

**UNITED NATIONS
GLOBAL COMPACT
COMMUNICATION ON PROGRESS**



**ISRAEL DISCOUNT BANK Ltd
MARCH 2012**

Table of contents

Brief description of nature of business	3
Statement of support	4
Human Rights	5
Principle 1	5
Business should support and respect the protection of internationally proclaimed human rights.....	5
Principle 2.....	5
Make sure that they are not complicit in human rights abuses	5
Labour	6
Principle 3.....	6
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.....	6
Principle 4.....	6
The elimination of all forms of forced and compulsory labour.....	6
Principle 5.....	6
The effective abolition of child labour	6
Principle 6.....	6
The elimination of discrimination in respect of employment and occupation.....	6
Environment	11
Principle 7	11
Businesses should support a precautionary approach to environmental challenges	11
Principle 8.....	11
Undertake initiatives to promote greater environmental responsibility	11
Principle 9.....	11
Encourage the development and diffusion of environmentally friendly technologies	11
Anti-Corruption	16
Principle 10.....	16
Business should work against all forms of corruption, including extortion and bribery	16

Israel Discount Bank Ltd

Global Compact Annual Communication on Progress

Company name	Israel Discount Bank Ltd	Date	05/03/12
Unit	CSR Department		
Address	Head Office 23 Yehuda Ha'levi St., 65136 Tel Aviv		
Country	Israel	Membership date	11/10/10
Contact name	Anat Sigman	Number of employees	6,027 (Dec 2010 – Bank only)
Contact position	CSR manager	Sector	Banking
Contact telephone no.	972-3-5146793		

In this document, unless it appears to the contrary, any reference to any gender shall also include the opposite gender.

Brief description of nature of business

Israel Discount Bank Ltd. (hereinafter: "the Bank") was incorporated in Palestine in 1935, as a public company under the Companies Ordinance. The Bank is a banking corporation having a banking license under the provisions of the Banking Law (Licensing), 1981.

During the 76 years of its operation the Bank has developed a chain of branches and a wide variety of commercial banking activities in all banking spheres. The Discount Group is the third largest banking group in Israel.

The Bank is a universal bank, which grants its customers comprehensive banking services in all areas of financial activity, through 149 branches in Israel. The Bank also offers its customers a variety of direct banking, on-line banking and Internet services (updated as of 31.12.2011).

The Bank has two banking subsidiaries in Israel - Mercantile Discount Bank Ltd. - a commercial bank serving customers in all fields of financial activity through 79 branches, and Discount Mortgage Bank Ltd., serving as the main arm of the Group in the mortgage loan field.

The activities in Israel include additional areas such as:

> **Credit cards** - The Bank controls "Israel Credit Cards Ltd." ("ICC") and "Diners Club Israel Ltd." ("Diners"), which issue and market "VISA", "Diners" and "MasterCard" credit cards, both for domestic and overseas use;

> **Securities portfolio management and Exchange Traded Funds** - The subsidiary, "Tachlit Investment House Ltd.", manages securities investment portfolios for private customers, corporations, not-for-profit organizations and institutional bodies;

> **Non-financial investments and underwriting** - the subsidiary "Israel Discount Capital Markets and Investments Ltd." engages in investment banking, investments in private equity funds, venture capital funds and in other non-financial investments. This subsidiary also engages in underwriting and managing the issue of securities.

In addition, the Bank has an affiliated company, The First International Bank of Israel Ltd., also being one of the five major banking groups in Israel.

Statement of support

On behalf of Israel Discount Bank, I am honored to reaffirm our commitment to the principles of the Global Compact and to the promotion of the ten universal principles of this initiative. We are committed to include the Global Compact and its principles in the strategy, organizational culture, and everyday activity of the Bank.

We undertook this commitment upon signing the membership forms, in October 2010. We are pleased to present the first Communication on Progress to the Global Compact.

The signing of the Global Compact principles and this Communication on Progress accompany our commitment to increasing transparency and reporting on our performance in the social, environmental, and financial spheres in several other settings:

- **Reporting to the research organization "EIRIS" (Ethical Investment Research Service)** – Transparency for investors in the areas of environmental, social, and ethical performance as well as corporate governance through the research and assessment organization EIRIS.
- **Reporting to "Maala" organization – Business for Social Responsibility** – The Bank reports annually to Maala as part of an annual rating process in Israel in the areas of ethics, the environment, corporate governance, community, economics, and supplier relationships.
- **Publication of a CSR report** – In accordance with the principles of the Global Reporting Initiative (GRI). Two reports have been published to date, and the Bank's third report will be released during 2012.
- **Reporting to the CDP (Carbon Disclosure Project)** – The Bank is in its second year of disclosing its greenhouse gas emissions, the related risks and opportunities, strategic management, and future reduction targets.

