







# SOCIAL RESPONSIBILITY IT'S IN OUR HANDS BANK HAPOALIM

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### Message from Bank Hapoalim Chairman Mr. Yair Seroussi and CEO Mr. Zion Kenan

We are proud to present the annual sustainability and corporate social responsibility report of Bank Happalim for 2014. The work described in the bank's eighth CSR report reflects the social and environmental values that we promote, alongside the economic value of the bank's operations, and their added value for the stakeholders of the bank. The continual effort over the years to implement and instill corporate responsibility has helped the bank realize its vision and become a leading organization in this field in Israel.

In 2014, we continued the trajectory of our threeyear strategic plan. In implementing this plan, and as Israel's largest bank, we were able to serve all of the various elements of our extensive client base, with an individual focus on and adaptation to the needs of each different segment, and with an emphasis on professional excellence, innovation, and the development of services and products to respond to the dynamically changing needs of our customers, in the present and in the future. This approach has helped us promote banking activity with economic value, while also creating added value for segments within Israeli society and for the Israeli economy as a whole.

In recent years, concurrently with the bank's strategic initiative in the small-business sector, awareness of the immense importance of small businesses as a driving force of the economy has grown. These businesses provide jobs to about 55% of all workers, including in peripheral regions and disadvantaged population groups, and contribute approximately 43% of annual GDP. The bank defined small businesses as a focus area for its activity four years ago. As part of this effort, we set up specialized credit funds for small businesses at a volume of more than NIS 3 billion, developed advanced technological tools to help manage business accounts over the Internet, launched mentorship programs and special

benefits for these businesses, and helped create marketing arenas for them. These processes strengthen small businesses, which contribute in turn to growth in all strata of the population, to new job creation, and to reinforcement of the fabric of society.

One of the key values promoted in the activity of the bank is financial freedom. In recent years, the bank has deepened its involvement in various customer segments and in the general public, based on the mindset that its role is that of a financial guide for customers, helping them gain a better understanding of the financial space in which they function, so that they can make prudent decisions in all financial aspects of their lives and maintain economic equilibrium. Within this process, and as part of the aim of developing businesses that benefit society, we have decided to launch a large-scale project, the first of its kind in Israel, for the peri-retirement segment - the "new seniors." The accelerated growth of this sector is expected to have a substantial impact on the economy, leading to the development of new markets and expansion of existing markets. The challenges faced after retirement – reduced income, changing expenses, worries about future financial security, and the wish to support family - necessitate a new financial balance. This drive is becoming one of the key focus areas for the bank, now and in the coming years, encompassing unique benefits, services, and products for seniors, aimed at strengthening this population segment and providing solutions tailored to their life stage.

Bank Happalim is committed to supporting economic growth in the Arab-Israeli sector. Israeli community is one of the most significant components of its retail-banking growth strategy. This entails targeted tools, products, and services and full collaboration with the community, addressing the needs of component groups such as children, students, women, businessmen, and more. The power of this endeavor has revolutionized

The expansion of the bank's activity in the Arab-

service provided to Arab-Israeli customers. As a complementary process, the bank conducts community activities in this sector, generating direct and indirect contributions to the community. The bank sees business potential in this effort, intertwined with a social and economic process with significance for the State of Israel as a whole.

Digital banking is gradually becoming one of the key arenas for development in the financial field. We are seeing a sharp increase in our customers' use of smartphones for the consumption of banking services. The bank is therefore investing great efforts in maintaining its leadership in mobile banking. The range of technological innovations already launched and under development at the bank supports the strategy of banking that sees the customer and uses innovation to provide better service. Advanced technological solutions help customers achieve smart financial management and provide immediate access to banking products and services, allowing customers better flexibility and control over their accounts and businesses. Accessibility also means the ability to serve any customer who wishes it. To realize this concept, we are making the necessary adjustments to the bank's branches and structures and to its service systems, in order to serve people with disabilities.

In the bank's financing activities, we are maintaining our leadership in financing projects that promote environmental sustainability. This primarily refers to solar energy, desalination, and power stations fueled by natural gas, but includes other fields as well; for example, in 2014, the bank joined EIB and eight other financial institutions in Israel in leading a financing agreement in a total amount of NIS 2.35 billion for the construction of a thermo-solar project at a power station to be built at Ashalim, in the Negev region. The station, scheduled to become operational in 2017, will supply approximately one percent of the total electricity in the Israeli economy, using clean, environment-friendly technology

The bank continues to promote and enhance its greatest and most valuable asset: its human resources, through the continuous cultivation of labor relations that have been a strategically important asset for the bank for many years. Human-capital diversity has gained increasing importance in the work environment, at the bank in particular and in the Israeli economy in general. Over 50% of managers at the bank are women, a significantly higher figure than the average in Israel; in addition, the bank promotes employment of workers from population segments underrepresented in the Israeli labor market. Employees in these population groups constitute approximately 10% of all employees at the bank,

as a result of the implementation of a long-term plan, reflecting another aspect of the bank's unique work environment. In recognition of this achievement, the bank recently received the Business Diversity Award.

The bank is an integral part of Israeli society, and views investment in the community and the ability to assist and advance essential social causes as a privilege of the highest importance. In 2014, the bank continued to work to promote education, with a special emphasis on financial education for sensible financial conduct, and support for social organizations that promote equal opportunities, as well as a variety of additional social causes. Year after year, thousands of employees of the bank have engaged in volunteer work in a wide range of areas, in communities throughout Israel, contributing to meaningful social action and to the creation of a better Israeli society.

This activity has positioned the bank at the top of the local and international rankings. The bank is a partner in key initiatives and pacts in this area. The bank is also committed to the ten principles of the UNGC (United Nations Global Compact), which promotes economic development that is beneficial to the community and to future generations. The bank's commitment to the values of social responsibility and sustainability creates value for the bank and for its stakeholders; we see the realization of these values as an integral part of the bank's

Chairman of the board of directors

Zion Kenan
President and CEO

### Message from the Head of Corporate Social Responsibility

This is the eighth report to be published by Bank Hapoalim for its stakeholders. Each report surveyed a full year of activity within our overall sustainability and corporate social responsibility plan. The annual reports published since 2007 reflect varied, thorough, systemic, methodical activity. The sustainability and CSR reports reflect the bank's journey, from the inception of the plan to the present day, to instill corporate social responsibility. Each report focuses on different highlights, according to the key areas of activity in the preceding year.

In 2014, as part of the strategy of the bank, we continued to identify and realize business opportunities in this area, while promoting social and environmental benefits; improve service and fair, ethical conduct; form partnerships with stakeholders in society and in the community; and improve environmental and social risk management. This year, we further expanded the bank's wide-ranging activities in the various channels aimed at promoting financial freedom for its customers and for the Israeli public. The following initiatives and key metrics for the activity of the bank in 2014 are described in detail in the report.

### Methodology for the Preparation of this Report: Measurement, Evaluation, and Control

This sustainability and CSR report refers to the calendar year 2014, and is current as of the end of the first quarter of 2015. During the reported period, there were no significant changes in the type of ownership, structure, or size of the bank. This report was prepared in accordance with the GRI:G4 Guidelines, at the most advanced level of transparency (In Accordance - Comprehensive). Most of the data in the report were generated by the information systems at the bank, in accordance with GRI reporting requirements. Information was collected regularly and routinely throughout the year. However, some of the data were collected at the end of the reported period. The information is organized in a comprehensive database encompassing data on the reported period as well as multi-year data. All of the information in the report is presented through the various indices. Data are presented using comparative analyses referring to the reported period and to long-term trends. A small part of the data involves the use of estimates and evaluations. Estimates and evaluations, where used, were diligently checked and validated, and are clearly noted in the report. The report does not address CSR impacts of Isracard Ltd.¹ Isracard is preparing to publish an independent CSR report, according to the schedule delineated by the Supervisor of Banks.

We recognize the importance of auditing and external assurance of our work and of the accuracy of the data accumulated as the plan moves forward. Accordingly, we have decided to continue to maintain external auditing of the fairness of our reporting, on four levels: the corporate social responsibility implementation process; the fairness of the report pursuant to GRI guidelines; the completeness of the report on our carbon footprint; and compliance with GRI guidelines for reporting on substantial subjects. The report was submitted for the GRI Materiality Disclosures Service, and GRI confirmed the correctness of the locations of the G4 materiality disclosures.

The readers of this report, our stakeholders, will use it to critique and judge our performance and the extent to which we have met their expectations. We are committed to making use of the comments and feedback we receive from our stakeholders in order to learn from them and continue to examine ourselves. This year's Sustainability and CSR Report is available in Hebrew and English on the bank's website, for convenient and environment-friendly distribution and reading.

I would like to thank all of the employees and managers involved in every level of the bank's work, who contribute to these activities each day, and who helped create this report.



### Avraham Bar-Ilan

Head of Corporate Social Responsibility avraham.barilan@mailpoalim.co.il

### The best interests of the customer



Making service accessible to people with disabilities

155

branches accessible, and dozens of branches in process



Promoting financial freedom for customers

appx.

500

Thousand clients use the budget management application



Supporting the peri-retirement segment

аррх.

advisors attended targeted training programs to respond to the unique consulting needs of this group



Encouraging growth in the Arab-Israeli sector

38

branches – the most extensive nationwide reach in this sector



Direct banking

1.2

million customers use the bank's website



650
Thousand customers use the bank's mobile services





Excellence in service

25%

reduction
in customer
complaints in the
branch network over
two years



Promoting the small-business segment

37
Thousand
and hundreds of
customers participated
in Small Business Day

29.3

BILLION NIS

in credit given to small businesses



Credit for environmental products in the sustainability

6.6

**BILLION NIS** 

for projects in solar energy, desalination, natural gas, and more

### Empowerment of society and the community



Embedding corporate responsibility considerations in procurement

70%

of the bank's suppliers are small or micro-businesses



Monetary investment in the community

MILLION NIS

invested in a wide range of fields, with an emphasis on education



### Employees' quality of life and well-being



Feedback and dialogue with employees

99% of the bank's employee received feedback



Collective employment contract

91.7%

covered by employment agreement



Promoting women at the bank

51.5%

of executives are women



Volunteering by employees of the bank

employees volunteered regularly nationwide



Electronic waste recycling program

850

thousand residents of towns in central Israel have access to this program



Promoting equal opportunities in the community

160

thousand children and adolescents participated in the activity of educational organizations supported by the bank





Promoting workplace diversity

1,200

employees of the bank come from under-employed population segments



Training and development of human capital

61,400 days of study for employees

of the bank

# Living with the environment



Reduction of paper consumption

210<sub>Ton</sub>

decrease in annual paper consumption



Paper recycling

Ton collected for recycling



Carbon footprint

13.3%

reduction of annual carbon footprint



Electronic waste recycling

 $44_{Ton}$ 

collected for recycling

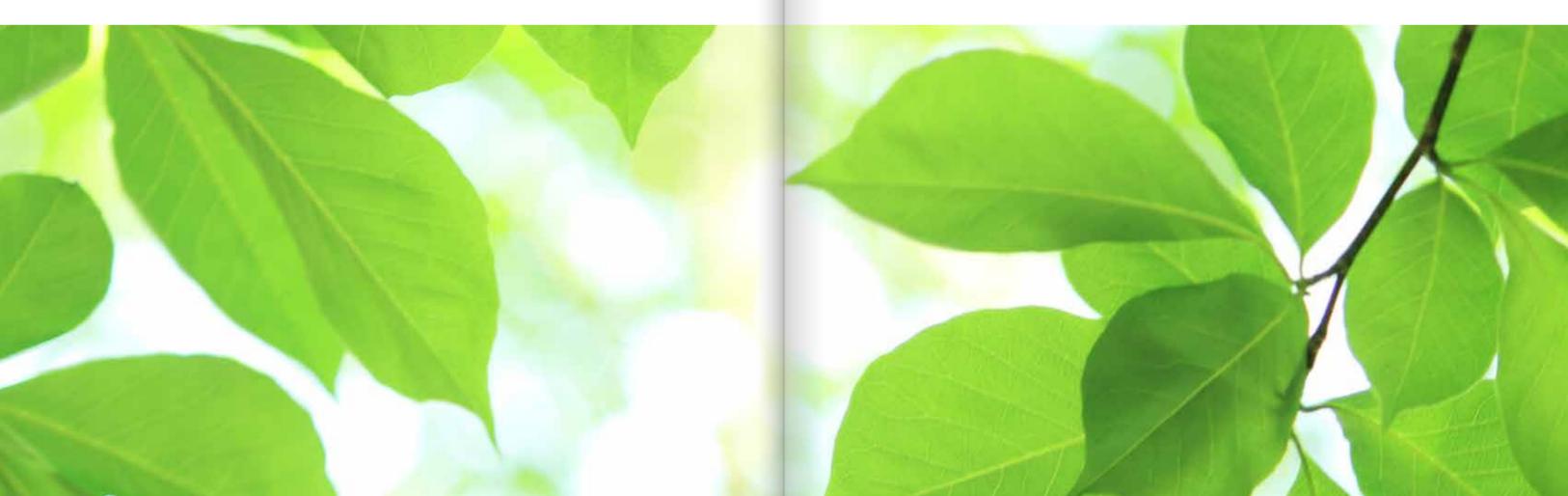


Energy efficiency

4.5%

decrease in annual electricity consumption





# Corporate Social Responsibility and Sustainability at Bank Hapoalim

Corporate social responsibility and sustainability are a strategic and social philosophy for managing a business while creating economic, social, and environmental value. This section presents the bank's CSR and sustainability perception, its organizing model for management in this area, and the implementation of these values in its activity.

Bank Hapoalim was one of the first business institutions in Israel to decide to apply this approach as a strategic element of its operations. The bank views this area as a source of business opportunities, which also promotes social and environmental benefits, and as a foundation for innovation and competitive advantages, improvement of service, fair and ethical conduct, management of environmental and social risks, and partnership with stakeholders in the community, which position the bank as a leading economic and social organization. The bank works to achieve in-depth implementation of these values based on the highest international standards, using a wide range of methods and tools to cope with the challenges posed by this approach. CSR management and implementation help to achieve results in the business, social, and environmental spheres that contribute to the bank's success and to the expansion of its positive impact on all of its stakeholders, both internal and external to the organization.

### **Organizing Model: The CSR Flower**

The bank's CSR and sustainability perception has been formulated into an organizing model: the CSR Flower. The model maps the entire CSR and sustainability field into a unified cognitive pattern, simple to communicate and absorb, organized, and consistent. The model presents CSR by organizing parameters and indicators from the different content areas and condensing them into a short, simple series in four central categories: customers, community, employees, and environment, which constitute the four petals of the flower. These represent the areas in which the bank's CSR and sustainability activities and impact are focused. Each category (petal) of the model contains various activities. Each of the four categories is divided into two tiers:

- Value creation tier Focused on activity with the external stakeholders of the bank; creation of shared business value for the bank and its stakeholders, combined with social and environmental values, emphasizing:
- 1. The best interests of the customer;
- 2. Empowering Society and the Community.
- Resource management tier Focused on the intra-organizational activity of the bank, with an emphasis on management of human resources as strategic partners and on the bank's environmental conduct:
- 3. Employees' quality of life and wellbeing;
- 4. Living with the environment.



# Implementing and Assimilating CSR Values in All Levels of Activity

This perception is implemented through a sustainability and CSR plan based on five main organizational aspects:

Structure and authority- The sustainability and CSR plan is managed based on the matrix management approach. In accordance with this approach, the head of CSR is the strategic leader for this area, in coordination and cooperation with the various unit heads. Each unit is responsible for implementing certain aspects under its authority, using its resources. Activities of the CSR officer include integration of all actions related to CSR; overseeing methodology, tools, and professional support; controls and reporting; change management and communications in this area; and building an up-to-date knowledge base.

Processes, metrics, and information-Measurement is a fundamental element of management, allowing goals to be set, progress to be monitored, and performance to be compared. Improvement of the measurement infrastructure allows enhanced controls to be applied to the various activities, and is aimed at promoting efficient, effective management of the sustainability and CSR plan. The sustainability and CSR plan is implemented at the bank based on a fundamental infrastructure including:

- Processes that gradually transform new initiatives in this area into routine activities at the relevant units;
- Clear metrics for the various issues, allowing standardization of the plan and analysis of performance over time:
- Extensive information is collected in existing organizational systems or produced directly for the purposes of the plan.

Broad implementation -The various CSR initiatives and projects at the bank are implemented and administered broadly, in a top-down process, with the participation of many units and encouragement for units to develop bottom-up initiatives. A large number of projects are being developed in order to realize various objectives of the plan. Each new activity is first carried out as a pilot project. Following the pilot and the process of drawing the necessary conclusions, the many projects are absorbed into routine work processes and procedures, with the aim of achieving ongoing management comparable to other business processes of the organization.

Branding, communication, and development of awareness In order to support change management and differentiate the various initiatives undertaken within the plan, a logo was designed for the organizing model of the plan – the CSR Flower – accompanied by the slogan, "Social responsibility – it's in our hands." In the spirit of this logo and slogan, each initiative launched as part of the plan was branded and widely communicated to

the various levels of managers and workers. This effort includes the CSR zone of the organizational portal, which presents the bank's worldview in this area and serves as the central location for CSR issues. As part of the communication and implementation of CSR, a series of training sessions and talks was developed, covering topics such as sustainability, healthy lifestyles, safe driving, and more.

The annual sustainability and CSR report is available and accessible to all stakeholders in the Israeli and international economy: businesses, government agencies, non-profit organizations, academia, analysts, etc. All of the bank's sustainability and CSR reports are available for download, in Hebrew and English, in an accessible, user-friendly format on the bank's website.

