



# **Global Compact 2012 COP Report**

**Communication On Progress**

**Progress Report of Global Compact Principles' Application during 2012**

**MARCH 18<sup>th</sup>, 2013**

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## Israel Discount Bank Ltd

### Global Compact Annual Communication on Progress

<b>Company name</b>	Israel Discount Bank Ltd	<b>Date</b>	18/03/13
<b>Unit</b>	CSR Department		
<b>Address</b>	Head Office 23 Yehuda Ha'levi St., 65136 Tel Aviv		
<b>Country</b>	Israel	<b>Membership date</b>	11/10/10
<b>Contact name</b>	Anat Sigman	<b>Number of employees</b>	5,979 (Dec. 2011 – Bank only)
<b>Contact position</b>	CSR manager	<b>Sector</b>	Banking
<b>Contact telephone no.</b>	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 our 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 78 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 147 branches in Israel. The Bank also offers its customers a variety of direct banking, on-line banking and Internet services.

The Bank has one banking subsidiary in Israel - Mercantile Discount Bank Ltd. - a commercial bank serving customers in all fields of financial activity through 79 branches (updated as of 31.12.2011).

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 Discount - Asset Management.”, 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 second 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 2013.
- **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.

[Link to Our most recent CSR report](#)

Reuven Spiegel, CEO

## Human Rights Principles

**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

The following section describes the Bank's revised policy on human rights to which the Bank committed as a part of the declaration of our commitment to conduct our business in congruence 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

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. In this context, the following steps are performed:

- **Employment of people with special needs** - as part of the recruitment policy, the Bank allows people with special needs, which generally are not recruited, to integrate into its workforce according to their ability and the needs of the Bank. This allows them to function as regular citizens supporting themselves with dignity. In addition, as of December 31<sup>st</sup> 2012, the Bank employs 70 workers with special needs. Bank management had instructed to expand the employment of disabled people in 2013.
- **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** – All security guards at the Bank receive training on human rights and the relevant organizational instructions. Excessive force was not used in the Bank. There have been no complaints against security guards with regard to their treatment of customers during 2012.
- **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. As of today, 68 branches of the Bank out of 79 are accessible to people with special needs. 5 branches were made accessible in line with legal requirements, 4 others will become fully accessible during 2013. Meanwhile, existing branches will be renovated to fit the new regulations on access for disabled people.

### **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. During 2012 the Bank invested 2,375 hours of training on human rights issues to its employees.

### **Controls applied by the organization**

- **Suppliers control and handling complaints** - the Bank does not employ illegal immigrants nor minors, and ensures that placement companies working with the Bank, do not employ such workers. A section in which the supplier states that he does not employ such workers was added to contracts with suppliers from 2011 onwards. Four complaints were filed during 2012. One complaint was found to be unjustified. 3 complaints were filed by workers of a cleaning company which was dismantled by order of the court and the Bank paid for their services according to court's ruling. Workers' rights are handled by court-appointed authorities. The Bank has collaterals to enable it, if necessary, to respond to complaints found justified in cases the authorities had not completed treatment of these complaints.
- **Controls to ensure that the Code of Ethics is up-to-date.** 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. As was noted earlier the Code of Ethics will be updated during 2013.
  - Analysis and insight deduction of moral dilemmas gathered during the ethics meetings.

## Measurable results or outcomes

### The results of previously reported indicators

Our Previous report had presented a number of measures relating to human right issues at the Bank. Here we describe these measures specifying their status in 2012, and our targets for 2013.

Issue	Indicator	Implementation Status	2013 Targets
<b>Employees training on human rights</b>	Code of Ethics training for most employees	Trainings were carried out	Continuation of training
	Bank security guards refreshing training on human rights	Refreshing training for all security guards was carried out	Continuation of refreshing training
<b>Improving service to populations with special needs</b>	Initiating projects to improve the quality of service for persons with varied disabilities	Carried out. As of today, 68 branches of the Bank out of 147 are accessible to people with special needs (5 of them in 2012)	Extension of the number of accessible branches. 4 additional branches were made accessible.
<b>Employment of people with special needs</b>	Expanding the number of employees with special needs in the Bank	Carried out. Number of employees with disabilities has increased and stands at 70 employees.	Continued expansion of the number of employees with special needs. In addition, it was decided to implement a pilot project in software testing, which will employ ultra-Orthodox and Ethiopian women, as a software testers.