All of the reports noted above have joined the broad trend at the Bank towards increased transparency, expansion of activity in this field, and continual progress in the area of corporate social responsibility.

We at the Bank are committed to the promotion of the principles of sustainability, and we believe in our ability to exert a positive effect on the environment and on society, while maintaining profitability.

Our most recent CSR report: <http://tinyurl.com/discount-bank-report>

Reuven Spiegel, CEO

Signature

Position

Human Rights

Principle 1 Business should support and respect the protection of internationally proclaimed human rights

Principle 2 Make sure that they are not complicit in human rights abuses

Our commitment or policy

The following section describes the Bank's policy on human rights, based on a declaration of our commitment to conduct congruent with the Maala social management code, signed in 2005:

Israel Discount Bank Human Rights Protection Policy

Israel Discount Bank has an ongoing commitment to the protection of human rights and to compliance with the requirements of the law.

Protection of human rights – Israel Discount Bank avoids discrimination on the basis of sex, race, ethnicity, culture, religion, age, disability, sexual orientation, political opinions, or nationality.

Prevention of the excessive use of force – When the Israel Discount Bank receives services from security forces in order to protect its property or its business, it operates within the bounds of international guidelines and standards on the prevention of the excessive use of force.

Avoidance of direct or indirect involvement in human-rights violations – Israel Discount Bank avoids direct, indirect, or implied involvement in the violation of human rights.

A brief description of our processes or systems

Background: Protection of human rights at Israel Discount Bank

Israel Discount Bank has an ongoing commitment to the protection of human rights and to compliance with the requirements of the law. The Bank also presents requirements to its suppliers in this area, as part of all of its supplier contracts. Suppliers who work with the Bank are thereby also required to protect human rights.

Processes conducted by the Bank to promote human rights

- **Creating and implementing the Bank's ethical code** – All newly hired employees, as well as most of the Bank's senior workers, attend training regarding the code, which addresses human rights, among other matters.
- **Preventing the excessive use of force** – Security guards at the Bank receive instructions with regard to the treatment of customers. There have been no complaints against security guards with regard to their treatment of customers.
- **Establishing an ethics committee** – The committee includes members representing all of the voices of the organization, who conduct discussions on ethical issues in the Bank's business.

- **Improving the accessibility of branches** – The Bank has appointed an officer responsible for accessibility. Many branches currently offer services for disabled persons. In addition, accessibility is emphasized at every new or renovated branch. Special service stations are provided for disabled persons (accessible to users in wheelchairs or who have visual or hearing impairments), including ATMs positioned for use with wheelchairs. Voice devices have been installed to assist visually impaired users.

Communication and employee training

The Bank invests extensively in training and development of its human resources. The topics discussed above are part of the training provided to employees.

Controls applied by the organization

The Bank implements two main processes designed to ensure that the ethical code provides solutions to issues that emerge:

- The necessity to update the code is reexamined from time to time.
- Analysis and insight deduction of moral dilemmas gathered during the ethics meetings.

Practical actions planned for next year

Activities planned for 2012:

Increasing the number of employees with disabilities.

Measurable results or outcomes

Indices and outcomes

The activities aimed at implementing this policy, described above, have resulted in several outcomes:

- Most of the employees have attended training on the ethical code. In addition, all security guards have attended a refresher course on human rights.
- The Bank has carried out several projects aimed at improving the quality of service for population groups with various disabilities, with the guidance of the "Access Israel" foundation. Within this process, dozens of branches earned the Access Badge.

Labour

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	The elimination of all forms of forced and compulsory labour
Principle 5	The effective abolition of child labour
Principle 6	The elimination of discrimination in respect of employment and occupation
Our commitment or policy	

The following section describes the Bank's policy on employment, which was also published in the Bank's CSR Report for 2009, and is based on a declaration of our commitment to conduct congruent with the Maala social management code, signed in 2005:

Israel Discount Bank Employment Policy

Israel Discount Bank has an ongoing commitment to the promotion of fair employment and to compliance with the requirements of the law.