Dialogue and collaboration with stakeholders2-Over the last few years, Bank Hapoalim has developed a range of channels for dialogue with various groups of stakeholders, with the aim of identifying needs and providing an optimal response to sustainability challenges in the bank's dynamic, complex environment. In this context, a comprehensive mapping process of all potentially relevant stakeholders for dialogue and collaboration was performed. Since then, a wide-ranging network of collaborations and connections has been created and continues to form, with clients, employees, government and municipal agencies, environmental and social experts, non-profit organizations, entrepreneurs

and businesses, academia, and more. This web of connections has enabled the bank to expand and extend its strategic and business activities and its sphere of influence, and to strengthen the nationwide network involved in this field, in the areas of the economy, society, and the environment.

The bank runs several forums within the effort to promote social values in the public sphere, rooted in the bank's vision, including the Financial Freedom Forum and the Small Business Forum. The forums are designed to serve as a platform for dialogue among partners, identifying joint opportunities, finding barriers and ways to

resolve them, pooling resources, and promoting ideas and initiatives through shared abilities. The forums bring together stakeholders from a range of public, social, and business organizations to lead the various initiatives, and to work together to promote change, in quarterly meetings. Issues on the agenda are discussed at each meeting, and roundtables are held to enable thinking groups to come up with ideas and solutions, as well as opportunities for cooperation between leading market players, who can join forces to promote common causes. Virtual meetings are held through a website designed for that purpose, and direct dialogue is also promoted via e-mail communications. The uniqueness of the forums lies in the partnership among the different spheres – public, social, and business – coming together to form a single entity acting in unison.

The CSR zone of the bank's website, at www.bankhapoalim.co.il/csr, is the main window for the public to the bank's sustainability and CSR activities. The website presents an appropriate level of transparency for stakeholders with regard to events at the bank and delivers the maximum possible amount of information, which is essential to dialogue and feedback.



Selected examples of key stakeholder groups are listed below, with the ways in which the bank promoted dialogue and cooperation with them during 2014, of the hundreds of channels with the bank's extensive range of stakeholders:

Stakeholder	Selected	dialogue	channels	in 2014 <sup>3</sup>

### Customers

- Promotion of financial freedom and deeper relationships All of the bank's branches hold customer conferences several times a year, in various content areas; training content and practical tools are developed, for budget management, financial planning, and investments, and made accessible through the website and in meetings with customers;
- Customer conferences provide added value for customers. Each of the branches holds several customer conferences during the year; an annual regional conference is held for small businesses. Professional lectures are given at the conferences, on subjects such as pensions, mortgages, and family budgets, as well as external enrichment sessions on communications, innovation, personal empowerment, and more. A total of 965 conferences were held in the bank's branch network during 2014;
- Small businesses Special emphasis is placed on the relationship of management tiers and branch bankers with business clients: meetings at the business, special products, professional conferences, etc;
- Deeper relationships with selected customers Management staff at the branches follow defined routines for meetings and telephone calls with customers at various points and at customers' life events;
- Client surveys Customers at the branches and in the various channels are continuously sampled, on a daily basis, uniformly across channels, lines, and branches; 30% of sampled clients are also contacted via telephone by a manager at the branch for further learning and improvement;
- Focus groups Designed to obtain clarity regarding customers' needs and examine solutions on various matters connected to customer relationships.

### **Employees**

- Feedback meetings with all employees of the bank; midterm meetings to track objectives with employees;
- Regular roundtable meetings with employees are held by the CEO and by members of the board of management, for dialogue and feedback, throughout the year;
- Employee union The union's work with management and employees is characterized by continual dialogue (updates, feedback, and consultation) and partnership in all key initiatives and everyday processes;
- Mobility and transfer processes The process includes preparation, support, and personal consultation until staffing and full absorption at the new unit are complete, through ongoing contact;
- Dialogue with managers Regarding manpower needs, organizational changes, annual processes (ranking, bonuses, etc.), and more;
- CSR zone of the organizational portal Employees are invited to suggest ideas and tips, ask questions, and request help from various content experts. Some of the ideas and tips are posted in the content sections, with credit given to the employees who suggested them. The ideas are considered, and some are implemented;
- Dialogue with new employees of the bank Welcome meetings; orientation days; course opening, midterm, and closing sessions for introductions, mutual coordination of expectations, feedback, etc.

3.G4-24. G4-26.G4-27



Stakeholder	Selected dialogue channels in 2014 <sup>3</sup>					
Suppliers	<ul> <li>Conferences for the bank's suppliers, attended by hundreds of suppliers from various fields (consulting, transportation, construction, printing, sales promotion, office supplies, food, and more). Professional content is imparted, with an emphasis on purchasing, as well as content with added value for suppliers in the areas of banking, marketing, and sales promotion;</li> <li>Communication of the bank's CSR values to the general population of suppliers of the bank through periodic letters and the ethical code for suppliers.</li> </ul>					
Government and municipal agencies	■ Meetings and lectures for the exchange of knowledge and insights with representatives of government and municipal agencies. Joint projects aimed at addressing environmental and social issues are promoted in this context.					
Community and environmental organizations	<ul> <li>Relationships with non-profit organizations including Adam Teva V'Din - the Israel Union for Environmental Defense, Life &amp; Environment – The Israeli Union of Environmental NGOs, Olim Beyahad – Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, Tevet, and others active in the content areas relevant to CSR, in order to receive feedback, exchange knowledge, and offer mutual assistance;</li> <li>Promotion of "green" businesses – such as the Renewable Energy Association of Israel, Ecommunity, Tashtiot, and others operating in various sectors such as recycling, transition to natural gas, energy efficiency, solar energy, water, etc., through knowledge sharing, assistance, and examination of opportunities for cooperation;</li> <li>Non-profit organizations active in the area of diverse human capital and employment of population groups underrepresented in the job market, such as The Israeli Forum for Diversity Hiring, Kav Mashve – Employers Coalition for Equality for Arab University Graduates, Tevet – Joint Israel, Olim Beyahad – Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, and more, for the promotion of diversity in Israel in general and at the bank in particular, through knowledge sharing and action.</li> </ul>					
Academia	<ul> <li>Management and professors at universities and colleges, including Tel Aviv University, the College of Management, the Academic College of Tel Aviv Yaffo, and Bar Ilan University;</li> <li>Individual meetings with students for assistance, study, and enrichment on CSR topics;</li> <li>Project for installing recycling facilities and instilling environmental conduct at the College of Management campus and at Bar Ilan University (see details in the "Community" section);</li> <li>Course on sensible financial conduct for managers of non-profits and community initiatives at Tel Aviv University (see details in the "Community" section).</li> </ul>					
CSR community	<ul> <li>Contact and professional dialogue with Israel's leading business organizations and CSR managers;</li> <li>Maala – Shared discussion and mutual assistance in facing professional problems and challenges;</li> <li>Lectures on CSR at relevant venues (courses, conferences, etc.).</li> </ul>					

### Defining Material Aspects - GRI:G4

Since 2008, the bank has reported on its activities and impact in the area of sustainability and CSR in compliance with the recognized GRI international reporting guidelines. All of the bank's sustainability reports were prepared according to the GRI G3.1 guidelines (to the highest transparency level of A+). In the preceding report, for 2013, the bank transitioned to the new GRI G4 guidelines...

The new reporting framework requires the bank to focus its report on the aspects most material to its activity, in accordance with its strategic approach, while addressing the expectations of its various stakeholders. Material aspects are defined as areas of activity in which the bank has a significant impact on its various stakeholders in the area of CSR and sustainability, within and outside the bank. This requirement allowed the bank to examine and update the aspects reported in its sustainability and CSR report. A comprehensive

### **Process of Defining Material Aspects for the Bank Happalim Sustainability and CSR Report**

**Bank Hapoalim** Stakeholders ainability and CSR International Local perception Review of CSR reports in BDO survey of the bank's peer group and at leading foreign banks New aspects and stakeholders' expectations of expansion of existing Aspects raised in dialogue reports in the aspects implemented at the with international ESG banking sector bank over the years analysis organizations Key aspects based Focus on activity of the International study on the Maala rating by GRI on stakeholders' various units relevant to expectations of reports each aspect in this sector 0 List of material List of material aspect representing stakeholders' aspects reflecting combined expectations of strategic focus areas sustainability reports in the and the depth of implementation banking industry Material aspects overlapping between stakeholders' expectations and prioritization based on the considerations of the bank

process was carried out last year to identify and analyze material aspects, which were established in an integrated internal and external process. Following examination and evaluation of the material aspects during the preparation of the current report, taking into consideration the feedback received from external stakeholders regarding the preceding report, the bank concluded that there had been no significant change in the topics material to its activity relative to the preceding year 4. The process of defining the material aspects, performed during the preparation of the previous report, is presented briefly below.

The process of defining material aspects for the report 5 was conducted with the guidance of the BDO Ziv Haft Sustainability and CSR Group The process consisted of five main stages (for extensive details, see the bank's CSR report for 2013):

### 1. Intra-organizational analysis to establish material topics for the report -

the analysis included the following three steps:

- An up-to-date examination of the sustainability and CSR philosophy-The organizing model, and the various processes that reflect the implementation of this philosophy at the bank.
- Analysis of new aspects and expansion of existing aspects -Examination of the bank's new activities and expansion of its activities in existing areas.
- Identification of focus areas within the various activities-Examination of the various initiatives relevant to the content areas of sustainability and CSR promoted by the bank, using a bottom-up approach. This parallels the top-down implementation of the strategic philosophy, as the different units join to promote shared efforts.

### 2. Analysis of expectations of international stakeholders -

The evaluation of international stakeholders' expectations regarding sustainability reports for banking operations included three types of sources:

- An international study by GRI: "Sustainability Topics for Sectors: What do stakeholders want to know?"
- A review of topics from the methodologies of international ESG (environment - social - governance) analysis companies.
- Review of sustainability and CSR reports of foreign banks.

4.G4-23

Following the review of topics in these sources, the findings were processed and segmented in order to identify the material topics from the perspective of international stakeholders. A total of 36 topics were found in these sources; following an examination of the topics' relative frequency, 26 central topics were chosen.

### 3. Local stakeholders -

The evaluation of local stakeholders' reporting expectations included an analysis of two main sources of information:

- Maala Index content areas:
- "Stakeholder survey: Material topics in CSR reports of banks in Israel"- A first-of-its-kind independent review in this field, by the accounting firm BDO Ziv Haft.

Following the review of aspects in these sources, the findings were processed and segmented in order to identify the key topics from the perspective of local stakeholders. A total of 27 aspects were chosen.

### 4. Integrated analysis of international and local stakeholders -

A comparison of aspects chosen for international and local stakeholders was used to screen out topics not relevant to the banking sector in Israel.

### 5. Establishment of material aspects for the bank's CSR and sustainability report-

An integrative analysis and segmentation of stakeholders' expectations with the list of topics identified by the bank led to a list of the 21 material topics in the bank's report to its stakeholders. Several aspects were considered:

- Strategic topics for the bank -Topics that represent the bank's strategic philosophy and its unique in-depth activity, in areas in which the bank has a significant impact on its stakeholders.
- Topics that present a focus on the implementation of CSR and sustainability in the bank's operations- Topics that are not strategic for the bank, but are perceived as important by the bank for the promotion of business opportunities and the minimization of risks in its activity.
- Unreported topics Topics perceived as of lesser importance to the report, due to the nature and environment of the bank's operations and due to the low impact of these topics on the bank's stakeholders. Examples include safety and hygiene management, and management of water consumption at the bank.



### List of Material Aspects for Sustainability Reporting at Bank Hapoalim<sup>6</sup>

In accordance with the CSR Flower model, the material aspects represent four content areas (the best interests of the customer, empowerment of the community, employees' quality of life and well-being, and living with the environment), which describe impacts on all of the bank's stakeholders. The material topics for the CSR and sustainability report are listed below:

- 1 Promotion of financial freedom for customers (providing information, products and tools, individually tailored service and consulting, and financial education)
- 2 Customer diversity and promotion of sectors within the Israeli economy (integration of the Arab-Israeli and Haredi sectors; promotion of small and mid-sized enterprises)
- 3 Achieving financial freedom in a multichannel world (banking services via Internet, mobile, and telephone, offering customers better access and increased control over financial management)
- 4 Serving a diverse clientele
  (instilling a perception of excellence in service to each customer segment)
- 5 Accessibility
  (making the buildings and branches of the bank as well as banking services accessible to people with disabilities)
- 6 Developing products and services to promote environmental sustainability (financing for projects that promote environmental causes)
- 7 Examining environmental risks in financing (management of environmental risks when granting financing)
- 8 Business continuity
  (preparation to maintain continuous business operations at the bank during emergencies)
- 9 Responsible supply chain management (integrating CSR and sustainability considerations into purchasing activities)
- 10 Expanding our sphere of influence (direct and indirect economical and social effects on the Israeli economy and society)
- 11 Community action (investment in the community, including support of community activities and donations)

- 12 Volunteering (presentation of volunteering at the bank)
- 13 Promoting a culture of dialogue and openness with employees (presentation of channels for intra-organizational dialogue and partnership with employees)
- 14 Promoting diversity, equal opportunities, and transparency (promotion of gender and sector equality, prevention of discrimination, and promotion of diverse employment)
- 15 Personal development and training (presentation of training and learning at the bank)
- 16 Promoting an appropriate work environment (policies on human capital, remuneration and benefits, and wellbeing and caring for employees in various aspects of the work environment and of their lives)
- 17 Power consumption management and energy efficiency (presentation of activities aimed at reducing the bank's consumption of energy)
- 18 Management of paper resources (the bank's strategic effort to cut back the use of paper in its operations)
- 19 Reducing environmental impacts (environmental management at the bank and reduction of its environmental impact)
- 20 Corporate governance and ethics (presentation of the structure and activity of the board of directors, and assimilating ethics at the bank)
- 21 Prevention of corruption
  and money laundering
  (the bank's commitment to the prevention of
  corruption, and presentation of the activity of
  the bank's compliance unit)

# 

**Economic** 

### Presentation of Material Aspects for the Report in Terms of Social, Economical, and Environmental Impacts<sup>8</sup>

The following diagram presents all of the material aspects reported by Bank Hapoalim, based on two facets:

- Impact area internal or external - does this aspect affect external stakeholders, internal stakeholders, or both (the external circle versus the internal circle in the diagram);
- Impact zone economical, social, environmental – does this aspect create economical, social or environmental value, or a combined value.

### **CUSTOMERS**

- Promotion of financial freedom for customers
- 2 Customer diversity and promotion of sectors within the Israeli economy
- 3 Achieving financial freedom in a multichannel world
- 4 Serving a diverse clientele
- 5 Accessibility
- 6 Developing products and services to promote environmental sustainability
- 7 Examining environmental risks in financing
- 8 Business continuity

### COMMUNITY

- 9 Responsible supply chain management
- 10 Expanding our sphere of influence
- 11 Community action
- 12 Volunteering

### **WORKERS**

- 13 Promoting a culture of dialogue and openness with employees
- 14 Promoting diversity, equal opportunities, and transparency
- 15 Personal development and training
- 16 Promoting a appropriate work environment

### **ENVIRONMENT**

- 17 Power consumption management and energy efficiency
- 18 Management of paper resources
- 19 Reducing environmental impacts

### **ETHICS**

- 20 Corporate governance and ethics
- 21 Prevention of corruption and money laundering

7. G4-21

8. G4-20

6. G4-19

# Working to Promote Financial Freedom for All Stakeholders

As a business leader, Bank Hapoalim has the responsibility to promote equal economic opportunities in Israeli society and economic sustainability among its customers. The bank welcomes this duty, and believes in its mission to contribute to the empowerment of the society from which it draws its strength. Every person has different economic needs, according to the milestones in his or her life, and different financial resources available to meet those needs. In order to cope with such needs appropriately in the short and long term, it is necessary to obtain a solid understanding of the full range of financial needs and possibilities, become familiar with the tools and products offered in this area, and achieve optimized matching in order to eventually attain good control and balance between needs and possibilities. Proper identification of needs, full information regarding financial possibilities, tools, and supporting products, use of advice, and appropriate prioritization make it possible to reach good decisions for each time frame and maximize financial potential.

Bank Happalim acts strategically to promote prudent financial conduct among its customers and in the Israeli public. This effort is congruent with the trends identified by the bank in recent years in customers' needs and wishes, indicating a greater demand for more extensive financial knowledge in recent years. The bank recognizes that financial knowledge and the use of financial tools are essential in order to create financial freedom and strike a balance between financial needs and abilities, for each customer. The bank therefore endeavors to provide information regarding the financial possibilities available to its customers at high resolution and transparency, with maximum availability, matched to different life stages. A wide range of tools, products, services, knowledge, and guidance by the bank are offered in order to ensure that customers are familiar with the full picture and with all of the alternatives open to them, in order to reach prudent, independent decisions. The bank promotes financial freedom in several areas of its activity, for various stakeholders: by providing financial information, raising awareness, and promoting financial knowledge for customers, employees, and the community; promoting the growth of different segments and groups in Israel, such as small businesses, the Arab-Israeli sector, and the Haredi sector; multi-channel banking services via telephone, Internet, mobile, tablet, etc., offering customers tools and products for sensible financial conduct; and increased physical and virtual access to banking services. On this foundation, customers' relationships with financial institutions become more balanced and more aligned with their expectations, and they become able to make better economic decisions for each stage of their lives.

As part of the dialogue conducted by the bank with additional organizations and groups for the promotion of this area, in 2014 the bank initiated the launch of the Israel Financial Freedom Forum. The forum unites many participants from the government, community, and business sectors seeking a shared platform for conversation, identification of opportunities, and initiation of ventures for the promotion of financial education in Israel. The forum will enable different stakeholders to join forces in order to consult, discuss, and think about solutions in this area.