## Labour Principles

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

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 2011 (as of December 31, 2011), Israel Discount Bank employed 5,979 full-time employees (not including the Bank's subsidiaries and overseas branches), versus 6,041 employees at the end of 2010, a decrease of less than 1%. The data was taken from the last annual financial report published by the Bank - Annual Report 2011. On March 20, 2013, the Bank will publish its annual report for 2012 with updated data.

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.

On December 31, 2011 (the date of publication of the last financial statement of the Bank), the Bank employed 4,375 tenured employees, who are covered by the collective settlement and are represented by a national workers union, which safeguards their rights (4,002 in the previous year).



In addition to those, there were 1,657 temporary employees (1,902 in the previous year), and 73 private contract employees (65 in the previous year), which were not represented by a union. (The data was taken from the last annual report published by the Bank - Annual Report 2011, On March 20, 2013 the Bank will publish its annual report for 2012 with updated data. During 2012, working relations with the workers union remained proper

### **Dismissal while respecting and maintaining employees' right**

In all manners relating to permanent employees (the majority of the Bank's workforce), the Bank operates in accordance with the collective settlement and labor agreements with the employee union, according to which, employees cannot be fired except in exceptional cases. In all cases except criminal offenses, union's agreement is required, when such is not obtained – arbitration is sought. Additionally, from time to time the Bank encourages early retirement of permanent employees, addressing target groups based on criteria pre-defined by management. The Bank has initiated preparation programs for retiring employees, to help them with the switch to retirement. In relation to all other employees, employed over pre-defined periods or hired based on personal contracts – management flexibility regarding termination of employment is larger, and indeed, dismissal of employees belonging to these groups usually takes place upon termination of the contractual agreement and as a result of cutback or streamlining processes the Bank is required to do. These processes take place only after employees were informed about the circumstances and reasons for their dismissal, and were given full and fair opportunity to object, and after the Bank gave serious consideration to each and every case.

### **Reimbursement for training**

The Bank does not impose penalties on employees who wish to leave their jobs. However, when resources are invested in training employees for specific banking positions, and an employee has left before the agreed-upon period, in order to reimburse the Bank for resources invested, the employee is required to reimburse only the costs of training that took place, aiming for the minimal possible sum.

### **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 employment placement agencies and service providers, through which the Bank 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 considerations of race, gender, religion, nationality or any other irrelevant consideration.

Sorting and recruiting new employees to the Bank is done using commonly practiced evaluation methods. In these evaluations, emphasis is given to the applicant's qualifications and suitability for the particular job they are recruited for, in addition to suitability to the Bank in general. In this manner the Bank makes sure any discrimination is avoided.

### **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.

The Bank is acting in accordance with the law, supervised closely by its legal advisors, to handle cases of harassment, making sure employees and their rights are protected. Internal control unit at the bank operates a "hot line" that allows employees to complain about such cases. During 2012 the bank received 7 complaints about sexual harassment, most of which were found to be justified. Not all of them could be regarded as sexual harassment, as defined by the law, but rather could be regarded as inappropriate behavior. Accordingly, the Bank dealt with each of these cases.

#### **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. At the same time, feedback meetings is an opportunity for an open dialogue with the employee. These are held once a year, on a regular basis with all of the bank employees.
- **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. The survey is conducted by the research department of the Bank, and is completely anonymous. The survey has been conducted every two or three years due to the time required to process the data, draw conclusions and make improvements. The last survey was conducted in 2010. Employee satisfaction, as measured in that survey, reached the score of 7.58 (on a scale of 1-10).

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

##### **Activities performed during 2012:**

- **Wages 5% higher than the minimum wage** - since 2012 starting salary for each employee at the lowest level is higher than the minimum wage by 5% (excluding bonuses). This is a binding clause in the Bank's hiring contracts. Wage level offered equally, without preference on grounds of gender or region.
- **Employee contribution to the community** - In 2009, the Bank, as part of its contribution to the community, enables employees to contribute to five organizations which it supports.
- **Employee complaints** - the Bank handles employees complaints received by the internal audit

unit. These are recorded, documented, reviewed and there is record of their findings. In cases where there has been a violation of regulations, contrary to the Code of Ethics or there is suspicion of fraud and embezzlement – the bank is publishing an audit report and if necessary, disciplinary measures have been taken.

- **Employee Dialogue** - 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.
- **Ethics implementation** - From time to time, the Bank holds refresher sessions for its executives on ethical guidelines in various areas, including discrimination against employees and customers.
- **Ethics line** - The Bank maintains a direct, anonymous channel for contacts concerning violations of the ethical code.
- **Hot line** - 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. During 2012 one appeal was submitted to the hot line, but was closed since there were not enough details.
- **Preventing Sexual harassment** - 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. As noted above, in 2012, seven complaints were received.