Discount Bank has adopted a policy of directed management of personnel, based on the understanding that human capital is the key factor for the Bank's success.

Therefore, it works to develop the human resource and to lay a foundation for outstanding, forerunning leadership, expressed in a long range view and planning as a basis for the organization's empowerment and growth.

Concurrently, emphasis is placed on the recognition of the individual's aspirations for personal and professional advancement by providing an array of opportunities for the development of his career.

The Bank insists on protecting the dignity of employees, of proper labor relations and on protecting employee rights, in accordance with the law and labor agreements.

The treatment of employees is led by the human resources network, which guides the employee from his hiring until termination, including aspects of: salary, welfare, employee development, guidance and professional training.

Discount Bank has many managerial systems that support the development and nurturing of the human resource. Entrenched in the organization are evaluation and feedback mechanisms.

The management training and development systems emphasize directing employees who are facing challenges, from the professional and the managerial aspects.

Discount Bank places much importance on dealing with employee welfare, from the many possible leisure activities offered to employees and their families, to aspects of social support to employees and their families when facing personal crisis.

Protecting employee rights

Protection of the freedom of association – The Bank respects its employees' right to unionize and to conduct collective negotiations. Tenured employees of the Bank are organized in a national workers' union.

Prevention of forced employment – The Bank does not use methods that would cause forced employment, such as demanding that employees deposit a passport, identifying document, or monetary deposit as a condition of employment. The Bank permits employees to leave its employ with reasonable advance notice and with protection of their rights. The Bank exclusively applies methods established by law to enforce discipline in the workplace; under all circumstances, the Bank respects the human rights of its employees.

Prevention of child labor – The Bank does not employ children.

Avoidance of discrimination – The Bank respects and upholds human rights. The Bank avoids prejudice and any involvement in the violation of human rights in its business activities, and grants equal opportunities to all people. Further, employees are hired by the Bank based solely on relevant considerations, taking into account the candidate's skills and suitability to the position, without reference to race, religion, sex, or ethnicity.

A brief description of our processes or systems

Background: Employment at Israel Discount Bank

At the end of 2010 (as of December 31, 2010), Israel Discount Bank employed 6,027 full-time employees (not including the Bank's subsidiaries and overseas branches), versus 6,110 employees at the end of 2009, a decrease of 1.4%.

Employees of the Bank are classified into three categories for purposes of employment terms:

Tenured employees. The employment terms of tenured employees are arranged, as stated, in the Labor Charter, special collective labor agreements and other employment.

Temporary employees. The employment conditions of temporary employees are arranged mainly in several special collective labor agreements, which detail the terms and maximum period of their employment.

Personal employment contracts. Prior to their engagement with the Bank, employees hired under personal employment contracts sign a personal contract, which precludes the Labor Charter and the collective labor agreements for these employees.

Labor relations at the Bank are based on the labor constitution, collective agreements, and various labor arrangements primarily formulated through discussions between the management of the Bank and representatives of the employees.

Processes conducted by the Bank to promote fair employment

Rights of association

The tenured employees of the Bank are organized within the framework of the national Employees' Representative Committee. The Representative Committee is divided internally in such a way that employees at the clerical level come under the purview of the Clerks' Committee and authorized signatories and managers are organized under the Managers' Representative Committee. The two divisions comprise together the Employees' Representative Committee. Most of the issues are agreed and signed between the Bank's management and the Employees' Representative Committee. A Retirees' Committee also exists, under which retirees of the Bank are organized.

Israel Discount Bank has 4,511 tenured employees who are covered by the labor constitution and represented by a national workers' union, which protects their rights. In addition, the Bank employs 1,763 temporary employees and 60 employees with personal contracts who are not represented by the workers' union (data as of the most recent financial statement published by the Bank, referring to December 2010).

Prevention of forced employment

The Bank does not impose penalties on employees who wish to leave their jobs. However, when resources are invested in employee "higher education" training, and such employees leave before the minimum agreed-upon period, the employee is required to reimburse training costs, in accordance with terms previously agreed upon.

Prevention of child labor

The Bank does not employ individuals who are not entitled to work in Israel in accordance with the Israeli law, nor does it employ minors. The Bank ensures that the employment placement agencies through which it acquires services also do not employ such individuals.

Prevention of discriminatory hiring

The placement of employees in the Bank is done objectively, while, as noted, considering the candidate's skills and his suitability for the position, and does not involve irrelevant considerations of race, gender, religion or nationality.