The bank promotes financial freedom in five areas. Extensive details of the financial freedom perception are presented in the "Customers" section and in the "Community" section.

# Promoting Financial

The bank promotes financial freedom in five areas. Extensive details of the financial freedom perception are presented in the "Customers" section and in the "Community" section.

### Products and tools

- Budget management tools: Poalim Like Me, The Budget Management Tool, setting objectives
  - Savings tools and products: Dan the Saver, CashBack Club
  - Poalim UP tools for increased control and flexibility in managing current accounts
    - Applications for advanced banking services

# Financial freedom for small businesses

- Specialized credit through various funds
- Customized professional consulting:
   Business Branches, the bank's Business Club,
   professional consulting (investments, credit,
   foreign trade, etc.)
- Provision of a marketing platform: Small Business Day, the CashBack Club, the Small Business Fair, Small Business Competition

### Personalized consulting and service

- Personal financial planning
   Pension advice
- Investment advice
   Credit advice
- Savings advice

### **Providing financial information**

- Information on financial subjects through the direct banking channels (website,
- telephone, smartphones, and tablets)
- Information from bankers at the bank's branches and from the bank's experts on various financial subjects

### Financial education

- Educational programs at the ORT network of schools
- Dan the Saver summer camps Enriching Parents
- Growing FamiliesGrowth OpportunitiesProfessional training
- conferences for clients Employee volunteers financial education

lessons in the community • A financial education course for bank employees





# Process Controls for Implementation of the CSR Plan at Bank Hapoalim

An external assurance process allows readers of this report to verify the bank's self-report based on an independent opinion from a professional observer. The expanded assurance process with regard to the adequacy of the report on sustainability and CSR and the involvement of additional sources of assurance enable the bank to learn from the feedback received from those conducting the process and provide verification of the reliability of the report for stakeholders. The current report underwent four assurance processes, each focusing on a different aspect of the report (for extensive details of the assurance process and methods and the criteria examined, see p.226.

### Routine Process Control and Examination of the CSR Implementation Process at the Bank



The CSR and Sustainability Group at the BDO accounting firm has guided Bank Hapoalim in the implementation of its sustainability and CSR program for the

last eight years. The group's activities focus on monitoring the process and progress of the program for sustainability and social, economic, and environmental responsibility. BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the processes performed by the bank throughout 2014 and up to the end of the first quarter of 2015.

## Due diligence examination of the report, in accordance with the GRI and AccountAbility guidelines





The external assurance process for CSR reports is conducted by a third party who was not involved in the writing of the report. The third party ascertains that the information presented in the report is congruent with the three principles set forth in the AccountAbility quality assurance standard AA1000APS and with the GRI due diligence guidelines.



# Examination of the quality of reporting on the bank's carbon footprint

This examination was performed by Good Energy (Registered Non-Profit Association), a social initiative for climate change. The organization works towards minimization of greenhouse-gas emissions, which accelerate climate change, while raising public awareness of this issue. The process of examining the bank's carbon footprint is based on the prevalent principles for carbon calculation and marking, developed by the Technical Working Group of the British Government. The data were adapted to Israel through the Israel Greenhouse Gas Emission Recording System - Operating Rules and Reporting Guidelines, issued by the Samuel Neaman Institute and the Ministry of Environmental Protection in April 2015.

### GRI-G4 (In Accordance –

### Comprehensive)

The report was submitted for the GRI Materiality Disclosures Service, and GRI confirmed the correctness of the locations of the G4 materiality disclosures (G4-17 – G4-27). The report is 'In Accordance' with the GRI G4 Guidelines – Comprehensive option.

# Assimilating the Bank Hapoalim vision

Over the last five years, an ongoing process has been underway to assimilate the Bank Hapoalim vision, with the aim of expressing the future projected for the bank at its best. The Bank Hapoalim Vision is a clear, powerful, meaningful description of our future as it can and should be. It also provides a structured framework for charting our future course; declares our commitment to our employees, our customers, and all of our stakeholders; imparts meaning and a connection with our values to the objectives and initiatives led by the bank; and empowers the bank in its leadership on the shared path to the challenges of the future. Values chosen for inclusion in the Bank Hapoalim Vision are intended to create an impact on the following three levels:

- **1. Proud to belong -** Our focus on our customers and our financial leadership are a source of pride and foster a sense of belonging for our employees;
- 2. Committed together The endeavor to create value for our stakeholders and our commitment to the cultivation of human capital on a path of humanity, integrity, openness, and accountability are aimed at nurturing a personal commitment to our shared journey, in which each person acts responsibly and contributes to the success of all;
- 3. In it for the long haul The drive towards financial freedom for our customers, in congruence with the principles of sustainability and in encouragement of excellence and innovation, reflects a long-term commitment to improvement and empowerment. The concept underlying the integration of these three dimensions and the fundamental motif of the Bank Hapoalim Vision is: Leading Growth Together.

The vision consists of ten values. Practical applications of these values are demonstrated throughout the sections of this report.

### The Bank Hapoalim Vision

To be a leading global financial institution, headquartered in Israel, focused on its customers and working towards their financial freedom.

To create value for our stakeholders while upholding the principles of economical, social, and environmental sustainability. To cultivate human capital and encourage excellence and innovation.

To base our actions on the core values of humanity, integrity, openness, and accountability.

# The Bank Hapoalim Vision comprises ten elements:

### Global, centered in Israel

We are, and will remain, a leading Israeli bank. Yet in today's world, under conditions of a globalized economy, a large top-tier bank must engage in international activities and offer its customers globe-spanning services. Our international operations are an important growth driver for the long term.

### Leadership

of the bank is mainly measured by its market capitalization, profitability, and return on equity, but also by its operating efficiency, brand strength, CSR activities, upholding of sustainability principles, contribution to the community, and professional ethics. The bank is strong on all of these parameters, and is working to improve and advance further.

### Focused on the customer

We are dedicated to responding to the changing needs and aspirations of our customers, during each stage of their lives, while creating economic value for the bank and tailoring services to different sectors: households, private banking, small businesses, commercial, and corporate. We believe that our focus on our customers is the key to our success over any period of time.

### **Financial freedom**

This concept represents the freedom and will of our customers and employees to make good choices, based on their personal preferences, while taking responsibility for and understanding the financial capabilities and possibilities open to them.

### Sustainability principles

These represent and reflect environmentally conscious business conduct aimed at preserving and enhancing existing resources and achieving economic, social, and environmental balance for our own sake and for the sake of future generations. The bank believes that the assimilation of these principles supports its objectives and increases its value for the long term.

### Creating value for stakeholders

The essential mission of a business enterprise is to maximize its value in a way that serves all of its stakeholders: employees, customers, investors, suppliers, the community, and the general public. The creation of value is based on four pillars: the stability of the bank, which ensures its ability to meet its obligations at any given moment and to support the development of the economy; sustainable profitability, balancing risk and returns; promotion and cultivation of sustainability principles, and a philosophy of genuine partnership with employees and customers.

### Excellence

An organizational and personal spirit leading to success, and expressing the desire, responsibility, and commitment to be better, through resolute and effective efforts. Excellence is the ambition to make the most of our inherent potential, to make optimal use of available resources, and to set a high standard for performance.

### Innovation

Finding and promoting new initiatives that generate business value and competitive advantage, through processes that encourage employees to raise ideas and to think creatively and innovatively, throughout the bank. This effort is aimed at improving processes and systems, developing new products and services, and promoting business initiatives.

The bank believes that the human capital of any business organization is one of its most valuable assets. The bank considers its employees to be partners, maintains a relationship with them based on mutual trust and respect, and strives to enable them to succeed and to provide them with tools for professional and personal development.

### Fundamental principles: humanity, integrity, transparency, and responsibility

These values embody the ethical and moral standards and principles that are the cornerstones of our organizational culture, reflecting the bank's way of life and rules of appropriate conduct. We will uphold these values in our work relationships with each other, and in our connections with customers, suppliers, and the community.

# Assimilation of Responsible Initiatives, Promotion of Partnerships, and Transparent Reporting

The bank is committed to its partnership with organizations working towards sustainability and CSR, and has assimilated international standards of responsible conduct:

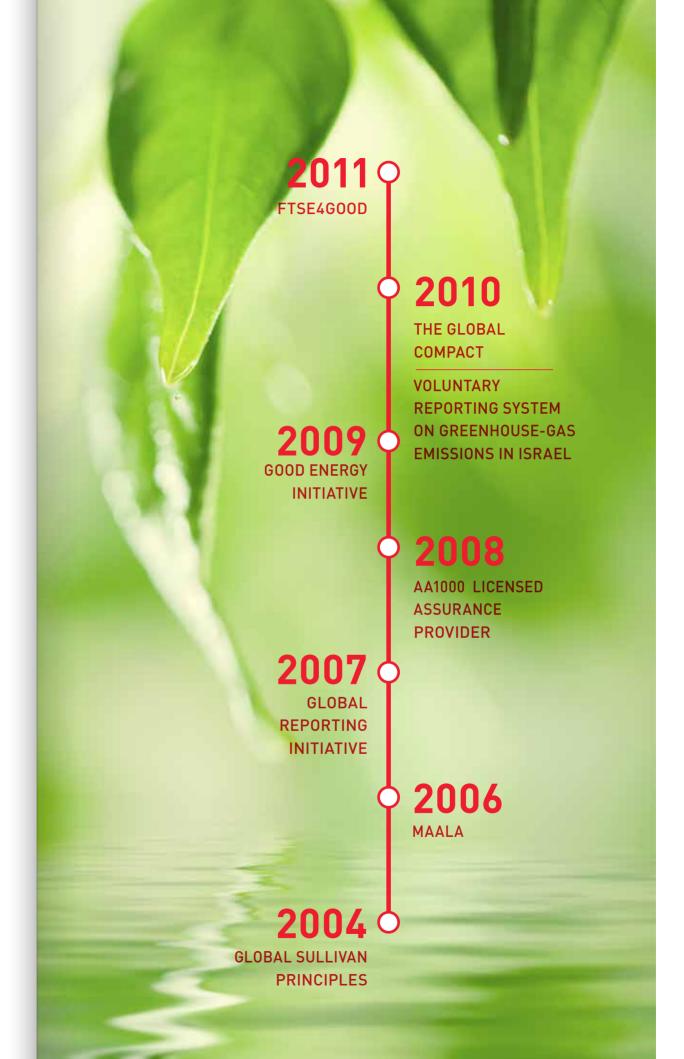
Global Sullivan Principles of Social Responsibility – The bank assimilated these principles as early as 2004, in the belief that the implementation of the principles would help achieve greater tolerance and understanding among peoples and promote a culture of peace.

Maala – Bank Hapoalim joined Maala in 2006 as a member of the organization's business leadership. In ratings assigned by Maala for 2014, based on reported data for 2013, Bank Hapoalim was ranked at the top of the Platinum Plus class, the highest rating category; it therefore topped the Maala charts. The bank also appears on Maala's stock-market index, which consists of all of the public companies rated by Maala and traded on the TASE.

UN Global Compact- During 2010, Bank Hapoalim joined this UN initiative aimed at promoting economic development that is beneficial for the community and for future generations. Since then, the bank has ensured that the principles of the compact are implemented in its activities. The sustainability report also serves as a COP (Communication on Progress) for the Global Compact.

FTSE4Good - BThe bank has been included in the global FTSE4Good index continuously since 2011. The index measures the sustainability and CSR performance of leading business firms around the world. Bank Hapoalim is listed alongside 73 advanced banks, of the thousands of banks operating worldwide.

Voluntary reporting system on greenhouse-gas emissions in Israel – In 2010, Bank Hapoalim was one of the first organizations to join the voluntary system for recording greenhouse-gas emissions. This system is a joint initiative of the Ministry of Environmental Protection and the Manufacturers' Association. The bank updates this data and reports to the ministry annually.





















# INTRODUCTION 28-2

### Bank Hapoalim Composite Index of Sustainability and CSR Performance – International Analysts' Perspective

Capital-market analysts, both internationally and in Israel, have been including sustainability and CSR components in their evaluation of business firms and organizations' performance. These aspects of the company or organization under review are presented to investors, particularly long-term (institutional and pension) investors. Over the last two decades, the implementation of corporate responsibility has expanded in the Israeli and global financial sectors. Consequently, information has accumulated that allows financial corporations to be examined and compared based on their performance in this field.

Since the inception of the Bank Hapoalim sustainability and CSR plan, the bank has received inquiries from international analysts regarding its performance in these areas. The bank accords high importance to this dialogue, for two main reasons:

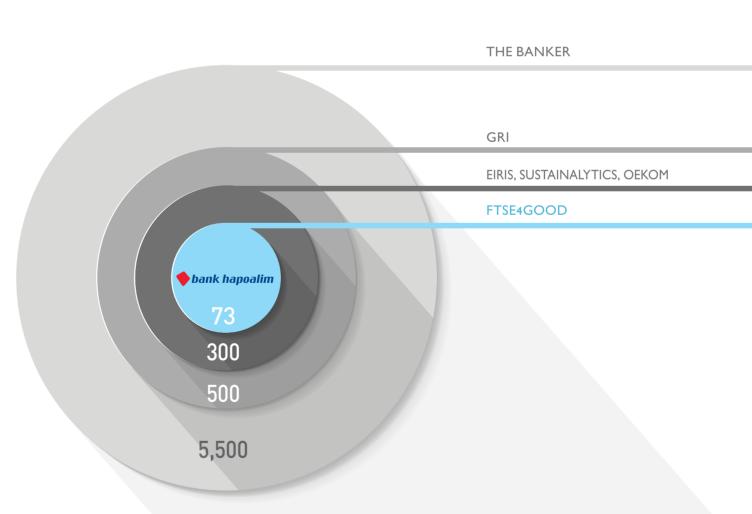
- Dialogue with international analysts who are in routine contact with corporations all over the world offers the bank valuable insights regarding current trends in the global CSR field and material issues for the banking sector;
- An examination of the bank's scores on the various rating scales nourishes a continuous
  process of gap analysis in the management of CSR issues and a discussion of ways of
  improving performance on the various parameters.

In 2014, an analysis and integration process was performed with the assistance of the BDO CSR and Sustainability Group, culminating in the creation of a composite index. The index provides a comprehensive, comparative measure of the corporate responsibility performance of Bank Hapoalim relative to the requirements of various international analysis firms. The requirements of several major international analysis and measurement organizations were compared and analyzed: FTSE4Good, Eiris, Sustainalytics, and Oekom. This study helped the bank examine its performance from a broad perspective, aligned with the standards defined in this field for the global financial sector, and to understand its position relative to banks worldwide.

In the initial mapping process, the baseline group (the widest reference group in the financial sector) was established using The Banker magazine's database of banks. This database contains information on approximately 5,500 banks around the world, operating in more than 160 jurisdictions, and accounting for some 90% of total global banking assets. The next stage was to examine all of the banks for compliance and ratings on the international standards of the analysis organizations. The group of banks was screened and gradually trimmed down based on the following criteria:

- The first criterion used to screen the baseline group on the parameter of corporate responsibility was whether the organization publishes a report included in the international GRI database. This group consists of approximately 500 banks, or 9.1% of the banks in the baseline group;
- The next screening criterion was whether the organization appears in the databases of international analysis organizations (at least one of the following: Eiris, Sustainalytics, or Oekom). It is important to note that a prerequisite for inclusion in such databases is a demonstrated threshold of corporate responsibility performance, according to standards of transparency and quality. This group contains 300 banks, or 5.5% of the baseline group;
- The last screening criterion was whether the organization is listed in the international ratings by FTSE4Good. The ratings cover the 73 banking corporations with the best corporate responsibility performance, of the groups covered by analysts. This resulted in a select group constituting only 1.3% of the banks in the baseline group.

An internal examination of the scores earned by Bank Hapoalim on the various rating scales of the organizations noted above for sustainability and corporate responsibility indicated that it ranks with the group of banks at the apex of the international banking sector.





# LOOKING

The sustainability and corporate social responsibility program continues to be a part of the strategic core of Bank Hapoalim. The program is ongoing, and encompasses organizational infrastructures, information and measurement systems, milestones, and controls, constituting an element of the bank's long-term vision. As extensively illustrated in the CSR report, structured work plans and planned future activities have been formulated. At the same time, within its emphasis on innovation and entrepreneurship, the bank works to identify original ideas in this field and to bring these concepts to fruition through pilot projects. The projects are designed to test the feasibility of the ideas in light of societal, environmental, and economical considerations. Following the testing period, ideas that prove successful on these parameters are implemented broadly across all units.

and CSR plan, in accordance with its perception and with the material aspects, while continually following global progress in this field. This approach is given practical expression, first and foremost, in the creation of value for customers and in advancement of society and of the community, through business activities and through identifying new opportunities for the promotion of economic value alongside social and environmental values. Concurrently, the bank will continue to develop the quality of its human capital; to care for its workers, in various aspects of their lives; and to behave responsibly towards the environment. Key directions and activities to be pursued by the bank in the coming years:

### For the benefit of its customers -

- Expansion of initiatives and channels for the promotion of financial freedom: the bank will continue to lead a strategic initiative in the coming years aimed at promoting the financial freedom of "new seniors." This drive will encompass unique services, products, and benefits for the peri-retirement population, responding to their specific needs.
- Support for the small-business sector in Israel, as a strategic effort of the bank.
- Maintaining the bank's leadership in the development of innovative banking solutions and services in the multi-channel banking space (Internet, mobile, and telephone), with an emphasis on lateral integration of services in different channels.
- Promotion of excellence in service, by instilling the bank's service philosophy, including the creation of standards for processes, measurement and feedback surveys, absorption of structural changes, job definitions, process improvement, and upgrades of technology.
- Implementation of the plan for increased activity in the Arab-Israeli sector, which includes addressing specific needs, expanding physical and digital services, and integrating employees from this sector, as part of the integration of this community with Israeli society.