#### Measurable results or outcomes

Our Previous report had presented a number of measures relating to labor at the bank. Here we describe these measures specifying their status in 2012, and our targets for 2013.

Issue	Parameter	status	2013 target
<b>Protection of the freedom of association</b>	Maintaining a proper relationship with the workers union, and maintaining the percentage of temporary employees on less than 30%	Done. Proper relations at 2012, under 30% temporary.	Continued monitoring and control
<b>Prevention of forced employment</b>	Measuring and monitoring the extent of complaints	No complaints were received in 2012	Continued monitoring and control
<b>Prevention of child labor</b>	Measuring and monitoring the extent of complaints	No complaints were received in 2012	Continued monitoring and control
<b>Prevention of sexual harassment</b>	Measuring and monitoring the extent of complaints	7 complaints were received in 2012. Details above	Continued monitoring and control

## Environmental Principles

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 Projects** – 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 branch without an archive:** The process includes removing the daily materials from the main bank archive (done in all branches), Removing the paper documents from the bank branches, conversion of paper documents to pdf files and uploading them onto the internet and to digital customer files (done in 75% of the branches) The reduction in archived volume is expected to be 70% in 7 years, and will save 3,000 tons of paper.
  - **An archive without paper:** Producing digital reports to the bank branches instead of paper reports.
  - **Reducing the amount of documents sent by post:** Combining several announcements in one printing. Inviting the customers to join to an internet service instead of getting updates by post (65,000 customers have joined the electronic service)
  - **Reducing the amount of printing:** upgrading the printers in the branches to double-sided printers, implementing organizational output project for distributing and managing procedures, implementing a computerized system for managing documents, reuse of envelopes and using scanners instead of fax machines.

#### Paper consumption in Discount branches:

Year	2012	2011	2010
Tons	505.4	624	850

- **Managing Energy consumption**  
In order to reduce energy consumption, the Bank uses timers and volume detectors to turn off light and air conditioning at the end of the work day. The Bank installed LED lighting and T5 bulbs and upgraded the air conditioning systems in central buildings to VRF/other energy efficient air conditioning systems.  
Energy consumption in Discount branches



Year	2012		2011		2010	
Electricity Consumption	Absolute	Per sq.m.	Absolute	per sq.m.	Absolute	per sq.m.
Kwh	63,000,000	386.6	60,677,000	362.9	62,970,000	372.6

- **Reducing water consumption** – the Bank applies measures to save water, such as the installation of water-efficient toilets and the transition to artificial plants. In the Bank buildings at 17 Yehuda ha'levy st. and 41 Yehuda ha'levy st, rain water is funneled to irrigate the outer garden on the ground floor and percolate to underground water reservoirs (the paving in the garden enabling that). From the data below we can see a 9% decrease in water consumption in 2012 compared to 2011.

#### Water consumption in Discount branches

Year	2012	2011	2010
Cubic meter	42,509	46,772	61,039

- **Evaluating the Bank building's impacts** - environmental impacts are evaluated in decision-making regarding buildings and properties, in 3 stages:
  1. Integrating environmental criteria in the building process of branches and headquarters: choosing and planning the building, engineering design and choice of materials. During 2012 environmentally efficient air conditioning and light systems were installed in 5 new branches, and 6 existing branches. Building control measures were installed in 3 central headquarters buildings.
  2. Environmental control - measuring and monitoring temperatures, gas concentrations, and radiation level.
  3. Promoting green building – currently the Bank has one building certified with the Israeli green building standard (IS 5821), located at 17 Yehuda Ha'Levy st. The Bank's building in 41 Yehuda Halevy st is in certification process (So far the building got 53 out of 55 points required to be certified)
- **managing and monitoring the Carbon footprint**

Scope	Source	2012		2011		2010	
		Absolute (liters)	per sq.m.	Absolute (liters)	Per sq.m.	Absolute (liters)	per sq.m.
Scope 1	Fuel	559 <sup>1</sup>	0.0034	1,352 <sup>2</sup>	0.0081	1,234 <sup>3</sup>	0.0073
Scope 2	Electricity (Israeli Electric Corp)	45,182	0.28	44,052	0.26	45,716	0.27
Scope 3	Business travels B	<sup>4</sup> 1,429	0.00879	21	0.00012	13.5	0.00008
Total		47,142	0.29	45,424	0.27	46,963 <sup>5</sup>	0.28
Total without the		46,583	0.28				

#### Carbon footprint Main differences

Main changes in footprint from this year: transportation and energy - emissions from transport volume rose in 2011 and 2012 by 9.5% and 5%, respectively, due to the increase in fuel consumption. Electricity consumption fell by 3.6% in 2011 and increased by 1.6% in 2012. Power

<sup>1</sup> Greenhouse gas emissions from refrigeration gases (531 tons) included here this year for the first time. Emissions of diesel generators also included for the first time (28 CO2 equivalent).