Preventing Sexual Harassment

Sexual harassment and any harassment of a sexual nature damage an individual's personal dignity, choices, privacy and equality of the sexes, violate the law and the Bank's policies, and harm interpersonal communication in the workplace. The Bank invests vast resources in both preventing sexual harassment, and in dealing with such occurrences. The Bank has appointed an individual, in accordance with the law, charged with dealing with such matters.

Communication and employee training in this area

The Bank invests extensively in training and development of its human resources. The topics discussed above are part of the basic training for employees regarding the bank's ethics code.

Management of Discount Bank places much importance on the implementation of the ethics code in practice; it is committed to the process and devotes time and attention to studying the subject in depth and monitoring its progress. A designated member of Management has been appointed in this area.

Controls applied by the organization

The Bank conducts two processes aimed at ensuring that its activity in this area achieves its objectives and at learning about opportunities for further improvement in the area of employment.

- **Feedback meetings** – Held with most of the employees to review their performance, maintain and reinforce strengths and achievements, identify areas needing improvement, and plan targets for the coming year.
- **Opinion survey** – Designed to examine the level of general satisfaction as well as satisfaction on parameters that constitute an influencing factor in choosing a workplace. The survey is released to the employees of the Bank.

Practical actions implemented in the last year / planned for next year

Activities performed during 2011:

- The Bank performs follow-up of employee complaints in the aforementioned topics..
- The Bank conducts ongoing dialogue with the employee union to address issues raised by employees with regard to the terms of their employment in particular and fair employment in general.
- From time to time, the Bank holds refresher sessions for its executives on ethical guidelines in various areas, including discrimination against employees and customers.
- The Bank maintains a direct, anonymous channel for contacts concerning violations of the ethical code.
- The Bank operates a "hot line", which allows employees to anonymously report suspected irregularities, embezzlement and fraud, etc. The "hot line" has a designated telephone number in which an audio system is installed, as aforesaid without the need for identification. The hot line has been installed in all the Bank's subsidiaries in Israel. A hot line has been installed in IDB New York for several years now.

- The Bank has appointed an officer responsible for the prevention of sexual harassment, as required by Israeli law. This officer oversees the processing of incoming contacts and the publication of conclusions in the event of justified complaints.

Activities planned for 2012:

- Continuation of the activities described above, in accordance with the employment policy.

Measurable results or outcomes

Indices and outcomes

The activities aimed at implementing this policy, described above, have resulted in several outcomes:

- **Protection of the freedom of association** – As for 2010 (12/31/2010) 4,511 Tenured employees are included in the bank's labor Charter, collective agreements and various special arrangements. The Bank also employs 1,763 temporary employees, a figure which is limited to 30 % of the total bank employees, as agreed between the Bank's management and employees' representatives (not including cleaning and computing personnel).
- **Prevention of forced employment** – No complaints were received in this area during 2011.
- **Prevention of child labor** – No complaints were received in this area during 2011.
- **Prevention of discriminatory hiring** – No complaints were received in this area during 2011.
- **Prevention of sexual harassment** – 8 complaints on this topic were received during 2011..
- **Employee satisfaction indices** – In the last organizational feedback survey, the general satisfaction score of employees of the Bank was 7.58 (on a scale of 1-10).
- **Employee wages** – The starting monthly wage paid to most entry-level temporary employees stands at NIS 4,500 to NIS 7,000. Minimum wage in Israel (as of January 2012) is NIS 4,100.

Environment

Principle 7 **Businesses should support a precautionary approach to environmental challenges**

Principle 8 **Undertake initiatives to promote greater environmental responsibility**

Principle 9 **Encourage the development and diffusion of environmentally friendly technologies**

Our commitment or policy

The following is the Bank's policy in this area, as published in the Bank's CSR report for 2009:

Israel Discount Bank Environmental Policy

Israel Discount Bank has an ongoing commitment to the promotion of the protection of the environment.

Israel Discount Bank views the subject of the environment with importance and relevance, and accordingly has adopted principles concerning sustainable development.

The Bank has two spheres of influence: The direct sphere of influence (operational activity) and the indirect sphere of influence (business impact).