Implementation of the long-term plan for promotion of access to banking services for people with disabilities, including adaptation of buildings and branches of the bank and accessible services.

### With suppliers -

Implementation of the work plan for integration of CSR considerations into purchasing processes of the bank and into its interaction with suppliers.

### Investment in the community -

- Investment in the community, through educational projects and expansion of activities aimed at promoting financial freedom in the community.
- Development and expansion of dialogue with various stakeholders in the area of CSR in Israel.

### In the bank's work environment -

- Implementation of the long-term plan for promotion of the employment of population groups underrepresented in the job market;
- Cultivation and promotion of the quality of human capital, with a focus on the employee. This includes the advancement of women in general, and in management positions in particular; encouragement of academic studies; and support for employees' whole-person wellbeing.

### Minimization of the bank's environmental impact -

- Implementation of the long-term process of cutting back paper use (the Paperless Branch project), including conversion of processes to digital formats in order to reduce paper use;
- Implementation of continuous processes aimed at energy efficiency and reduction of the bank's carbon footprint.

continue to expand the activities conducted within its sustainability and CSR plan, in accordance with its perception. This approach is given practical expression, first and foremost, in the creation of value for customers and in advancement of society and of the community

THE BEST
INTERESTS
OF THE CLIENT





Bank Hapoalim recognizes that customers' needs and aspirations change during different life stages. The bank therefore endeavors to provide customers with all of the financial information and services that can help them understand, plan, and carry out both long-term and immediate financial decisions

# Meeting Customer Needs

This section describes the bank's relationships with its customers, the services and products offered to customers by the bank, and the ways in which the bank identifies opportunities and manages risks in the area of social responsibility, in a changing business environment. The bank strives to develop banking services and products based on a philosophy of creating shared value for its customers

and its other stakeholders, such as the community, various participants in the economy, the environment, and others, while simultaneously generating economic value for the bank.

Bank Happalim recognizes that customers' needs and aspirations change during different life stages. The bank therefore endeavors to provide customers with all of the financial information and services that can help them understand, plan, and carry out both long-term and immediate financial decisions. The bank's view of its customers is derived from a philosophy of sustainability, giving rise to a relationship designed to encompass a comprehensive understanding of the needs of customers and their families over time.

In addition, the changes in the business and social environment - the rapid technological changes, the dynamic evolution of customers' demands, the transition to a low-carbon economy, resource scarcity, water and land conservation efforts, global warming, and the need to integrate and empower each sector of society - harbor potential business opportunities for the bank. As a result of sustainability strategies, customers' values and needs are evolving as well. The bank's role is to provide solutions in the financial arena and to promote emerging demand in the sustainability space. Towards that end, the bank offers various financing solutions, deposits, and investment products that encourage sustainable consumption and environmentally and socially conscious investment.

# The bank works to create value for its customers in the following ways:

- Development of responsible products to foster economic and environmental sustainability, for our customers and for the economy as a whole;
- Maintaining a multichannel network for communication with customers at any time and place, with appropriate accessibility;
- Providing optimal service to achieve customer satisfaction, and responding to and learning from customer communications;
- Responsiveness to customers' needs through all life stages;
- Solutions tailored to the unique characteristics of different customer groups.

The bank encourages extensive use of its products through online means, thereby improving service quality while reducing environmental impact. In today's world of technological change, customers' expectations for innovative, advanced solutions in the services provided by businesses have increased. The bank invests great effort in immediate adaptation to technological developments, and in the integration of new applications with its products and services

# Optimal service offered at any place and time, while helping to protect the environment

The bank encourages extensive use of its products through online means, thereby improving service quality while reducing environmental impact. In today's world of technological change, customers' expectations for innovative, advanced solutions in the services provided by businesses have increased. The bank invests great effort in immediate adaptation to technological developments, and in the integration of new applications with its products and services. As a result, a multitude of channels is currently available to customers at any place and time, so that essentially all of their routine interactions with the bank can be conducted without visiting a branch. In 2014 continued expansion of the use of computerized and online channels, such as the Poalim by Telephone call center, the Hapoalim Online website, smartphone and tablet applications, the Mail Net service, and more. This trend minimizes the environmental impact of banking products, in that it often eliminates the need for the customer to visit the branch in person (leading to pollution savings) and, obviously, saves paper. The use of bank branches also carries relatively low environmental impact, due to the broad distribution of the branches of Bank Hapoalim and the extensive network of ATMs, selfservice stations, and self-service information stations located adjacent to and outside of branches. Customers can visit a branch or use a self-service station conveniently, with minimal travel and environmental impact.

Bank Hapoalim was selected the "Best Bank in Israel" by the prestigious magazine "Global Finance" for the fourth consecutive year.

# Working to Promote Financial Freedom for Customers

In line with the financial freedom philosophy presented in the introduction to this report, the bank promotes its customers' financial freedom on five key axes:

- Financial information Highly detailed and extensive information is available to the bank's customers, through every channel and at all times, regarding their financial assets, liabilities, transactions, and more. This information helps customers to be aware of their financial condition and of the options available to them; it serves as the infrastructure for control, consultation, and prudent life decisions in this area;
- Products and tools to promote financial freedom Over the last few years, the bank has developed a series of products and tools designed to help its customers make prudent financial decisions. These tools enable customers to understand and analyze information, and to obtain control and flexibility in managing accounts and family budgets and in creating long-term savings. The tools are accessible through innovative digital channels, so that they can be used at any time and place;
- Personalized consulting and service In accordance with Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law1995-, the bank provides clients that signed a consulting agreement, with a consulting service, personalized to the client's needs. This based on earlier familiarity with the client's needs, preferences and goals;
- Financial education and literacy As part of the promotion of financial freedom for its customers and for the general public, the bank has initiated efforts designed for a range of target audiences (children and adolescents, young adults, households, and seniors), according to life stage, aimed at raising awareness and enhancing financial education. Taking the drive to instill financial freedom to the next level, several initiatives of the bank encourage changes in behavior and in financial habits for its target audiences, effectively promoting financial literacy;
- Promotion of financial freedom for small businesses The bank works to empower and promote the financial freedom of its customers in the smallbusiness sector by developing financial tools and knowledge adapted to their unique needs. The bank's numerous initiatives in this arena create

value for businesses in three main areas: credit, expert consultation and service tailored to this sector, and the creation of marketing platforms for businesses.

# Providing Financial Information

As part of the bank's effort to enhance financial freedom, it provides its customers with extensive information in various financial areas. This in order to give customers a status snapshot that is as complete as possible, in order to enable them to balance their financial needs and abilities in the short and long term. The information includes details of transactions executed by the customer, a range of products and tools for financial management, and current market data and

trends (e.g. with regard to pensions, savings, the capital market, the housing market, etc.). This information is accessible to customers through a variety of channels: direct banking channels (the bank's website, call center, and smartphone and tablet applications), bankers at the branches, and the bank's experts in each financial area.

# Products and Tools for the Promotion of Financial Freedom

■ Budget management tools - The bank has developed a series of unique tools designed to offer ongoing assistance with financial conduct, as part of the effort to offer education on sensible budget management. Within this process, the bank developed online budget building and management tools allowing customers to examine their financial conduct in comparison to customers with a similar profile, leading to more prudent behavior.

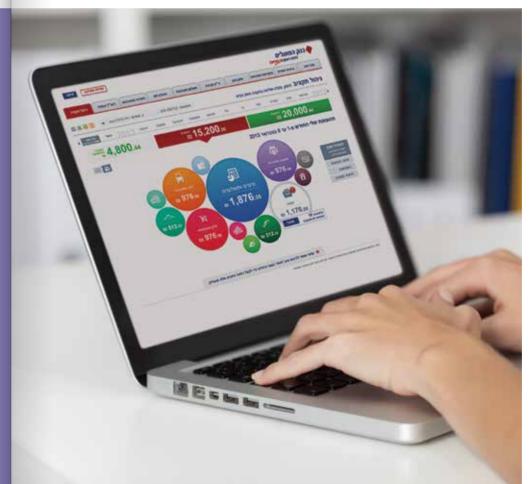
The bank's UP Budget Management application presents a current snapshot of income versus expenses. The information is based on collection, classification, and analysis of all of the customer's transactions. The service provides customers with

a daily, up-to-date, detailed overview of income versus expenses. The Goal Setting tool enables clients to plan their budget according to income and expense categories and to set monthly targets. At the end of each month, clients can obtain a current snapshot of performance relative to the targets.

A new concept for the budgetmanagement tool, developed in 2013 and launched in the new format in early 2014, uses game-like elements to provide a new financial planning experience - simple, customized, and enjoyable - aimed at helping customers achieve better financial conduct. Personal information is displayed in an easy-to-understand, colorful, graphical layout; a user-friendly interface makes organizing expenses and income convenient: information is more accessible: and customers can view their status relative to their own goals and relative to others. Within the budget-management tool, customers can use the Poalim Like Me service, which offers comparisons of total expenses as well as a breakdown of expenditures by category, such as food, communications, education, etc.



About half a million clients have registered for the online budget management tool. 90,000 clients registered for the service over the last year



### Dan the Saver activities

About

**Thousand** 

Number of Dan the Saver accounts

About

billion

Monetary volume managed **About** 

**Thousand** 

Registered users of Dan the Saver website

About

million visits **Thousand** 

Dan the Saver website visits (cumulative)

About

Number of children who attended Dan the Saver summer camps in 2014

- Tools and products for savings As part of sensible long-term financial conduct, the bank is promoting the value of saving and offering a range of tools for this purpose. The Savings Management tool allows customers to select a purpose for the savings plan, assign a name of their choice to the plan, define the saving method (standing order or one-time deposit). set the monthly amount to deposit, and choose a preferred duration for the plan. Progress towards the goal can be tracked throughout the period, and customers can make changes to the plan and deposit one-time sums to promote timely achievement of their goal.
- Another project, Dan the Saver, offers a series of special savings products aimed at encouraging savings by parents for their children's future. The goals of the savings plans are aligned with each life stage of the child, until financial independence. Along with the Dan the Saver programs, the bank installed cash and coin deposit machines for children, and issued Dan the Saver ATM cards and checkbooks.
- Tools to increase control and flexibility in the management of current accounts - the bank launched Poalim

UP at the beginning of the year. This range of value-added services is another step towards realization of the bank's vision of leading its customers to growth and providing them with tools for sensible financial conduct. Poalim UP comprises six products and services, three of which are new. The services are designed to help customers with everyday financial management while offering high levels of choice and customizability.

- UP Active A service allowing customers to optimize routine account management without monitoring their account status daily, by setting up automatic actions in a range of areas. Customers establish a set of actions in advance, so that sensible financial options can be offered to them at the appropriate time; the actions are executed following approval by the customer. Possibilities include withdrawal from a daily interest deposit when the account balance is negative, a deposit to a savings plan when the balance is positive, sending an alert when a checkbook is about to run out and ordering a new checkbook, and more:
- UP Card An international card charged with funds from the customer's bank account, which can be transferred to a family member, as it is not imprinted with the account owner's name. Customers can charge the card remotely through any service channel (at a branch or through a direct channel), or remove funds from the card to their accounts, at any time;
- UP Smart Allows regular current-account charges to be consolidated to a single day of the month, similar to credit-card payments, providing customers with better control over expenses in their accounts. Deferred charges include checks, cash withdrawals, payments, transfers, and more. Charges are deferred to a day of the month of the customer's choice. This service is offered to customers as part of the UP Smart track;
- UP On Time Offers real-time alerts from the bank via text message or e-mail, with various updates on the customer's account or the markets, according to the customer's choice:
- UP Mail Allows customers to receive messages from the bank via e-mail instead of the post.



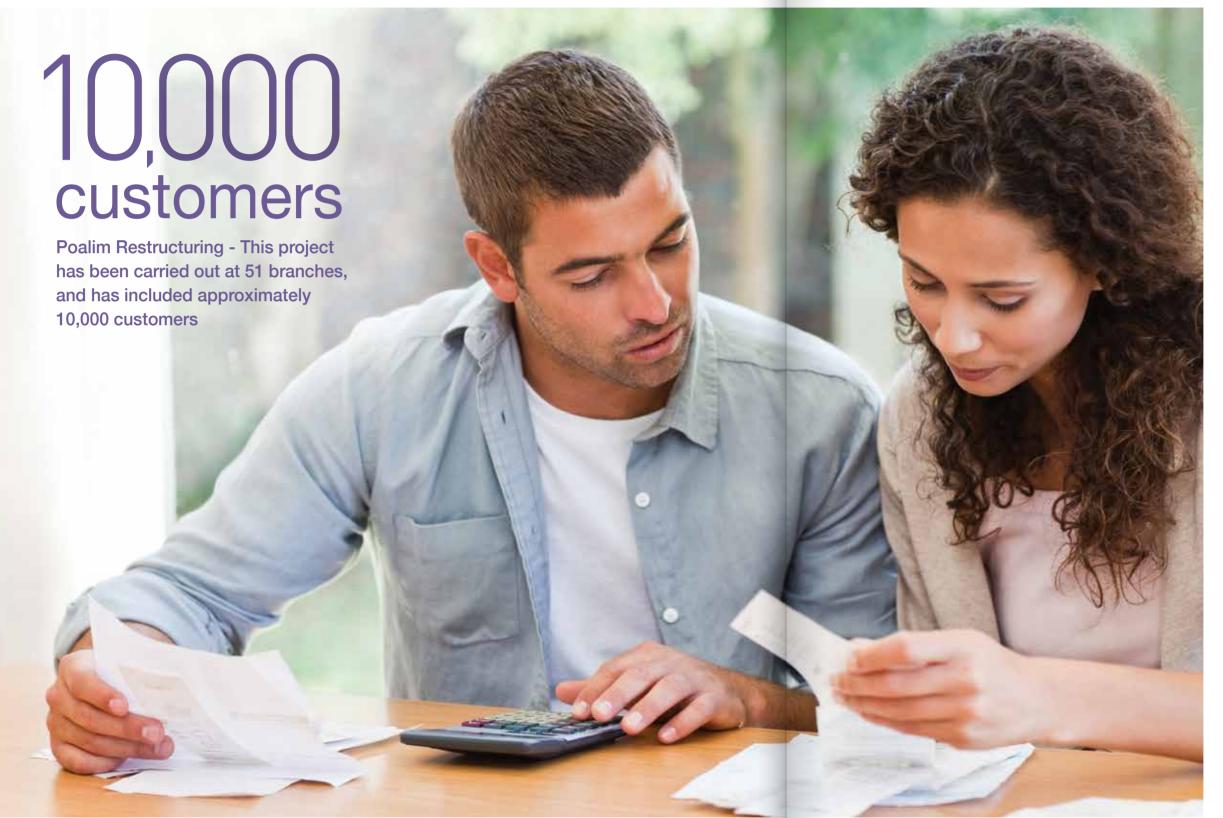
■ Applications for advanced banking services - Private and business customers can use the range of services and information offered through the bank's applications to manage many aspects of their financial lives, at any place and time, and to benefit from unique services using the most advanced technological capabilities, which offer an optimal client experience and maximum availability.

### Personalized Consulting and Service

- Personal financial planning In response to customers' needs, the bank offers personal financial planning meetings, with the aim of expanding the services provided by the bank to promote customers' financial freedom. The meetings are designed to allow an in-depth examination of the customer's banking activity through a look at all of the customer's financial data and realtime access to all relevant information, along with an understanding of the customer's needs. Based on these materials, practical solutions are offered for improvement of the customer's ability to make sound budget management decisions. The bank has trained bankers to specialize in providing this service. In order to create an ongoing guidance process, contact is maintained with the customer in the months after the meeting, through the bank's website This process is aimed at encouraging customers to adopt a pattern of independent planning and monitoring of their financial activity, while raising their awareness of the main budget management tools offered by the bank through the direct channels. Hundreds of bankers have been trained to provide this service, and it is currently offered at branches in all areas of Israel;
- Pension advising Financial freedom and economic balance are significant across all stages of life. One of the key elements of these values is

long-term, customized management of pension savings, taking into account various present and future financial considerations and risk factors. The bank offers consulting and information in this area, with the aim of helping customers gain better knowledge and understanding of pension savings and make more informed decisions. This effort includes an area dedicated to pension savings within the bank's website, in which extensive useful information is posted for the benefit of the bank's customers and the general public. The bank has 8 pension consulting centers at the Israel;

■ Customized expert financial advice - A wide range of expert advisors in various fields (such as investments, credit, and savings) are available to the bank's private and business clients. Consultations are aimed at helping customers make rational decisions regarding various aspects of their financial lives.