<sup>2</sup> Updated calculation of fuel consumption data for leased cars which was included in complex one, and belongs to complex three.

<sup>3</sup> See footnote 2.

<sup>4</sup> As was explained in footnote 2 Updated calculation of fuel consumption data for leased cars which was included in complex one, and belongs to complex three.

<sup>5</sup> 2010 report has not included the end of the the year data and it was amended retroactively in 2012. Therefore, reporting data gap in the previous year.



consumption per square meter fell in 2011 by 2.6% and increased in 2012 by 4.2%. Employee consumption also showed the same trend - a decline of 2% in 2011 and a slight increase of 0.7% in 2012. While dealing with such volumes it is difficult to pinpoint one definite reason for changes, but it seems that in 2011 there was efficiency increase, which was not preserved in 2012 (both in absolute and in relative terms.) As the table shows that there was a decrease of 3.5% in 2011 footprint, with an increase of 3.5% in 2012.

**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: 1. At 07:30 From TLV Arlozerov train station to 160 Herzl st. and back at 15:30. In addition, there are shuttles from 160 Herzl st. to Tel Aviv tower in the center of town.

Data on fuel consumption during travel to work:

	2012		2011		2010	
Fuel Consumption	Absolute (liters)	In relation to sq.m.	Absolute (liters)	In relation to sq.m.	Absolute (liters)	In relation to sq.m.
Liter	624,670	3.83	572,493	3.4	521,480	3.1

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

- New. Environmental impact on procurement – the Bank has incorporated the criteria for defining green products in evaluating their relevant quality. This process is being conducted according to internal specifications and it provides suppliers with accreditation which serves in the prioritization process of the green products suppliers.
- **Credit policy in the area of environmental risks** – the credit policy of the Bank which was approved by the Board of Directors and Bank's management includes an extensive reference to the aspect of environmental risks. As a part of these policy, the Bank strives to detect industries sensitive to environmental risks and to integrate this information into decision making processes and risk monitoring.
- **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 two main processes:

- ✓ **Environmental Organizational Portal** - Intranet site on the subject. All the information or details about activities relevant to environment are published here. Moreover, the site is also an address for employers' inquiries and questions on environmental issues.
- ✓ **Green Ambassadors Program** - refers to the human resource level in implementing the Discount Green Bank process. Green Ambassador's role includes four main topics: the

dissemination of knowledge in the organization, responsibility for environmental activities in the compound he or she is in charge of, such as maintaining the separation of waste and recycling bottles, increasing awareness of the immediate work environment and initiating activities supporting organization-wide processes.

### **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 manager of Reporting Division. 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 2012**

#### **Environmental responsibility – the direct sphere of influence**

##### **Reduction of resource consumption:**

- **Reducing paper consumption – the Paperless Bank project** – project expansion as described above.
- **Reducing carbon emissions by offering transportation for employees** – Two transportation systems operate on a regular and daily basis.
- **Reducing resource consumption** – as a part of the reducing power consumption in the Bank branches standard light bulbs were replaced with lighting fixtures with efficient T5 bulbs. In addition, innovative LED technology was introduced which saves power and has an extended life span.
- **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 addition, the Bank reports to the Ministry of Environmental Protection, to EIRIS organization. The reports are fully transparent to the public, and are expressed in environmental policies published in the social report or on the Bank's website.

#### **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 bicycles, 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.

### Measurable results or outcomes

At our Previous report there were a number of indicators about environmental issues at the bank. Here is a reference to them in 2012, and measures to continue in 2013.

Issue	Parameter	status	2013 target
<b>Energy consumption</b>	Reducing energy consumption by 1% in the aggregate in any year until 2015	We didn't meet the target. An increase in energy consumption, due to occupancy of branches	Continued reduction in the amount of 1% more
<b>gasoline consumption</b>	Reducing fuel consumption by 1% in the aggregate in any year until 2015	We didn't meet the target. The fuel consumption has increased.	Continued reduction in the amount of 1% more
<b>water consumption</b>	Reducing water consumption by 1% in any year	Done. Volume reduction is 9% this year.	Continued reduction in the amount of 1% more
<b>Waste reduction</b>	reduction at the source, separation, reuse and recycling - 10% by the year 2015	Partially. In 2012 there was a reduction of 10% of paper waste and bottles	Continue reaching the target of 10%

## Anti-Corruption Principle

**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. The Bank intends to update its code of ethics in 2013.

**The ethics committee** – The Bank operates a representative Ethics Committee, which is comprised of employees from all the bank's units. In 2012 the committee received 8 inquiries relating to ethics, which were all discussed by the committee. The committee considers and replies to each inquiry, and upon need, recommends necessary internal adjustments.