Environmental responsibility – the direct sphere of influence

- The Bank is committed to the reduction of its impact on the environment, with an emphasis on cutting back the consumption of paper.
- In the construction and property sector, the Bank is obligated to identify environmental influences, measure and understand them, as a basis for reaching decisions, prevention of environmental damage, and an obligation to a proactive approach. The bank does its best, according to the location of the structure and the business decisions. When a property is transferred for the Bank's use, a measurement of environmental impacts is performed and a proactive approach of measuring the consumption of electricity, water, recycling paper, recycling electro-magnetic devices, etc. is taken.
- The Bank involves its employees and the community in environmental activities, and stresses the responsibility that should be exercised with respect to the environment.

Initiatives for the promotion of environmental responsibility – the indirect sphere of influence

- Development of green products – The Bank routinely examines opportunities for the development of new green banking products that can promote environmental and social values.
- The Bank's Business Division has begun a process, with the objective of evaluating credit policy with an eye to environmental matters. The Business Division has formulated and approved a credit policy relating to environmental risks when extending credit by the Bank.
- The Bank will include its employees and the community in its environmental activities.

In addition, in accordance with this policy:

- The Bank's management will allocate both human and financial resources to evaluate and monitor, where applicable, the environmental impacts of the Bank - direct and indirect - in order to reduce them. Moreover, the Bank intends to examine the possibility of using alternative energy.

- The Bank will conduct training on the environmental impact of its employees and on methods of reducing this impact.

A brief description of our processes or systems

Background: Protection of the environment at Israel Discount Bank

The Bank provides financial services to its customers; as such, the direct environmental impact of the production processes that it conducts is limited. The protection of the environment is comprehensively addressed at the Bank through its various systems: marketing and strategy for the development of new products; operations and construction; human resources – implementing an organizational culture of protection of the environment; and more.

Processes conducted by the Bank to promote environmental values

Environmental responsibility – the direct sphere of influence

- **Reducing paper consumption: the Paperless Bank** – One of the main goals related to environmental responsibility is to become a paperless bank. The Bank, together with its employees, has mobilized in a major process with the objective of reducing paper consumption. This process is reflected in several projects being integrated simultaneously.

A computerized office and digital archive; transition from paper reports to on-screen reports; a system for the management and distribution of procedures and circulars; the Discount Online Mail service; a system of digitized forms; double-sided printing; reduction of advertising materials delivered to units of the Bank via fax; and envelope savings.

- **Reducing resource consumption** – Within the process of cutting back energy consumption, the Bank has installed control systems to attain savings in air conditioning. The system sets a fixed temperature of 24 degrees Celsius in the communications room, and does not allow the temperature to be lowered beyond this level. Climate-control systems have been installed at the branches to channel the strength of the air conditioning according to areas of activity within the branch. In the area of electricity, the Bank uses energy-saving components and efficient lighting systems for maintenance.
- **Reducing water consumption** – the Bank applies measures to save water, such as the installation of water-efficient toilets and the transition to artificial plants.

Reducing carbon emissions through a system of transportation for employees – As part of the effort of caring for the environment and for the benefit of its employees, the Bank operates two systems of transportation that are available to its employees.

- **Green building** – The Bank is in the advanced stages of discussions with the Israeli Standards Institute to prescribe parameters for obtaining green certification for the branch and headquarter buildings. The certification will be given while distinguishing between existing buildings and new buildings. In October 2009, the first green building was inaugurated, which was renovated in order for it to conform to the requirements of Standard No. 5281 of the Standards Institute. This is an old headquarters building, which stood unused, in which a comprehensive renovation was performed, in order to make it usable for the Human Resources Department, the headquarter unit. Within the scope of adapting the building to the Green Standard, a reasonable solution was provided for the following aspects: energy savings, water savings, an environment-friendly construction process, and more. The Bank has three structures which are in the process of completing the data necessary for the Standards Institute to receive threshold score.

Initiatives for the promotion of environmental responsibility – the indirect sphere of influence

- **Credit policy in the area of environmental risks** – In the credit policy in the area of environmental risks that has been approved by the Bank's Board of Directors, there is an extensive reference to the aspect of environmental risks (as those relate to the Bank's credit) when providing credit.
- **Development of green products** – Including loans granted to finance the installation of household solar-energy systems for the production of clean electricity. The Bank also grants credit at attractive interest rates to businesses interested in installing solar-energy systems for the production of clean electricity on an industrial scale. The Bank intends to continue to expand its activity in the area of green products in the future, including the examination of opportunities to develop green savings plans, offer attractive loans for purchases of hybrid vehicles, and more.