# Financial Education and Literacy

- Poalim Restructuring An initiative created based on a customer retention concept, with the aim of providing a better response to the needs of private customers who encounter financial distress that prevents them from meeting their financial obligations. In contrast to ordinary collection procedures, Poalim Restructuring aims to promote financial freedom by working to stabilize the customer's account, with the customer's cooperation and consent, through individual assistance, using a range of tools and service channels of the bank;
- The Growing Family A project initiated by the bank in collaboration with the "Yedioth Ahronoth" newspaper and the "ynet" website, to mentor families facing various financial challenges in order to help them learn how to improve their economic conduct. The families are provided with guidance by the bank's advisors in areas such as personal financial conduct and financial growth, real estate and mortgages, pensions, investments, and more. The project serves as a platform demonstrating to the general public, through the stories of five families, how consumer habits, economic habits, and financial behavior in general can be transformed, with the aim of achieving economic balance and growth. A third round of this project was completed in 2014;
- Bankopedia In 2014, the bank launched a database of information and tips for prudent financial conduct, presented on its website. The database consists of content areas based on the financial topics relevant for each target audience (children, soldiers, students, households, adults nearing retirement age, etc.). Various aspects of each content area are presented, in accessible and userfriendly terms, with the aim of providing practical help with financial conduct in various life stages. The database is accompanied by videos demonstrating prudent financial conduct for each life stage, available in the Bankopedia section of the bank's website;

# 350 fa "Gini ins fro

families participated in the "Growth Opportunities" initiative and received instruction and guidance from mentors in 2014

- Growth Opportunities The Growth Opportunities project was launched in 2012, as part of the implementation of the bank's financial freedom philosophy and the expansion of its impact in the community. The project provides tools for families coping with a financial crisis, in the areas of financial education, navigating a time of change, and growth through crisis. The families receive financial instruction and personal guidance, aimed at preventing financial deterioration and allowing a return to positive financial activity. The initiative for the project emerged from the bank's customer contact center; the idea was initially sparked by customers' letters to the bank regarding economic and personal crises, usually caused by events beyond their control, such as job loss, bereavement, divorce, illness, etc. The project has helped the bank learn and draw conclusions regarding the needs and challenges faced by customers in all of the financial aspects of their lives. This project was expanded to additional geographical regions and a larger number of households in 2014;
- Enriching Parents Bank Hapoalim has set a goal of working to promote financial education from an early age, for children and adolescents, based on an acknowledge that good financial habits built at a young age can serve as the foundation for financial well-being when they reach adulthood. Healthy financial habits can also contribute to a successful household economy when children participate in planning and carrying out expenses, and serve as ambassadors for these messages to their friends and

family members. Young children, in preschool and elementary school, are acquiring their first concepts of money, savings, etc. Because they are exposed to financial decisions from an early age, it is important to provide them with tools to manage their own financial lives. In the Enriching Parents project, parents of students give lessons at their children's schools based on a lesson plan and presentation created by the bank – a brief, simple session designed to teach children aged 5 to 8 basic concepts for sensible financial conduct. The language of the presentation is suited to children in this age group;

■ Professional training conferences for customers - The conferences cover various financial content areas and are designed for different target audiences, depending on the professional field and content. The goal of these conferences is to enhance the financial knowledge of various target groups. Training conferences are held at the initiative of various functions within the bank. Dozens of the conferences are held each year.



LOOKING

Poalim Restructuring is gradually expanding through the bank's branches, and is expected to roll out to all branches by the end of 2015;

Additional videos are being produced to provide access to information and increase financial literacy, for different target audiences at various life stages.

A specialized content area on the bank's website, the Bankopedia, is planned to launch during 2014, as a guide offering website visitors extensive information, tips, and tools on prudent financial conduct across the life cycle. The content designated for the site was circulated to the bank's employees for examination and validation prior to the public launch.



The Israel Financial Freedom Forum is planned to launch in early 2014. The forum unites many participants from the government, community, and business sectors seeking a shared platform for conversation, identification of opportunities, and initiation of ventures for the promotion of financial education in Israel. The forum will enable all of these stakeholders to come together to consult, discuss, and think about solutions in this area.



### Financial Freedom for Seniors

Seniors constitute approximately 10% of the population in Israel, according to data from the Central Bureau of Statistics. This group is expected to double in size by 2035, and is already a highly significant force in the Israeli economy. The accelerated growth of the seniors sector is expected to have a substantial impact on the economy, leading to the development of new markets and expansion of existing markets in areas such as leisure, culture, education, health care, and more.

The life stage of people in this age group is characterized by dramatic changes: retirement leads to a drop in income, expenses shift to align with new needs, and financial routines are deeply transformed. Seniors need to attain a new financial equilibrium. After retirement, many seek to live in the present: to learn, travel, and try new experiences; but they may also be concerned about the future and strive for control and security for their long-term needs. At the same time, seniors often wish to support their families by helping their children and grandchildren, serving as the family's anchor. Thus, post-retirement seniors navigate a complex matrix of needs and financial considerations, requiring meticulous and comprehensive financial planning. The challenges faced after retirement necessitate the creation of a specialized set of services and products designed for this population.

As part of the aim of developing business with a social benefit component, and in response to the needs of seniors, the bank has launched a broad strategic initiative for peri-retirement seniors, the first of its kind in Israel. This effort is one of the focal points for the bank's activity in 2015 and for the coming years. It will encompass unique benefits, services, and products for the seniors sector, centered on the bank's belief that retirement opens a new era of life in which seniors can reap the fruits of their labors, after years of hard work.

The bank will offer customers aged +55 advisory services tailored to their life stage and needs. Pre-retirement customers

can prepare for "the day after" through pension advice and financial planning. Retired customers will be offered comprehensive financial planning aimed at finding the balance between short-term and longer-term needs.

The bank is prepared to provide an extensively deployed, comprehensive, professional response to the needs of the seniors sector. 600 advisors nationwide have undergone specialized training to respond to the unique needs of these customers. In addition, eight existing pension advising centers will be joined by four new centers planned to open during 2015.

The core of this effort is specialized financial planning for seniors via Poalim Advisor, an advanced new advising system developed at the bank. This planning process entails setting customized financial targets and providing solutions for the attainment of these goals, full asset mapping, and an analysis of present and future income and expenses. At the end of the advisory process, customers will be offered solutions matched to their needs, based on their financial abilities and future plans, taking into consideration their age and risk level.

This drive is another expression of the bank's concern for its customers' financial freedom and of its role as a financial guide for families through important milestones, addressing present and future needs.

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# Working to Promote Financial Freedom for Small Businesses

The small-business sector, which contributes about half of Israel's gross domestic product and provides jobs for 43% of the Israeli job market, is one of the pillars of the Israeli economy and one of its key growth drivers. In recent years, in accordance with the values embodied by the Bank Hapoalim vision, the bank has worked diligently to enhance and promote its small-business customers' financial freedom, through the development of financial tools and services and the provision of personalized, professional service close to every business in Israel. Within this effort, Bank Hapoalim is committed to supporting and promoting small businesses, as a foundation for growth of the Israeli economy as a whole.

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The recognition of the importance of small businesses has led to the creation of special programs, over the last three years, aimed at responding to a wide range of these businesses' needs. This extensive activity is aimed at enabling businesses to grow and expand, while coping with challenges, across all life stages of the business, and to provide equal opportunities to all population groups in both the central and the peripheral regions of Israel. The knowledge and services offered in this area are based on the bank's core capabilities and on organization-wide processes. This activity consists of several key elements:

- Credit granting The bank grants credit to small businesses, as part of its routine activity, both within its credit portfolio, the largest in the Israeli banking system, and through funds that specialize in credit for small businesses. The bank creates collaborations through dialogue in the public sphere;
- Personalized consultation and service The bank has launched a range of services and knowledge tailored to the needs of small businesses, in order to increase financial freedom in this sector. Among other activities, the bank has created specialized business branches and trained bankers for this purpose; small businesses are served by approximately 235 branches. The bank has also developed innovative services for the management of businesses via direct channels and digital platforms, and provides knowledge about various aspects of the life of a business through experts in a wide range of fields;
- Creation of marketing platforms The bank helps small businesses cope with the challenges of exposure and advertising, which all such businesses face. The bank has initiated and launched several marketing programs and channels designed to promote exposure for small businesses throughout Israel (Small Business Day, the CashBack Club, business fairs, and more).





Credit to small businesses:

29.3 billion

Total credit to the small-business sector

billion
Designated credit granted

### Credit

■ Establishment of targeted aid funds for businesses - Bank Hapoalim won a tender to participate in the operation of the Small and Mid-Sized Businesses Fund, backed by the state. The bank is the leading provider of loans through this fund in Israel. To date, it has granted credit of more than NIS 2.5 billion. The bank also established the Poalim for Growth fund, a specialized fund for small businesses, which has granted credit with special terms in the amount of NIS 1 billion to date. The fund enables small businesses to grow by granting credit with unique terms, including preferred interest rates and no collateral requirement beyond an owner's quarantee. Customers of the fund also benefit from the option to receive ten hours of free business consulting from leading consultancy firms, aimed at providing the businesses with a comprehensive service package as a foundation for growth and prudent financial conduct.

In addition, a joint fund has been established with the Manufacturers' Association of Israel, at a volume of NIS 250 million, for small businesses that are customers of the bank and members of the Association. The fund grants credit in amounts of up to 10% of the annual turnover of the business, at attractive terms, including preferred interest rates and a grace period. Within a collaboration with the Korat Foundation, the bank also provides special loans to microbusinesses.

■ Establishment of the Instant Credit for Businesses service - Unique credit solutions for small businesses. This quick and simple service is available to customers at any time on the bank's website, via mobile, or at the branches, without additional collateral and without bureaucratic procedures. Credit is approved in real time, cutting down the time needed for credit applications and approvals to just minutes and offering an immediate response for businesses, to address challenges or to finance routine operations.

### Personalized Consulting and Service

- Broad deployment of specialized business services Specialized business branches for mid-sized and large corporate clients have been established over the last three years. The branches offer personal service customized to client needs; full availability, including opening hours suited to business clients; professional service by experts; and proactive updates for clients. Bank Hapoalim currently operates a network of individualized professional services for small businesses through the retail banking system at most of its branches, in the most extensive geographical distribution of any bank in Israel;
- Innovative channels for business account management The bank has developed a range of innovative services for the management of business operations, at any time and place, based on the most advanced banking service technologies, with access from a variety of smart devices. Hapoalim Online Business is an area of the bank's website tailored to business needs. The site offers a range of financial activities that can be carried out simply and quickly. The bank's mobile and tablet applications for business clients offer a steadily growing range of actions and information, allowing owners to manage various financial aspects of their businesses and respond in real time;

Establishment of the Instant Credit for
Businesses service - Unique credit solutions for
small businesses. This quick and simple service
is available to customers at any time on the
bank's website, via mobile, or at the branches,
without additional collateral and without
bureaucratic procedures. Credit is approved
in real time, cutting down the time needed for
credit applications and approvals to just minutes



- Professional banking solutions and special benefits The bank offers expert services in various financial fields, tailored to the business, in order to increase small-business managers' financial knowledge. This service is provided through experienced professional consultants who guide the business using knowledge based on financial and economic research conducted in Israel, matched to the needs of the business, in areas such as investments and foreign trade. A desk specializing in mid-sized businesses operates in the bank's dealing room. In addition, branch managers' authority to grant credit to these businesses has been expanded, at all branches of the bank. This process helps business clients receive a rapid response to credit applications, in an efficient procedure without superfluous bureaucracy;
- Current-account benefits for small businesses in the setup phase In order to assist small businesses across all life stages and strengthen the survivability of new small businesses in Israel, Bank Hapoalim has, for the last three years, offered the Easy Start Package to small businesses in their first two years of existence. The package provides an exemption from current-account fees for businesses in the setup phase and offers business owners assistance with their first steps;
- Poalim Business Club Another program aimed at promoting the small-business sector is the Poalim Business Club, for small and mid-sized businesses. The club will lower the costs involved in running a business by up to thousands of NIS



were members of the club in 2014

annually, and will offer special benefits to business owners and employees. Small and mid-sized businesses with accounts at the bank will benefit from prices usually reserved for the largest businesses in the country, in a range of areas: food, fuel, wellbeing services, leisure and vacations, office supplies, advertising and marketing, insurance, and more.

### **Marketing Platform**

■ Poalim CashBack Club - The largest customers' club in Israel, launched during 2012, provides all customers who use the bank's credit cards with cash rebates to their current accounts on purchases from thousands of businesses. Over 7,000 small and mid-sized businesses nationwide participate. Participation in the club allows these businesses to benefit from a broad marketing platform reaching a large number of customers, through a range of media channels, within and outside the bank.

■ Business Founder Fairs: fair for small businesses from southern Israel during Operation Protective Edge -Following the fairs held in 2013 to support the opening of new businesses in Israel, increase the number of jobs, and promote the growth of small businesses, the bank held a fair allowing shoppers to buy from small businesses located in southern Israel during Operation Protective Edge. The fair was held at the Poalim Campus in Shefayim, as part of the bank's activity in support of small businesses in the south. Thousands of people attended, including bank customers and employees as well as the general public, and bought thousands of products from 120 participating businesses. The event was covered by the media, on Keshet Television, the Mako website, the Galei Tzahal radio station, 102FM Radio, and more. This initiative connected with the commercial arena on the Ynet website, sponsored by the bank, in which small and mid-sized businesses from southern Israel (up to 40 km from the Gaza Strip) offered their wares to the public.

80

Branches: 80 branches in the retail network have been defined as anchor branches, providing an exceptionally broad range of solutions. these branches have extensive authorizations, allowing them to offer quick solutions to business clients who apply for financing, in an efficient procedure free of superfluous bureaucracy

15

### **Business departments:**

The distribution of business banking was extended in recent years, and 15 new business departments were opened nationwide

# Deployment of business branches:

7 business centers and 22 business branches The website was open to all southern businesses, regardless of the bank they use for their business accounts. The businesses presented themselves and their products to the public on the website, directing customers to their websites, Facebook pages, or telephone numbers;

- Small Business Competition Held in collaboration with the newspaper Yedioth Ahronoth and the Ynet website. In the competition, 18 outstanding small businesses in various fields were selected, and six of these were chosen for special commendation. The media coverage of the competition provided extensive exposure to the participating businesses and helped enlarge their customer base. In addition, competing businesses were provided with close guidance from bank advisors and external advisors, and with professional knowledge and tools for improved management of their business:
- Small Business Day tradition In a tradition started in 2013, Bank Hapoalim held its third annual Small Business Day. For one day of the year, Israelis are urged to patronize small businesses. As in previous years, Small Business Day serves as a special opportunity to support small businesses. 37,000 small businesses throughout Israel participated in the event; the participants received exposure allowing them to offer discounts and special sales to potential customers. Small Business Day was preceded by a marketing campaign including advertisements on the Keshet broadcasting network and on national and regional radio stations, with the participation of mayors who encouraged the public to participate. The Mako website opened a page for the event, allowing small-business owners to register for the event, provide information about their business, tell viewers about themselves, and promote a special offer for the event. During Small Business Day, the special benefits and offers at the businesses could be viewed on the Mako

app, based on the user's location. Registration for Small Business Day was open to customers of all banks; customers who registered received an advertising kit from the bank;

■ Small Business Forum - Another of the bank's initiatives to promote small businesses, as one of the key drivers of success for the Israeli economy and job market. The goal of this effort is to reinforce the small-business sector in Israel by creating an arena for ideas and solutions that can change the business environment confronted by small businesses, and to identify opportunities for cooperation between leading figures in the public, community, and business spheres, who can join forces through the forum for the success of this common objective. Participants in the forum are selected representatives of a variety of public, community, and business entities who are dedicated to the promotion of the small-business sector in Israel. Additional meetings of the forum were held during 2014.

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### **Examining Achievement of Objectives**

### 2014 Objectives

Small business banker stations During 2014, as part of the bank's effort to promote and grow small businesses, the services currently offered to these businesses through private-banking departments will be expanded; branded stations with specialist bankers (Small Business Bankers) will be added at 245 branches. The goal of this process is to create a specialized station for this segment and direct these customers to a business banker specializing in small businesses, for personalized professional service.



Status

Completed. Stations set up at 235 branches.



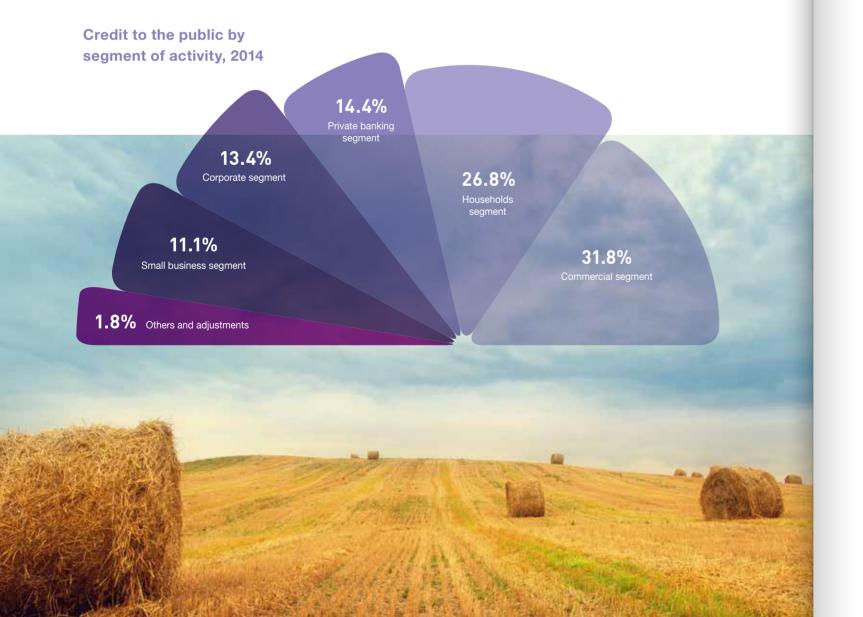
## Serving a Diverse Clientele

### Markets Served by the Bank

The activity of the Bank Group is conducted via six principal operating segments. The division into operating segments is based on the types of products and services or on the types of customers included in each of the segments. The board of management of the bank uses this division to make decisions and to analyze the group's business results. The operating segments are presented according to characteristics stipulated by the Supervisor of Banks: the Households Segment, the Private Banking Segment, the Small Business Segment, the Commercial Segment, the Corporate Segment, and the Financial Management Segment (for segment definitions and details, see the bank's financial statements for 2014 p.124-72

### **Segmentation of Borrowers**

Total credit to the public amounted to approximately NIS 263.9 billion in 2014, rise of 4.9% from 2013. (for the condensed development of balance-sheet balances of credit to the public by segment of activity, see p. 45 of the financial statements 2014).



