	25	-	16

## Socioeconomic Compliance

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	24	-	
103-2	The management approach and its components	24	-	
103-3	Evaluation of the management approach	24		
<b>GRI 419: Socioeconomic Compliance 2016</b>				
419-1	Non-compliance with laws and regulations in the social and economic area	28	-	16

## Product Profile (Sector supplement)

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	40	8	
103-2	The management approach and its components	40	-	
103-3	Evaluation of the management approach	40		
<b>Product Profile (Sector supplement) 2016</b>				
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	40	-	9, 10
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	41, 49	-	9
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	40	8	9

## Audit (Sector supplement)

## GRI 103: Management Approach Disclosures 2016

Disclosure serial no.	Disclosure	Page	UNGC	SDGs
103-1	Explanation of the material topics and their boundaries	16	8	
103-2	The management approach and its components	16	-	
103-3	Evaluation of the management approach	16		
<b>Audit (Sector supplement) 2016</b>				
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	107	-	

## Claims of reporting in accordance with GRI Standards<sup>101</sup>

Material topics in the report and connection with GRI indicators		
1	Business ethics and anti-corruption	205: Anti-corruption
		4 15: Public Policy
		206: Anti-competitive Behavior
2	Fairness towards customers	406: Non-discrimination
		4 17: Marketing and Labeling
3	Making services accessible for disadvantaged populations	FS13: Access points in low-populated or economically disadvantaged areas by type
		FS14: Initiatives to improve access to financial services for disadvantaged people
4	Customer privacy and information security	4 18: Customer Privacy
5	Maintaining fair employment conditions for employees	401: Employment
		402: Labor/Management Relations
		407: Freedom of Association and Collective Bargaining
6	Health, training and welfare of employees	403: Occupational Health and Safety
		404: Training and Education
7	Diversity and equal opportunities in employment	406: Non-discrimination
		405: Diversity and Equal Opportunity

101. The following topics were removed due to their irrelevancy to Leumi's activity: 301 - Materials; 304: Biodiversity; 4 16: Customer Health and Safety.



Material topics in the report and connection with GRI indicators		
8	Integration of social and environmental considerations in credit and investment decisions.	FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro/small/large) and by sector
		FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken by purpose
		FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose
		4 12: Human Rights Assessment
9	Protection of human rights within the framework of the organization's activities	408: Child Labor
		409: Forced or Compulsory Labor
		4 10: Security Practices
		4 11: Rights of Indigenous People
10	Making financial knowledge available	N/A
11	Natural resource management	301: Materials
		303: Water
		306: Effluents and Waste
12	Energy saving and air pollution prevention	302: Energy
		305: Emissions
13	Community involvement	4 13: Local Communities

Material topics in the report and connection with GRI indicators		
14	Integrating environmental and social considerations in non-financial investments	204: Procurement Practices
		308: Supplier Environmental Assessment
		414: Supplier Social Assessment
	Compliance with laws and regulations	419: Socioeconomic Compliance
		307: Environmental Compliance
	Economic impacts on society	201: Economic Performance
		202: Market Presence
		203: Indirect Economic Impact

## Leumi and UN Initiatives

### Promoting the UN Sustainable Development Goals (SDGs)

In 2015, the UN adopted the Sustainable Development Goals, a series of goals and targets to be realized by 2030 for the purpose of promoting global sustainable development. The program, known as the 2030 Agenda, includes 17 goals and 169 targets with actual performance measures. The targets encompass numerous topics, including Decent Work Economic Growth, Reduced Inequalities, Gender Equality, Quality Education, and Climate Action.

As a leading Israeli financial institution that operates worldwide, the Leumi Group has a material effect on the social and economic fabric in its areas of business, especially in Israel. As one of Israel's leading banks, the Leumi Group attaches great importance to joining the effort to achieve the SDGs. The analysis for 2016 identified six key objectives where Bank Leumi's activity has a material impact and which the Bank strives to promote. The Leumi Group has identified the six objectives below as the most material for its business operations:



### Supporting the UN Global Compact Principles

Bank Leumi supports the UN Global Compact principles for the eleventh year, and is promoting these principles as part of its activity.

#### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Businesses should ensure that they are not complicit in human rights abuses

#### Employment standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labor
5. The effective abolition of child labor
6. The elimination of discrimination in respect of employment and occupation

#### The environment

7. Businesses should support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

#### Fighting corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery



In accordance with the Leumi Group's commitment to preserving the environment, this product was printed on recycled paper in limited quantity, using environmentally friendly dyes.



Leumi.  
Social.  
Sustainable.