Communication and employee training in this area

The Bank promotes environmental values through training programs, messages on its corporate portal, and the encouragement of environmental activities. The Bank thereby promotes an organizational culture of environmental responsibility.

Controls applied by the organization

The Bank's management has chosen a high-ranking official - Deputy Head of Operations and Logistics in the Bank - as head of environmental policy, while defining his areas of responsibility and activity. The officer in-charge reports directly to the Bank's management.

The Social Responsibility Unit, headed by the Director of the Social Responsibility Unit and the officer in-charge of environmental responsibility head a forum in which representatives of all the Bank's divisions participate. The forum convenes regularly and discusses matters of environmental responsibility and how it is integrated in the Bank. The main goal is the integration of Green Banking in the Bank's organizational culture.

Practical actions implemented during 2009-2010

Environmental responsibility – the direct sphere of influence

Reduction of resource consumption:

- **Reducing paper consumption – the Paperless Bank project** – The Bank is in advanced stages of the transition to digital document management, eliminating the need for physical access to the original documents. Until now, original documents related to customers' accounts were stored at the branches.
- **Discount mail service in the Internet** - The Bank contacts its customers and enables them to receive updates regarding their account activity by email. The process is carried out by saving the mailed items on the Bank's internet website, while granting the customer access from any computer, in a secure manner by the use of a password, and to save them and maintain a personal computer archive. This service was recently upgraded and expanded, and the Bank's customers are now able to maintain a personal archive in which mail will be retrievable for a period of up to 7 years.
- **Digitized forms system** – The Bank has made a decision to transition to a system of digitized forms that enables every employee to print the specific, up-to-date form needed at the appropriate moment; the form contains the relevant customer's information, thereby preventing errors in documentation.

- **Double-sided printing** – The Bank is gradually replacing its copying machines. The replacements were carried out first at units with intensive printing needs.
- **Reducing energy consumption** – Control systems for savings in split-system air conditioners for communication rooms have been installed at approximately 70 branches of the Bank. This system is being installed in advance at new branches. The installation of control systems for savings on air conditioning extends the life of the air conditioners, reduces wear and tear, saves electricity consumption, and reduces gas emissions.
- **Reducing water consumption** – The Bank is currently examining possibilities for recycling grey water. As part of this process, a pilot project is underway in which infrastructures for the drainage of grey water are being installed.
- **Reducing carbon emissions by offering transportation for employees** – Two transportation systems operate on a regular and daily basis. The first system offers transportation from Jerusalem and Tel Aviv to the Bank's college in Rishon Lezion, and back. The second system offers transportation within Tel Aviv, allowing workers to travel between the Bank's various offices in the city.
- **Green building** – The launch of the Bank's first green building included the installation of a system for harvesting and reabsorption of rainwater, preventing the flow of this water to urban drainage systems. A system of dual-flush toilets was installed, and water-saving devices were installed on faucets. In addition, a bicycle rack and showers were installed in the basement, and maintenance tools were installed to allow maintenance of the building in accordance with green standards.
- **Reporting to the CDP initiative** – The Bank has reported to the voluntary initiative CDP (Carbon Disclosure Project) as of 2010 (referring to its performance in 2009), and its reports are available to the public. The Bank submits reports on greenhouse gas emissions resulting from electricity consumption at its headquarters and branches in Israel and from transportation (Scope 2 and 3), the related risks and opportunities, strategic management, and future reduction targets. In its most recent report in 2011, the Bank met its reduction target of 1% in the area of transportation (Scope 3).

Initiatives for the promotion of environmental responsibility – the indirect sphere of influence

- **Development of green products** – The Bank created an arrangement, together with an external company engaged in the import, design and installation of electricity-producing solar systems, to finance the installation of the company's home solar systems for the production of electricity.

In addition, the Bank is currently examining the possibility of entering into collaboration with importers of electric two-wheeled vehicles, in which the Bank will provide inexpensive financing for purchases of electric mopeds and motorcycles. In addition, the Bank provides bicycles to students opening an account in the Bank.

Activities planned for 2012:

- Reducing the environmental impact of the Bank's facilities.
- Improving the quality of the work environment at the Bank and its impact on employee and customer health.

- Continuing the process to earn the Green Certificate for branches of the Bank.
- The Bank has launched an environmental survey and environmental risk analysis in which environmental impacts and consequences will be specified. An environmental management system has been established to assist in the process of making and implementing decisions. In the first stage, the survey was carried out at two branches.