# 38 branches

Branches located in towns and cities with Arabic-speaking populations: In 2014, the bank opened branches in Sachnin and Kfar Qasim, adding to the 36 operating in Arabic-speaking communities

# 8,500 new customers

Recruitment of new customers: In the process of opening new branches and expanding its presence in the Arab-Israeli community, approximately 8,500 new customers joined the bank

# Working With the Ultra-Orthodox and Arab-Israeli Sectors

Bank Hapoalim accords high importance to cultivating a stronger relationship with its customers in the Haredi (ultra-Orthodox) and Arab-Israeli sector, in the view that these communities are catalysts for growth of the Israeli economy. Based on this perspective, and as part of Bank Hapoalim's vision and strategy, the bank continually endeavors to create value offers and develop services tailored to the specific needs of these customers. Over the last few years the bank has achieved a leap forward in marketing to customer segments within the retail banking area, and it continues to expand its community and business activities in these sectors.

### Financial Freedom and Encouragement of Growth in the Arab-Israeli Sector

The bank works to encourage growth in the Arab-Israeli sector, as part of the implementation of its strategic plan to strengthen and solidify its leadership in diverse population groups important to the Israeli economy and Israeli society. Within this effort, two new branches serving this sector opened in 2014, joining 36 existing branches. The expansion of this network will continue in 2015, with new branches and services made accessible to the Arab-Israeli sector. Plasma screens were installed at branches serving Arabic-speaking customers, displaying promotions in Arabic for relevant products and services.

A new consumer approach introduced in 2014 offers a range of credit solutions tailored to the Arab-Israeli sector, in response to unique financial requirements of

families in this sector. Products include special credit solutions for holidays. engagements, weddings, and tuition, and a groundbreaking new housing credit product. Within the effort to strengthen the bank's relationship with this community on significant occasions, holiday greetings were published on holidays celebrated by the Muslim, Druze, and Christian communities. Additional activities focused on specific target groups included an event for the opening of the school year at higher-learning institutions in this sector; Read & Succeed to encourage children to read; grants to encourage savings; and a conference on the promotion of women in business and of business clients in this sector. An Arabic-language website is available to the bank's customers. The site contains changing information regarding new and existing products and services of the bank: www.bankhapoalim.co.il/arabic.

### The Ultraorthodox Sector

23 branches of the bank operate in communities with large observant and ultra-orthodox (Haredi) populations. The bank offers a specialized package of services and products to Ultraorthodox sector customers. Branches of the bank operating in the Ultraorthodox sector have been adapted to these customers' needs. Each branch has a reading library, decorated with Judaica pieces and stocked with religious works, which customers can peruse while waiting; pictures on branch walls, videos displayed on screens at the branches, and marketing materials are adapted to this customer segment.

The bank's activity in the Ultraorthodox sector in recent years has led to initiatives, development, and adaptation of products and services designed to complement and respect the Ultraorthodox lifestyle: a range of loans suited to customers' needs, and a range of credit products matched to observant customers' life stages, including loans for Yeshiva students, engagement loans, wedding loans, home purchasing loans, loans for children's weddings, and holiday loans. Adjustments have also been made to new and existing products at the bank, such as UP Card, Dan the Saver for homes, credit products, and value offers for newlyweds. The bank operates a website targeted to the Ultraorthodox audience at www.bankhapoalim.co.il/bsd. The site serves Ultraorthodox and observant customers and is adapted to the norms of these communities. Customers can use the site to access their accounts, receive routine banking information, and execute various transactions. The Read & Succeed program for the Haredi sector operated successfully for the fifth consecutive year in 2014.

"Living Wisely" - A project held for a second consecutive year, providing guidance to Ultraorthodox families on prudent economic habits and sensible management of household budgets. The bank collaborated with HaModi'ah, the leading daily newspaper in the Ultraorthodox community, on the project. The five participating families receive guidance from branch managers and from a team of expert advisors from the bank and from the newspaper, who provide them with tools and knowledge for prudent financial behavior. This effort was covered extensively in weekend editions of HaModi'ah, and garnered a high level of success and publicity in the Ultraorthodox public.



5 new branches are planned to open in Arab-Israeli towns and villages in 2015;

Over the coming year, conferences on financial conduct and other topics will be held routinely for Arab-Israeli customers. The bank will also sponsor various professional conferences in this sector.



### **Examining Achievement of Objectives**

### 2014 Objectives

In 2014, the bank will continue to emphasize the introduction of products and services adapted to the needs and lifestyles of customers in the ultra-orthodox and Arab-Israeli communities, expand its footprint in these sectors, and provide a specialized response to their needs.

In the coming years, the bank plans to expand its reach in the Arab-Israeli community by adding about 10 additional branches (4 new branches will open in Arab-Israeli towns in 2014).

### Status

A list of solutions in the form of credit products adapted to the unique needs of customers in this sector was launched in 2014. A pilot project was performed with a specialized mortgage product for the Arablsraeli sector.

2 new branches were opened; 2 branches scheduled to open in 2014 will open in the first quarter of 2015.



# Committed to Customer Satisfaction

Customer service approach at Bank Hapoalim is an expression of our organizational commitment to customer satisfaction. This approach refers to internal customers as well as end users. The approach is broad-based and integrative, and covers the breadth of the bank's operations.

Service is a value exemplified across the entire organization and through all processes, beyond direct, immediate interaction with customers. The direct encounter with both internal and external customers is the initial stage in the service cycle, based on the information that is collected and processed. The analysis of this information makes it possible to draw conclusions, learn, and improve, contributing to the development of work processes that improve the level of service. This service cycle enriches the value offer for various customers, creates a flexible organizational framework open to feedback, and expresses the bank's organizational commitment to customer satisfaction.

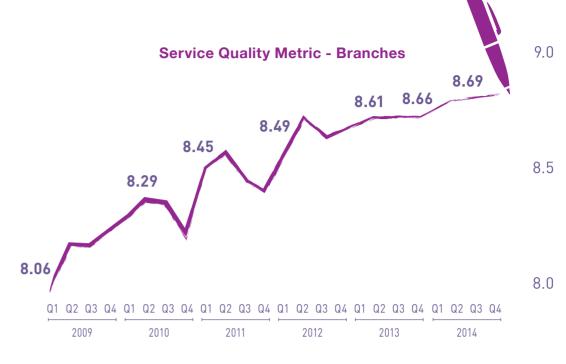
# Service from an Organization-Wide Perspective

The organizational commitment to service and to increasing the number of satisfied customers is reflected in all levels of the bank's activity from upper management to the lowest-level employees. Service processes pertaining to the organization as a whole can be classified into three levels:

- Organization-wide culture level A focus on organization-wide activities designed to foster a culture of service. These activities include formulation of a service philosophy, improved measurement capabilities, organization-wide implementation, and creation of work routines and remuneration methods;
- Division partnership level Divisions of the bank not in direct contact with customers provide support for business activities and back up the activity conducted at the points of contact with customers. Service is perceived as a key pillar of the promotion of an organizational culture supportive of and focused on better business performance. Activities in the area of service are therefore a key route to organizational success;
- Client area level The service philosophy is an essential aspect of the promotion of customer satisfaction and enhancement of customers' relationship with the bank.

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The service quality metrics described below are based on a statistical model consisting of parameters from several content areas. The content areas relevant to service at the branches are: caring and concern, professional service, devoting time and attention, banker availability, and wait times. Each content area consists of parameters. Each parameter and each content area are assigned weights, which determine their relative effect on the service quality metric. An external research firm performs the customer surveys for the bank, and provides a quarterly service snapshot of the various service channels.



### **Customer surveys at branches:**

Tens of thousands of customers who received service at the bank's branches were sampled in 2014; service quality metrics at the branches trended up during the year

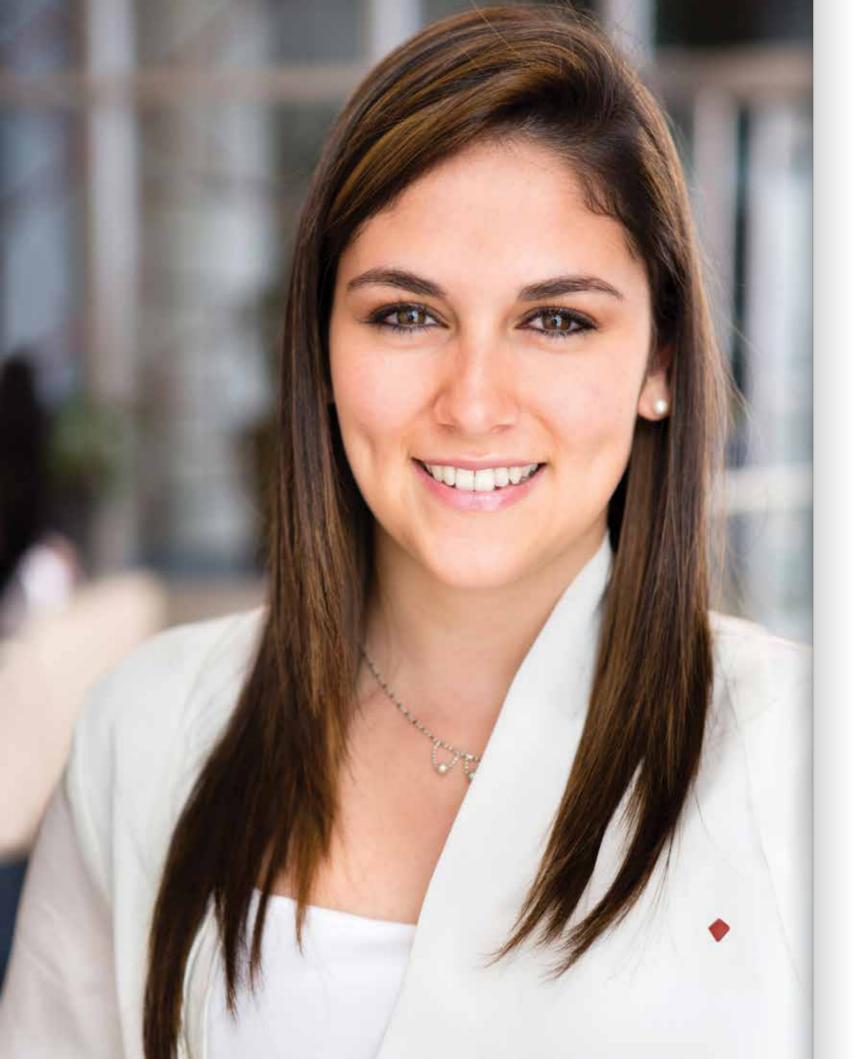
Customer surveys at Mishkan (Hapoalim Mortgages): Thousands of customers who contact Mishkan are sampled each year.

Service activities at Bank Hapoalim are centered on the following three elements:

- 1. The service philosophy, which sets a uniform standard for internal and external service processes;
- Service performance measurement, which allows the bank to collect detailed information from its internal and external customers and use this information to improve service;
- 3. Lateral and vertical implementation of service processes based on uniform standards designed to realize the bank's service philosophy.

### Service Philosophy

As part of the construction of the bank's service strategy and commitment to improve customer service, an intra-organizational service philosophy was formulated. This effort involved the construction of processes for instilling the philosophy, creating infrastructure for management in this area, and promoting the formation of a supportive organizational culture. Internal service is being absorbed into the annual work plans of the divisions of the bank, on three main axes: organizational culture - including the change in values, approach, and organizational identity; processes and measurement – surveys,





Direct channel
customer surveys:
Thousands of
customers who use
the direct channels
offered by the bank
are sampled each year.
Over 90% of users of
the bank's website
expressed satisfaction
with the service

incorporation of structural changes, job descriptions, process improvement, adaptation of metrics, and technology upgrades; and the business perspective – integrating service into core activities, continually improving the quality of services ranked low on the intra-organizational service survey, initiating new services, and regularly examining the mission and roles of each division as a direct function of its contribution to the bank's customers and leadership.

The following main processes were carried out during 2014:

- Host Units This project, launched during 2014, is aimed at improving intraorganizational service by deepening employees' familiarity with the various units at the head office and increasing internal dialogue. In the meetings, the host unit introduces the faces behind the names, as well as its business objectives, work plans, and the nature of its daily work;
- Israel Internal Service Forum The bank continued to lead the Internal Service Forum in 2014. This activity included periodic meetings aimed at learning, development, and advancement of internal service; production of a monthly professional newsletter on internal service; and lectures at other organizations on service, in which the bank's service philosophy was shared;
- Guidance for the areas of the bank Each area of the bank is closely mentored to achieve improvement of the service it provides to its internal and external customers. In 2014, in addition to the routine mapping process at the areas of the bank, this guidance was extended beyond service improvement to focus on adaptation to structural changes and improving efficiency.



### Service Measurement

Comprehensive, extensive measurement was carried out during 2014 in a variety of channels and points of contact with customers:

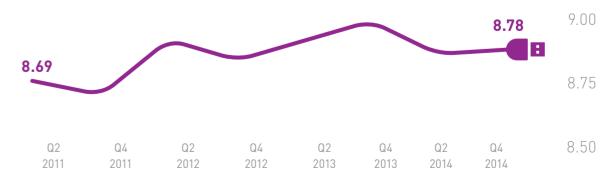
- The service experience is measured based on various parameters customers are sampled regularly, on a daily basis, at branches and in the different service channels, throughout the year; feedback research is broken down by channel, line, and branch;
- Customers' feedback is routinely reflected to the branches each week, with the option to contact the customer again in order to learn and improve. 30% of sampled customers receive a telephone call from the branch manager, for continued learning and improvement;
- Feedback studies are also performed based on the type of service and service channel used by customers of the bank, in order to continue to create customized value:
- An innovative new channel was launched this year allowing the bank to listen to customers' voices using surveys conducted via text message, closely following the customer's visit to a branch. These surveys provide quick, immediate, individual feedback on the service experience. Management teams at the branch receive a daily summary of the feedback;
- Platinum clients' satisfaction was also measured.

### **Instilling Service**

Employees and managers at the bank were provided with practical tools during 2014, encompassing a range of methods and channels, designed to instill an organizational culture reflecting the bank's Service Compass:

- Hundreds of training days were conducted at branches;
- Service metrics and service language were integrated into branch routines:
- Service workshops were held at the Poalim Campus, for various ranks of employees;
- Managers were trained to drive service and performance improvement processes and mentor employees;
- An observation and practice process was implemented, for the purposes of learning and personal development;
- Learning and improvement processes were implemented in the processing of customer inquiries;
- Training programs placed significant emphasis on the quality of customized outreach to customers:
- Outstanding employees in the area of service were periodically rewarded. In order to support the process of instilling service values and emphasize the service aspect of everyday activities, the bank commends twenty branches for outstanding service each quarter. The branches receive appreciation certificates and a gift.

### **Service Quality Metric - Happalim Online**



# 14%

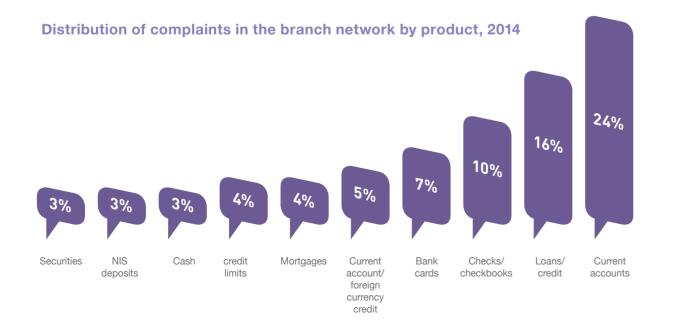
# Complaints in the branch network

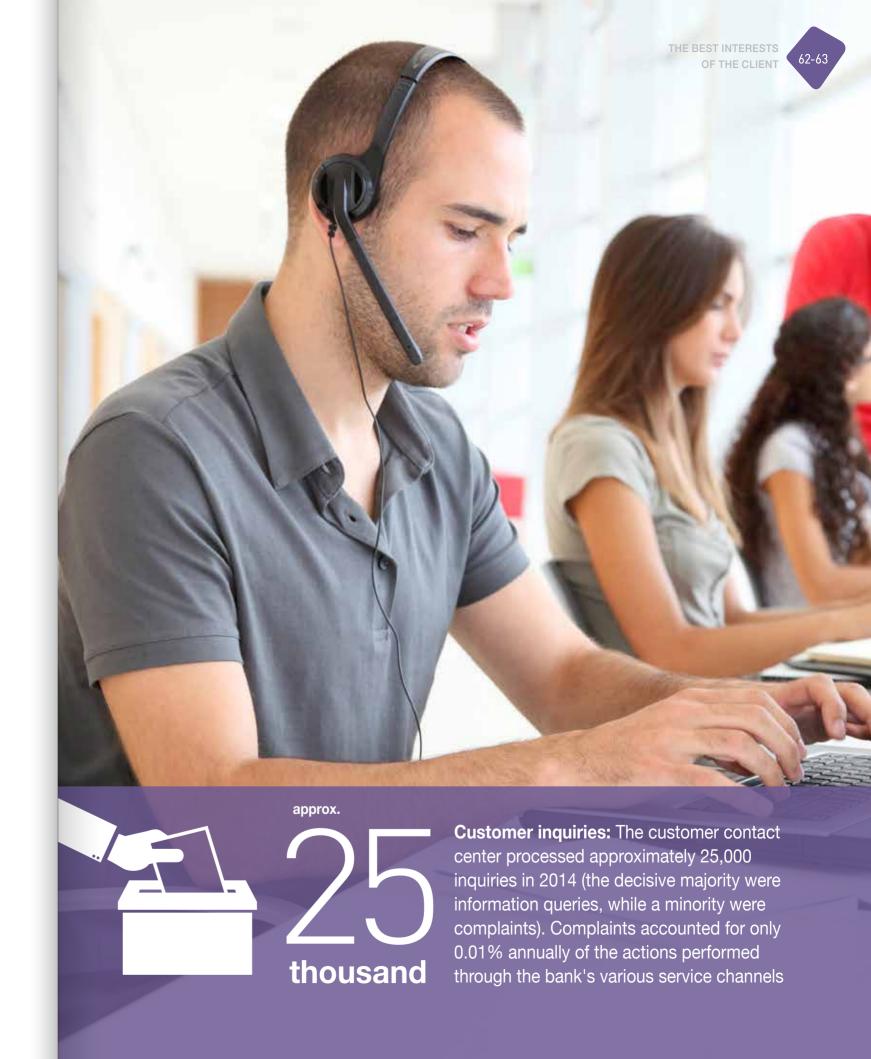
The number of complaints decreased by approximately 14% this year. With last year's decrease, the number of complaints has fallen by 25% over the last two years

### Responding to Inquiries and Requests

The customer contact center oversees processing of incoming contact (including complaints) from customers through all channels: Internet, fax, telephone, etc. All areas of the bank devote focus to processing complaints, with high alertness and awareness to accurate and appropriate response to complaints, promptly when they arise. The service philosophy of the customer contact center is transmitted to the employees of the bank through courses at the Poalim Campus, intra-organizational communication, and lessons learned in various formats. The service philosophy is based on the following elements:

- The bank sees the inquiry as an opportunity to provide an appropriate response to the customer's needs and improve the customer's trust and satisfaction;
- Inquiries are used as a means of monitoring the quality and professional skill of customer service;
- Inquiries serve as a sensor indicating customer expectations, enabling better preparation for the future;
- Inquiries present an opportunity to learn and draw conclusions for the improvement of performance on the business, service, and operational levels;
- Centralized management of customer inquiries: prioritization according to the type and severity of the inquiry, processing on a predefined schedule, monitoring through specialized software, and more.