#### **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.**

#### **Operational Risks Survey**



Operational Risks Survey is one of the tools used at the Discount group to identify and periodically assess operational risks to which the Group is exposed. The group operational risks survey (which began in 2011) is expected to be completed in the second quarter of 2013. The survey is carried out with the assistance of an external consulting company.

### **Prevention of bribery and corruption**

The Bank adheres to running its operations legally and fairly, complying with the law in all its operations. The Bank operates in accordance with the Code of ethics. Additionally, the bank's procedures are updated from time to time - according to new legislation. 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. The bank's Internal Audit unit audits employees' activities. In those exceptional cases where the audit highlights findings requiring intervention, the discipline committee is convened and steps are taken, depending on the severity of the findings.

### **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 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 to promote his products for industrial espionage or other purposes.

In 2012 no legal action was taken against the Bank in relation to non-competitive behavior and breach of antitrust rules. However, it should be noted that on April 26<sup>th</sup>, 2009 the Israeli Antitrust authority (IAA) issued a statement under section 43 (a) (1) of the Israeli Antitrust Law, 1988. According to which Bank Hapoalim Ltd., Bank Leumi Ltd., Bank Mizrahi - Tefahot, First International Bank of Israel Ltd. and the discount Bank (the "banks") regarding the sharing of information concerning fees ("Set Supervisor"). According to the determination of the Commissioner, these restrictive arrangements existed from the beginning of the 90s of last century to the beginning of the Antitrust Authority investigation into the matter, in November 2004. There is an ongoing legal procedure taking place before the Antitrust Court, and at this stage it is not possible to assess the results of the procedure and its implications.

### **Communication and employee training in this area**

- **employees 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.

- **Monthly ethical dilemma** - all the bank employees receive a quarterly analysis of an ethical dilemma.
- **Ethics for Managers** – about 100 executives participate from time to time in group discussions about ethical dilemmas, as part of the "Coffee Ethics" project.
- **Training for Board members** - in 2012 the board members of the Corporate Governance Committee, received an update regarding the Code of Ethics implementation program.

#### **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:

- **Automatic control system** - in 2012, "Actimize" risk management system was implemented at the bank. The system alerts on current accounts displaying activities which could be foreseen to become unusual (not complying with a pre determined set of parameters in the system). In cases where there is suspicion of improper activity at an employee's account, the data is transferred from the risk management unit to the internal audit unit of the bank.
- **Hotline** – established within the internal audit system to receive calls concerning suspicion of embezzlement, fraud, etc. During 2012 one appeal was submitted using the hot line, but was closed as there were not enough details.
- **Ethics line** – the Bank operates an Ethics Line that allows all employees to openly or anonymously, get consultation regarding ethical dilemmas bothering him/her. the Ethics Committee discusses all cross-organizational issues that have to be changed, according to these consultations.

## Measurable results or outcomes

Our Previous report had presented a number of measures for corruption prevention at the bank. Here we describe these measures specifying their status in 2012, and our targets for 2013.

Issue	Parameter	status	2013 target
<b>ethics</b>	Continuation of ethical code implementation across the organization	Done, through workshops for employees and managers. The code was presented to board members and to members of the Compensation Committee and the Board	Continued deployment training for managers and new employees & developing implementation tools
<b>corporate governance</b>	Implementing the corporate governance code	Done. Corporate governance code adopted and approved by the Board of Directors and senior management	The Bank is working to complete the formulation of corporate governance practices, regarding approval of transactions with interested parties, in order to establish procedures for the approval of transactions between the Bank and the controlling shareholders, and transactions between the bank and officers of the Bank, including their terms of service and employment
<b>Prevention of bribery and corruption</b>	Measuring and monitoring the extent of Complaints	Done. There weren't any significant penalties or non-monetary sanctions on the bank relating to non compliance with laws and regulations. During the past year there were no complaints against the Bank relating to giving or receiving of bribes.	Continue measuring
<b>Public policy</b>	engagement only with lobbyists who act in accordance with the law	Done.	Continue lobbyists engagements

## How do we intend to make this COP available to our 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>