Measurable results or outcomes

Environmental responsibility – the direct sphere of influence

- **Paperless bank** – A system for the management and distribution of procedures and circulars has made it possible to reduce the distribution of daily circulars by approximately 50%. Double-sided printing – Half of the copying machines at the Bank are capable of double-sided copying, leading to clear savings in paper consumption.
- **Reduction of resource consumption** – As part of the cutback of power consumption, light bulbs were replaced by efficient standard-compliant lighting fixtures using T5 bulbs, at approximately 70% of the Bank's branches. In addition, lighting based on innovative LED technology was introduced, leading to electricity savings and longer bulb life.
- **Reduction of carbon emission through the employee transportation system** – The transportation system generates savings estimated at 1,800 hours of car travel per month. Total annual data indicate that the transportation system saves approximately 21,800 hours of car travel each year.

Initiatives for the promotion of environmental responsibility

The Bank maintains an extensive range of environmental initiatives, including the following:

- Testing for radiation, radon, and carbon dioxide, both in response to complaints and proactively.
- Transition to hybrid and/or electric cars – currently examining financial feasibility, in addition to the contribution to the environment.
- Water-saving devices installed on all faucets at the Bank's branches.
- Dual-flush toilets installed at all units and branches of the Bank.
- Recycling of plastic bottles at all facilities of the Bank.

Goals related to impact on environment

- > Energy - reducing energy consumption - 1% annually, on a cumulative basis;
- > Reducing gasoline consumption - 1% annually, on a cumulative basis;
- > Water - reducing usage and recycling - air conditioner water, sink water, bathroom flushing devices - 1% annually, on a cumulative basis;
- > Waste - reduction at the source, separation, reuse and recycling - 10% by the year 2015.

Anti-Corruption

Principle 10 Business should work against all forms of corruption, including extortion and bribery

Our commitment or policy

The following is the Bank's policy on the prevention of corruption, based on a declaration of our commitment to conduct congruent with the Maala social management code, signed in 2005:

Israel Discount Bank Corruption Prevention Policy

Compliance

The Bank does not violate the regulations and laws in effect in Israel.

Ethical code

Israel Discount Bank has a written ethical code, as well as an effective internal ethics program designed to ensure implementation of the code in practice. The Bank has the tools, means, and procedures necessary in order to expose violations of the code and protect those who expose such violations.

Bribery

The Bank does not offer, promise, give, or demand bribes or any other consideration aimed at creating or maintaining an inappropriate business advantage.

Public policy

When the Bank conducts lobbying activity, it is consistently committed to its CSR policy.

Competition

The Bank encourages competitive behavior that yields social and environmental benefits, shows respect for competitors, and maintains the property rights of others. The Bank does not use illegal or dishonest means to promote its products, to conduct industrial espionage, or for any other purpose.

A brief description of our processes or systems

Background: The prevention of corruption at Israel Discount Bank

Moral integrity is included within the purview of Internal Audit and in the Internal Audit Law. However, the prevention of fraud is under the responsibility of all control spheres at the Bank.

Within the corporate governance code of the Discount Group, it has been determined that the Board of Directors is responsible for prescribing high standards of conduct, designed to enhance professional conduct and integrity and to integrate them throughout the organization. The Bank acts and will act in accordance with an ethical code intended to protect the values of the Bank and to determine proper standards of behaviour and a fair and transparent conduct with respect to the customers.

Processes conducted by the Bank to prevent corruption

Implementing the ethical code

The Bank's code of ethics was formed by an internal team of employees and managers from all parts of the organization. The code defines the norms of conduct applying to all executives and employees of the Bank, in accordance with its values. Management of Discount Bank assigns much importance to the implementation of the ethical code in practice; it is committed to the process and devotes time and attention to studying the subject in depth and monitoring its progress.

Implementing the corporate governance code

As part of the Bank's strategic plan, in 2010 the Bank has adopted the "Corporate governance code" for the Discount Bank Group. The purpose of adoption of the code is to maintain a policy of "best practice" of corporate governance principles at Group level, which will guide the Discount Group in its operations. Among other things, this code has been formulated in light of the following rules and principles and adjusted to the characteristics and unique needs of the Discount Group:

> The provisions of the law and regulations applying to the Bank;

> The Goshen Committee recommendations - issued by the Israeli Securities Authority in January 2006. The Goshen Committee report included, among other things, recommendations regarding the composition of the Board of Directors and its work, including improvement of its independence, composition of the Audit Committee and its work, approval of transactions with controlling shareholders and the creation of additional control mechanisms;