### Percentage of justified complaints:

Of the total number of complaints recorded at the bank, only 9% were found to be justified; in these cases, the bank apologized, remedied the error, and compensated deserving customers

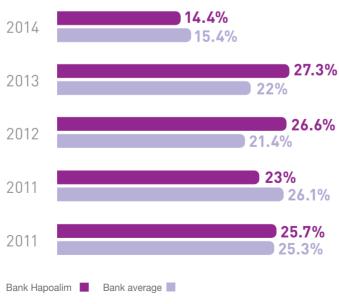
# Processing of inquiries – from localized resolution to organizational learning

Organizational learning - The customer contact center monitors complaints and inquiries with systemic implications, such as recurring events at various units and problems with organization wide procedures or work processes. These inquiries are presented to the appropriate professionals at the bank for study and potential improvement of the relevant procedures and processes. When an inquiry is classified as systemic, the process and progress of resolution are monitored via a formal procedure. Event analyses of systemic inquiries appear in the service zone on the organizational portal, in order to assimilate the use of inquiries as a driver for learning at the branches. Service inquiries and events are analyzed in branch staff meetings from time to time;

Localized resolution - Localized inquiries without implications for the lateral activity of the bank are handled appropriately through a shared process by the customer contact center and the source of the issue. For example at the end of the process, a letter or report summarizing the resolution is sent to both the customer who initiated the inquiry and to the branch. The branch is also issued with recommendations for improvement and instructions for action aimed at avoiding similar incidents in the future.



# Percentage of justified requests - Bank of Israel data



The data are relative to the average of the five major banks in Israel

(Happalim, Leumi, Discount, FIBI, and Mizrahi-Tefahot)



### **Privacy and Information Security**

Bank Hapoalim accords high importance to information security. and invests extensive technological and human resources to maintain the confidentiality and privacy of customers' information and of banking information on the Internet, through the use of highly advanced security methods and some of the strongest encryption systems available. Information security complies with the directives of the Bank of Israel and with the Protection of Privacy Law, 1981, and other laws, as relevant, in order to protect the informationtechnology system and minimize information security risks. This area is managed at the bank by the information systems and cyber defense division, which reports to the head of information technology. The information security department ensures that its staff, both internal and external employees, consists of the best professionals with the knowledge, experience, and authority in the field of information security, and regularly conducts training, enrichment, and awareness programs.

Information security in the bank's systems is maintained on several levels and circuits, in order to ensure that the bank's systems are properly protected from penetration, unauthorized access, or harm. Information-related projects at the Bank are accompanied from their inception by an information-security team that ensures strict compliance with information-security rules, protection of the privacy of information, and the restriction of access to information to authorized personnel only. Security events in IT systems are referred in real time to an expert center of information-security personnel, and addressed and documented from the initial stage of the event to its completion Relevant events are also referred to the audit department. Material incidents are reported to the board of management and the board of directors. The bank routinely conducts resilience tests and information-security surveys of its systems, in order to ensure that information security is maintained at all times and complies with the strict rules established in this area.

The bank continually works to enhance privacy, to the extent possible, including through regular surveys by neutral third parties and case-by-case monitoring of each project and system. As a large and complex organization, the bank maintains tens of thousands of databases, in different locations and technologies. Business and/or technological actions are recorded and documented in the organization's databases. The bank strictly maintains a large

number of physical, administrative, and technological controls (such as encryption, limited authorizations, monitoring tools, protective tools, and more) in order to protect all aspects of information, including its confidentiality, completeness, and availability. The information collected is in accordance with the requirements in the regulatory directives governing face-to-face and electronic contact with customers, as well as information required for customer verification when executing transactions via electronic means. Information is retrieved by electronic applications, as required for the customer's business with the bank's systems. Most information is accessible to customers for viewing only, with the exception of specific instances of management of account beneficiaries, in transfers via the bank's website.

During 2014, Bank Hapoalim became the first organization in Israel to be certified under the international cyber security standard ISO 27032, in a complex certification process conducted by the bank's information technology area. The certification under the new information-security standard is in addition to the older certification under the leading information-security standard ISO 27001.

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### Inquiries concerning privacy and confidentiality

	2010	2011	2012	2013	2014
Number of requests	92	77	78	30	18
Number of justified requests	14	9	10	3	0
Percentage of justified requests	15%	12%	13%	10%	0%

### Information about **Banking Products and** Services

The bank is subject to laws that impose transparency and disclosure requirements concerning information to be delivered to customers on banking products and services. Bank Hapoalim strictly adheres to the directives, which apply to all products and services, through designated mechanisms subject to controls and audits. Fundamental principles underlying consumer-protection directives: disclosure duty (transparency) towards customers; protection of customer rights to receive advice and service from the bank.

In this context, as a leading business organization in the Israeli economy, the bank exercises caution in its advertising, marketing, and sales promotion, and applies several levels of rigorous screening and controls. All messages published by the bank conform to the law - the first and most essential level. In addition, the bank consults with experts on the essence, content, and style of its advertisements, according to the service or product and the target audience. The third level consists of internal controls applied by the bank's experts in this field, including further review of the preceding two stages.

**Compliance with Laws and Regulations Concerning Marketing Communications** No significant fines or nonmonetary sanctions were imposed on the bank for noncompliance with laws and regulations in the area of marketing during 2014.



Customer survey via text message: A new measurement channel will be introduced in 2015 in order to monitor customer satisfaction in the retail-banking network. Within half an hour of the end of the customer's interaction with a branch banker, a brief satisfaction survey will be sent to the customer by text message:

Organizational analysis: In 2015, the various service surveys will be cross-referenced with the organizational climate survey. in order to allow analysis from a broad perspective of all intra-organizational bottlenecks. This process will serve as a diagnostic tool in two key areas for managers: the satisfaction of their internal customers, and the level of commitment of their employees to various aspects of service. The diagnosis will enable managers to prioritize intra-organizational and external service processes in which their units need to improve;

**Service incident investigation:** As part of the continual process of learning and improving service, incidents related to service will be investigated, including in supportive areas of the bank. During the year, each area of the bank will focus on several significant negative service incidents in the value chain and will draw conclusions based on a structured process. These lessons will subsequently be integrated into a work plan or improved process. The conclusions in aggregate will also be examined from a broad perspective by the service unit, in order to learn about applicable systemic improvements;

Service coaches: A team of service coaches for each area will be established in 2015, as another intra-organizational tool for the improvement of service. The service coaches representing each area of the bank were selected meticulously and received relevant professional training in service. The service coaches will be available to all units of the bank to give lectures and run activities on service.



### **Examining Achievement of Objectives**

### 2014 Objectives

Status

**Host Units -** A project aimed at improving intra-organizational service by deepening employees' familiarity with the various units at the head office and increasing internal dialogue.

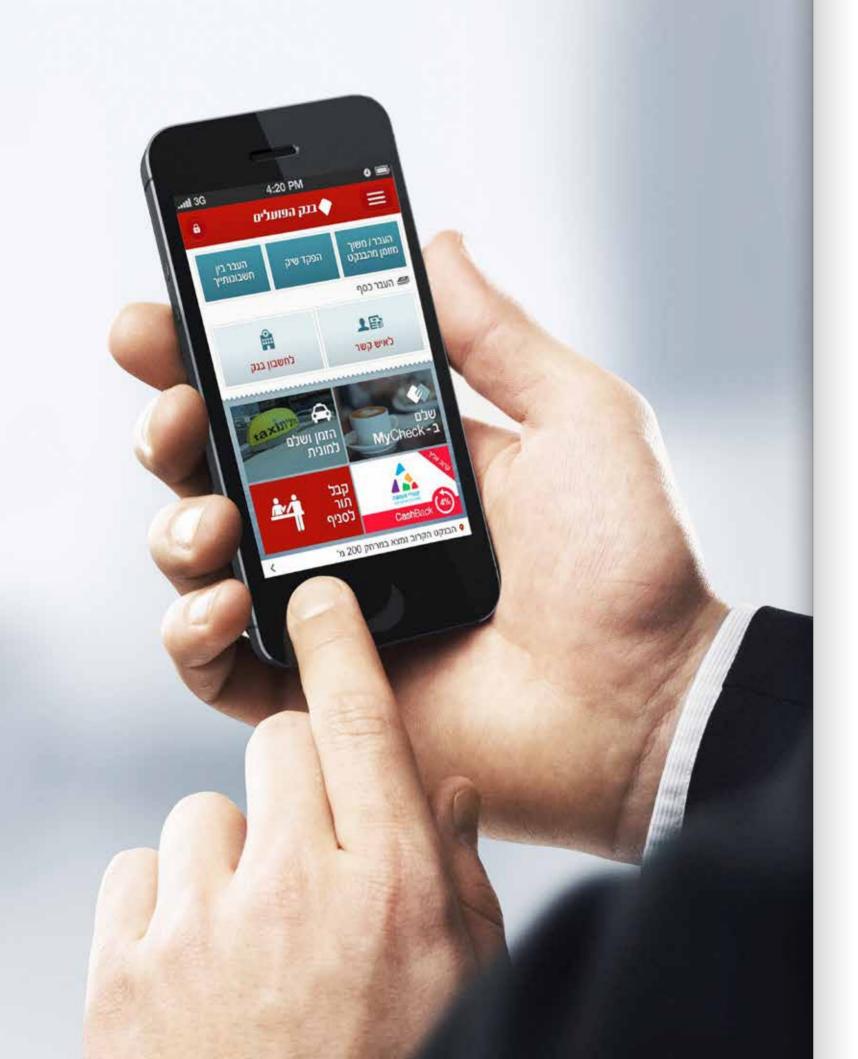
Completed.

**Israel Internal Service Forum -** Periodic meetings for the development, study, and promotion of ntra-organizational service.

Completed.

Guidance for the areas of the bank - Each area of the bank is closely mentored to achieve improvement of the service it provides to its internal and external customers.

Completed.



# Leading Financial Freedom in a Multi-Channel World

Bank Hapoalim is dedicated to assisting its customers with the full range of financial aspects of their lives. In view of this commitment, the bank offers its customers full availability and accessibility of banking information and financial services, through a variety of service interfaces: an extensive network of branches and a range of direct channels available at any place and time. Activity in the various service channels is based on the bank's strategic philosophy of promoting innovative banking services while examining and responding to customers' evolving needs, with an emphasis on an advanced customer experience. Beyond the advantages of convenience and time savings, these services also save travel and fuel, thereby preventing pollution. In 2014, the bank continued to lead the Israeli banking industry in direct services and channels meeting international standards.

### **Hapoalim Online**

The bank's website offers a comprehensive package of services for its customers. The financial freedom philosophy is the foundation for construction of these services, which include extensive information and self-service options, designed to provide customers with full control and prudent choices in their banking activity. Services are offered through a uniform, convenient, user-friendly interface, at www. bankhapoalim.co.il. The bank also offers a range of secondary sites tailored to the needs of different customer groups: a site for private clients; a site for retail business clients and clients of the corporate banking area; an English-language site for business clients; a mortgage site; an English-language international site designed for non-residents; a site for global private banking (BHI) clients in English, Spanish, Russian, and French; a marketing site in Russian and Arabic for residents of Israel; and a site designed for the ultra-orthodox sector.

Bank Hapoalim's Internet activity is based on the principle of customer advocacy. Customer advocacy is part of an advanced philosophy centered on customers' needs and financial freedom, with the following foundations:

- Full transparency regarding the terms, prices, and properties of products and services;
- Thinking from the customer's perspective and offering solutions tailored to unique customer needs;
- Granting customers complete, easy control in managing their financial activity on the bank's website.

### Accessible Website

The bank's marketing site is accessible to users with disabilities. The website meets the Level II accessibility standard, complying with all requirements (approximately 99% of the pages within the website are Level II accessible). The goal is to enable people with motor disabilities affecting their hands, impaired vision, or cognitive disabilities, as well as people who experience difficulty in using computers and the Internet, to access the website comfortably and to gain the benefits of online banking, saving the inconvenience of visiting a branch. The new website, built with the assistance of an accessibility consulting firm and in collaboration with the Access Israel foundation, is aimed at providing a response to the accessibility needs of people with disabilities.

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#### **Hapoalim Online in 2014**

Innovations in 2014 included the launch of the following services on the bank's website:

- Budget Management Tool The budget management tool on the bank's website was upgraded in early 2014. The new, advanced version encourages customers to manage their budgets using an innovative experienced-based interface, which contains visual elements from the world of gamification. Half a million customers have already registered for the budget management tool, which they use to sort and analyze all income and expenses in their accounts. In order to bring this tool to a larger number of customers and make the user experience more enjoyable and intuitive, a game-based concept has been created, sparking curiosity and increased involvement and motivation to use the application.
- UP Card and UP Active The following services have been launched, in accordance with the approach of providing customers with tools for sensible financial conduct:
- **UP Card** A prepaid international card transferable to family members aged 14 or over. The card can be recharged multiple times, and details of purchases can be viewed on the Bank's website. The card combines the advantages of a credit card with the ability to monitor and control expenses.
- UP Active A service allowing customers to set automatic actions in their accounts for optimal financial management, such as automatic transfers from current accounts to savings, automatic coverage of negative balances using daily interest deposits, automatic orders of checkbooks, automatic transfers to third parties, reminders to make payments, and more. UP Active provides advanced services to upgrade customers' accounts, including an interface on the website allowing customers to update and customize the service according to their needs, receive information about new services, and view dynamic information on the services they have chosen to activate in their accounts.
- TipRanks A service on the bank's website designed to help customers who trade in foreign securities on stock exchanges in the United States make rational investment decisions. The service, based on a system developed by TipRanks, provides information regarding analyst recommendations, as well as ratings of the analysts according to the success of their forecasts as compared to the actual performance of the stocks that they cover. The launch of this system is another step in the realization of the Bank Hapoalim strategy of providing its customers with advanced tools for financial management in all areas, including the capital market.
- Check by Click Check by Click allows Bank Hapoalim customers to give special gifts by transferring funds without using checks or cash. The service is essentially a virtual order to transfer funds from the customer's account to the beneficiary's account, in an easy procedure that does not require the beneficiary's account

information. The service is activated through the bank's website, by simply entering the beneficiary's name and mobile phone number. Customers can add a personal message or choose from a selection of greetings on the website, suited for a range of different occasions. The certificate can be sent by e-mail or handed to the recipient in person. The recipient can deposit the certificate at any time and place through the Bank Hapoalim website, even if he or she is not a customer of the bank. Recipients select the "Check by Click deposit" option on the website, and enter a code received by text message, the code on the certificate, the amount, and their deposit details.

- Transition to Two Identifiers for Account Log-In As part of the upgrade of infrastructures for customer identification, the process of logging in to accounts on the bank's website has been simplified, beginning in the last quarter. Customers can now access their accounts by entering a user name and password only, without the need to also enter their ID numbers. The log-in process is quicker and shorter, while still maintaining stringent confidentiality of financial information and secure access.
- Instant Credit for Business on the Bank's Website Based on an understanding of business clients' needs, an option has been added for instant credit via the bank's website, in

an immediate, easy, convenient procedure that does not require guarantors or collateral, and does not necessitate a visit to a branch. The service is a leap forward in credit solutions available to business clients online, and can be used for investments in the business, bridging cash-flow gaps, or private consumption.

## LOOKING

As part of its leadership in online banking, in 2015 the bank will begin implementation of a large-scale project to build a new website, on a new Internet platform. The Bank Hapoalim website will serve as a smart financial partner for customers, guiding them in everyday decisions and in planning for the future. Innovations on the new website will include:

A new home page, allowing each customer to focus on the content important to him or her;

A variety of new displays, helping customers easily understand their financial position;

A personal profile summarizing all of the information important for customers to remember: passwords, areas of activity, registration for banking services, and more;

Reminders – payments waiting, arrival of checkbooks, loan status, etc;

Tasks – important tasks can be set up to help with account management, such as payment reminders, scheduling appointments with bankers, and more;

New tools for smart money management;

The new website, built with the assistance of an accessibility consulting firm and in collaboration with the Access Israel foundation, is also aimed at providing a response to the accessibility needs of people with disabilities.