> Basel II guidelines with respect to strengthening corporate governance in banking corporations – in March 2008, the Bank of Israel published a draft document in this matter, which states that corporate governance relates to the manner in which the business and issues of banking corporations are managed by their Boards of Directors and senior managements. The said draft includes a number of principles for proper corporate governance that apply to the composition of the Board of Directors, the need to approve strategic targets and values at the Bank Group, reporting responsibility at the Bank Group, supervision over management, controls, remuneration of Directors and of senior management and transparency;

> Proper Banking Management Directives - Over the years, the Supervisor of Banks has issued instructions regarding proper banking management with respect to various issues, which apply to banking corporations and which form part of the corporate governance code, such as: Proper Banking Management Directive No.301 regarding the board of directors of a bank, Proper Banking Management Directive No.339 regarding risk management, Proper Banking Management Directive No.357 regarding information technology management, etc;

> Accepted practice in other countries.

Prevention of bribery and corruption

The Bank conducts its affairs in a strictly honest and decent manner. For this purpose, the Bank integrates various procedures relating to permitted and forbidden acts in its operations, including procedures forbidding the use of information known to employees regarding the Bank or its customers, and limiting the gifts that employees may receive from parties with whom they come into contact during their work. Further procedures limit the granting of gifts on behalf of the Bank for the purpose of achieving business goals.

Public policy

Activities of the Bank vis-a-vis the legislative authorities are sometimes conducted directly and sometimes through the Union of Banks, the activity of which in this connection might be considered

as lobbying. Such activity includes, among other things, professional response or invitation to discussions held at meetings of committees of the Knesset (the Israeli Parliament).

The Bank supports the promotion of social and environmental agendas, though it strictly refrains from any political activity. The Bank does not support political bodies and does not contribute funds to political bodies or parties nor to politicians.

Competition

The Bank strictly maintains fair competition with its competitors and avoids denouncing its competitors and the services provided by them. Accordingly, the Bank treats its competitors with respect regarding their reputation and proprietary rights. In all its activities, the Bank does not make use of illegal or unwarranted means.

Communication and employee training in this area

Training on the ethical code – As part of the introduction to the Bank, every new employee receives training on ethics, which among other matters, addresses various aspects of normative and ethical conduct.

Controls applied by the organization

The overall prevention of corruption and bribery is conducted through the operation of channels for early identification of such occurrences:

- **Hotline** – Recently established within the internal audit system to receive calls concerning suspicion of embezzlement, fraud, etc. No significant inquiries have been received thus far.
- **Ethics workshops** – The Bank monitors the participation of the employees in these workshops.

Practical actions implemented in the last year / planned for next year

Prevention of bribery and corruption

Discount Bank strictly manages its business in a legal and proper manner, diligently complying with the provisions of the law in all its activities. The Bank acts in accordance with a detailed set of procedures intended to enforce compliance with the various legal and regulatory requirements.

Activities planned for 2012:

The Bank plans to use the “Actimize system”, designed to provide alerts regarding actions that may raise the suspicion of fraud. The system will be used by Internal Audit as well as by the Banking Division. Internal Audit will also continue to conduct routine examinations and produce special reports upon demand.

Measurable results or outcomes

Implementing the ethical code

The process was launched at a designated management workshop, which instigated discussions at management and division headquarters. According to Management's guidelines, the process of implementing the ethical code in the organization is being led by Bank executives in accordance with management directives.

Implementing the corporate governance code

The corporate governance code has been adopted and approved by the members of the board of directors and by senior management.

Prevention of bribery and corruption

No fines in material amounts or non-monetary sanctions due to failure to comply with rules and regulations were imposed upon the Bank in 2011.

No complaints against the Bank concerning bribes given or received were recorded over the last year.

Public policy

The Bank engages lobbyists, who act in accordance with state laws.

Competition

During 2011, no events occurred in which legal actions were taken against the Bank due to non-competitive behavior and the violation of restrictive trade practice rules, with the exception of a determination by the Antitrust Commissioner regarding restrictive arrangements between the banks, as detailed in the financial statements of the Bank.

How do you intend to make this COP available to your stakeholders?

The Israel Discount Bank website: <http://discount-bank.co.il>

The Israel Discount Bank page on the Global Compact website:

<http://www.unglobalcompact.org/participant/12568-Israel-Discount-Bank-Ltd>