## **Examining Achievement** of Objectives

#### 2014 Objectives

In 2014, the bank will work to increase lateral use of the Call Me service (requests for assistance from a banker) in all of the digital platforms.

#### Status

Completed. The service has been expanded to the mobile application and to self-service stations.

Bank Hapoalim is
the leader in digital
innovation, and
represents the cutting
edge in digital account
management solutions
in Israel. The bank offers
its customers the most
extensive range of
mobile applications



#### **Hapoalim Mobile and Tablet**

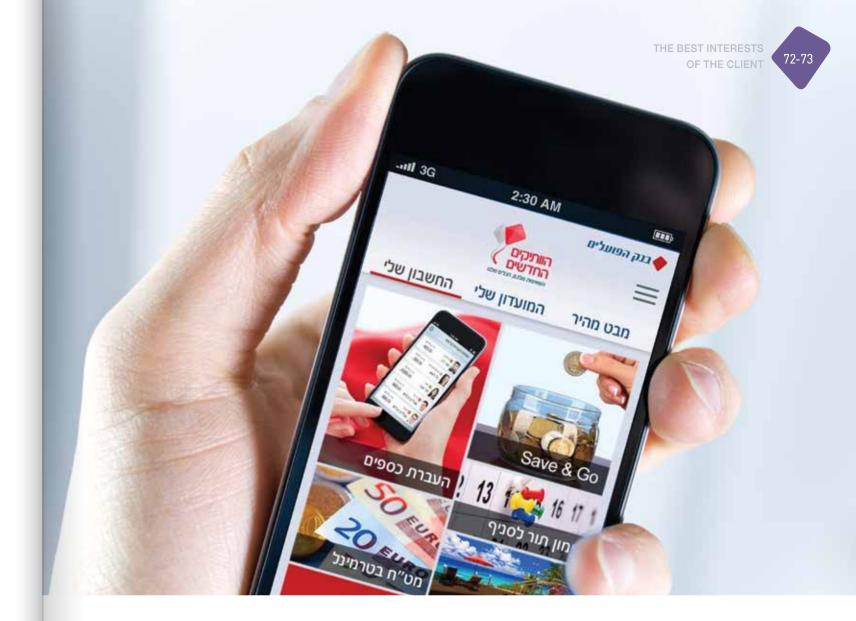
In a dynamic competitive environment that shapes customers' expectations, Bank Hapoalim is committed to offering its clients the most advance banking service, on every platform and through any channel they choose. The bank aspires to serve as the customer's smart financial partner and to offer added value in a wide range of financial and consumer arenas. The bank accords extremely high importance to products that can accompany customers continuously, and can be used at any time and place – primarily smartphones today, and other products and formats in the future.

Bank Hapoalim is the leader in digital innovation, and represents the cutting edge in digital account management solutions in Israel. The bank offers its customers the most extensive range of mobile applications - applications that make life easier, for purposes such as account management; rapid trading on the capital market via smartphone and iPad; a digital wallet that saves valuable time; an application for managing business accounts from anywhere; and an application that allows customers to maintain sound financial conduct while traveling abroad. The bank's initiatives of recent years have made advanced technological solutions available to customers, helping them manage their accounts on the go using innovative applications that make financial management easier and simpler.

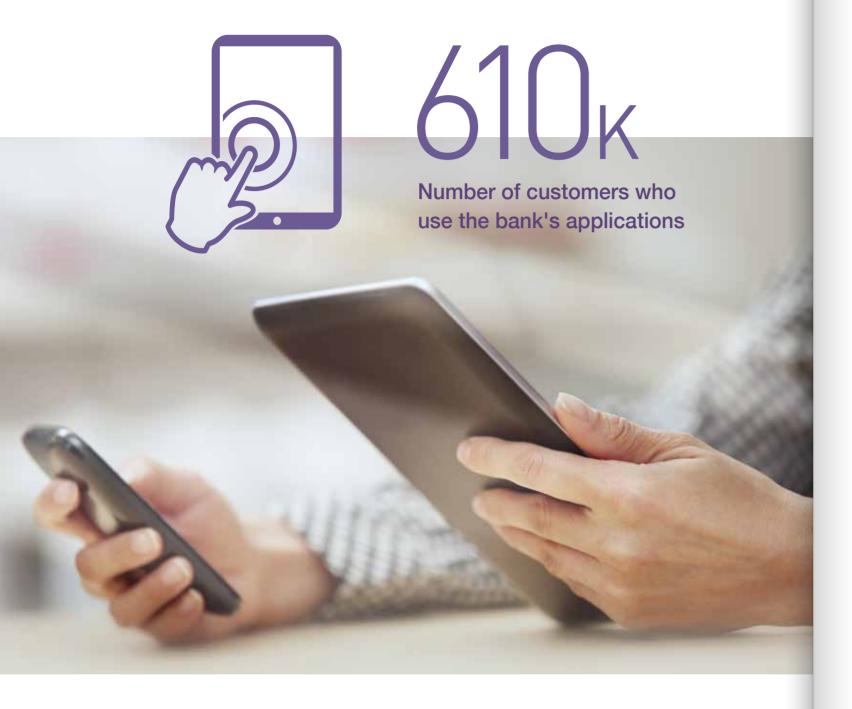
#### **Account Management Smartphone Application**

The bank continued to upgrade and expand its mobile account management application in 2014. The application offers a unique, personalized banking experience, and provides rich and varied information, as well as actions such as loan applications, deposits, check deposits, and more. Mobile services remain a key tool used by customers to monitor their accounts and plan their personal financial behavior. Two new features have been launched within this application:

- Quick Glance A new feature within the account management application, allowing customers direct access to the most important information the balance in their account and expected expenses (to the bank's knowledge) until the end of the month quickly and easily, without entering identifying information. When they register for the service, customers can choose to have their account balance and/or expected expenses in the account up to the end of the month, according to the information available to the bank, displayed when they open the application. The service thereby provides customers genuine added value, enabling them to prepare and plan their expenses. Customers can also choose to have their balance displayed either as a specific amount or as positive or negative in general, and they can decide which accounts are displayed;
- Month End Calculator Shows customers how much money will be available to them at the end of the month, based on the data known to the bank (the current account balance, and future expenses and income known to the bank) as well as expense and income data that customers can add on their own. The bank thereby strengthens its customers' sense of awareness and control, as a partner in prudent, responsible financial behavior.



- Poalim Wallet Application A package of services for payments, money transfers, and purchases via smartphone. The Poalim Wallet services constitute an upgrade of the Mobile Wallet application offered by the bank in recent years. The application expands the range of services and transforms the use of the mobile wallet into a consumer experience. The range of services available through the application was expanded in the second quarter; innovations include:
- Transfers to smartphone contacts Money can be transferred to contacts without entering their bank-account details, using only the transferee's mobile phone number. Recipients can deposit the funds in an account of their choice, via the application or the bank's website;
- Mobile ATM Cash transfers from the customer's account to the customer; the amount to withdraw and the preferred currency denominations are selected in an interactive smartphone experience. Customers withdraw money from the ATM without using a card, through a text message sent to any mobile phone;
- Scheduling appointments at branches via smartphone An exclusive feature that allows customers of the bank to schedule an appointment to receive service at the branch and to track their place in line. This service is being deployed gradually at branches where an appointment management system is in use;
- Location-based CashBack benefits The service offers customers updates on sales and CashBack benefits in their vicinity;
- Foreign currency at the airport via mobile phone Foreign currency can be ordered directly via smartphone and picked up on the day of the flight at the Bank's counter at Ben Gurion Airport. Previously, this service was available via the bank's website and call center, and at its branches; it can now be accessed via mobile as well.



- UP Overseas A unique smartphone application designed to help overseas travelers organize their expenses and maintain sensible financial management. The application can be downloaded free of charge by customers of all banks, and offers an interface for travelers to create shopping lists, set a planned budget for their trip, and most importantly, document all of their expenses during the trip in real time, including the time and location of the purchase and a picture. The application enables travelers to remain aware of their current status relative to the planned budget and the remaining amount they can spend until the end of their trip, at any time. Customers of the bank can also obtain relevant financial services directly through the application, such as purchasing foreign currency before the trip, picking it up at the airport, applying for a loan for the vacation, and more.
- HD iPad application An application offering Bank Hapoalim customers account management via iPad. The application provides transparency with regard to the status of the account, and offers a wide range of available actions.

- Hapoalim Business application An application for the bank's business clients, allowing business accounts to be managed at any place and time. The application allows users to approve transactions awaiting signature, trade on the capital market, and receive extensive information about their business accounts. The application enables officers of companies and organizations to respond immediately to the everyday needs of their business even when they are not at the office or near a computer, making mobile devices a true work tool. Access is quick and simple, and does not require the USB physical identification component needed to access accounts online.
- Capital market application The application allows trading orders to be transmitted easily and with great speed, the most important parameter in trading; it also provides a wealth of capital-market information: graphs, up-to-date information on indices and shares, decision-support tools and analyses of market conditions, a display of the portfolio by investment segments, and more, taking advantage of touch-screen capabilities. In 2012, the capital-market trading application was upgraded to add intuitive, convenient trading in foreign securities, along with extensive information from leading stock markets worldwide and new decision-support tools for investors, including smart graphs and comparisons of foreign securities and various indices.

## LOOKING

The bank plans to launch another mobile feature designed to encourage savings in 2015. In order to encourage prudent financial conduct, the bank intends to offer this tool in response to customers' need to save even small amounts, including when the cost of living is high. The application will make savings accessible to as many customers as possible, and will encourage customers to save small sums on the go, in a unique savings plan for the mobile app, without logging in to their accounts.



#### "Outstanding Online Banking Website":

The bank won this title for the tenth consecutive year, as well as the titles of "Best Mobile Application in Online Banking" and "Best Mobile Application in the Capital Market," in the prestigious Webi 2014 competition

"Champion of Champions": The bank won this award again in the Internet and mobile categories of the Webi 2014 competition, held by the "People & Computers group"

**Excellence award:** Bank Hapoalim won an award for "Excellence in Banking Services" in the Mobi Awards competition

The bank reached the final round of the EFMA competition in the categories of "Excellence in Customer Experience" and "Excellence in Distribution of Financial Products." The bank also reached the final round of the Financial World Innovation Awards in the categories of "Everyday Banking" and "Most Promising Idea."



#### Poalim by Telephone

Poalim by Telephone is a service channel offering a wide range of account transactions, including trading in Israeli and foreign securities, as well as support for the bank's website and mobile applications. The service is accessible around the clock, allowing all customers, including those with disabilities, to receive professional service without visiting a branch. In order to offer customers comprehensive service, the authority of Poalim by Telephone bankers has been expanded, to enable them to provide solutions on the spot during the call. A voice response system is available 24 hours a day for information and various transactions. Services offered through the voice response system include:

- Poalim Voice An innovative service, the first of its kind in the Israeli banking system, allowing Poalim by Telephone callers to identify themselves and manage their accounts using voice only, without the need to memorize a password or key in digits. Customers can conduct a simple, convenient, intuitive conversation with the bank, to receive extensive information or carry out account transactions, all through speech;
- Callback This service makes it possible to hold the customer's place in line for the call center. Customers hear a recording offering the possibility of disconnecting the call while the system keeps their place, until the banker returns the call, thereby saving time for the customer;
- Voice response in Arabic The Arabic-language voice system provides information to Arabic-speaking customers;

#### **Poalim Connect**

This service makes a personal banker at a contact center available to customers, in addition to their branch banker, who is familiar with their needs, serves as the contact person for all of the customer's requests, and can be reached during extended business hours. Customers can contact their personal banker through a range of different channels (e-mail, chat, text message, website, telephone). The personal banker also proactively initiates ongoing routine contact with the customer. Through Poalim Connect, the bank provides its customers with comprehensive solutions, combining the experience of personal service through the direct channels with continued service through a branch. This comprehensive response also relies on an advanced online interface, presenting all of the important information about the customer's account on a single, central, innovatively designed screen, adapted for laptops and tablets.



# ) / / / / branches

#### in the most broadly-deployed nationwide network of the Israeli banking system

#### **Branches**

Bank branches serve as an anchor and point of origin for all of the bank's services, and for all customers interested in face-to-face service. The branch channel offers customers of the bank 277 branches, in the most broadly deployed nationwide network of the Israeli banking system. Bank Hapoalim has branches throughout Israel, from city centers to remote regions. Although most of the services provided by the branches are also available through other means of communication with the bank, the physical encounter between the customer and the bank has a meaningful contribution, mainly in the following areas:

- The human dimension Fostering a relationship of trust between the banker and the customer, and allowing listening and support for the customer's needs at the highest level;
- Clarification of needs and addressing complex information and execution -Meeting in person supports an orderly, in-depth discussion to understand the customer's needs and present appropriate solutions, with the assistance of the bank's information systems and experts;
- Customer relationships Face-to-face meetings help nurture bonds with customers by maintaining the continuity of the relationship and improving the level of service.

#### **Network Deployment**

In 2014, the bank continued to manage its branch network in accordance with the following principles:

- Wide distribution and adaptation to needs The bank continues to develop its branch network in accordance with its customers' evolving needs. For example, Boutique Branches are designed to serve private-banking customers. These branches are aimed at the provision of consulting and private-banking services, with an emphasis on comprehensive financial solutions encompassing investment advice as well as a range of credit solutions and additional services. The branches offer extensive self-service solutions while stressing personal connections;
- Expansion of branch distribution in the Arab-Israeli sector Bank Hapoalim is already the leading bank in terms of its deployment of branches in this sector. In order to adapt to future changes and demographic growth, and in order to continue to offer its customers leading banking services close to home, in the coming years Bank Hapoalim will emphasize further expansion of its reach in these communities;
- Pension advising centers The bank opened eight centers nationwide providing pension advice in 2014, as part of the effort to strengthen its customers' financial future. The centers offer professional advice in the area of pensions;

■ Extensive automation and operations external to the branch - Channeling resources to the improvement of customer service at the branches through an increase in the volume of transactions and services delivered via self-service stations, and through the transfer of technical operations that do not require the customer's presence to a central back office.

Business branches - Specialized branches have been established exclusively for mid-sized and large business clients, as part of the Bank Hapoalim branch network, forming another element of the service package provided by the bank's Corporate Banking Area. These branches provide a skilled, high-quality service experience across all aspects of routine banking activity, offering professional solutions and improving response time and availability to customers. The service offering created by the bank at these branches focuses on personal service customized to client needs, full availability including opening hours suited to business clients, professional service by experts, and updates and initiatives for clients. The service package was constructed based

on a comprehensive process of learning from customers about their needs and expectations. The branch network sets a new standard for innovative, excellent, proactive service, responsive to each business client's unique needs, and for the connection of all systems serving the client. Another significant change was carried out at the business branches in 2014, in which branch managers were granted credit authority, so that customers can be referred to them from the business centers to receive service. The branches will handle all aspects of credit for the business clients assigned to them.

#### Distribution of the branches of the bank, 2010-2014



As part of the process of expansion of the services offered to customers, Express Branches were converted into traditional branches during 2013; these branches therefore appear in the traditional branches category and are not listed separately for 2013.



#### Promoting accessibility

As part of its service philosophy and corporate social responsibility values, the bank sees accessibility for disabled persons as an essential issue and business obligation, and endeavors to fulfill every disabled customer's basic right to receive the full range of its services as independently as possible, or with support, while maintaining their dignity. Disabilities may involve mobility, vision, hearing, cognition, or the weakening of various functions, as a result of old age or a permanent or temporary incapacitation. The bank has the duty to adapt and create specialized solutions for various types of needs and disabilities, and to customize services to ensure that customers with disabilities are served in an optimal manner, consistent with the service offered to the general public. This duty is grounded both in regulations and in the standards the bank has set beyond its regulatory obligation it applies to both physical and virtual service channels.

Over the years, the bank has continually and consistently worked on a systemic, integrated accessibilization process, including physical accessibilization of its buildings and branches, to customers as well as employees; technological and virtual accessibilization; and adaptation of its service philosophy to customers with disabilities. This process has been conducted based on dialogue with the relevant stakeholders and professionals, and with the guidance of the Access Israel foundation. The bank routinely reviews relevant legislation and advanced options available for accessibilization, and strives for improvement and adaptation.

of the bank's buildings are now accessible

As part of its service philosophy and corporate social responsibility values, the bank sees accessibility for disabled persons as an essential issue and business obligation, and endeavors to fulfill every disabled customer's basic right to receive the full range of its services

#### Financing for Accessible Businesses

Regulations regarding the accessibility of businesses to people with disabilities that took effect in 2014 require businesses, organizations, and property owners to promote the accessibility of buildings and stores. In view of the considerable costs of making buildings accessible, including for small businesses, the bank partnered with the Access Israel foundation in a first-of-its-kind collaboration to offer loans with preferred terms to businesses. The loans can be used to help finance accessibility adjustments at the business (investment in devices and aids to enable access), and can be repaid over a period of up to five years, at an unlinked floating annual interest rate based on the Prime rate. This effort is another facet of the bank's ongoing strategic drive to promote the small and mid-sized business sector.



## 155 accessible branches

As of this writing, 155 branches are accessible and have earned the new Access Israel accessibility seal. Step Hear, Call Hear, and Inductive Loopset systems have been installed at these branches

#### Accessibilization at Bank Hapoalim

#### Accessibilization of branches and buildings

The effort includes a thorough examination of all obstacles and barriers that customers with disabilities face when entering the branch from the street and inside the branch, and finding solutions for smooth, continuous movement and accessible service. This begins with wide reserved parking spaces, and continues with ramps to bridge height differences, wide entrances to the branch, sufficient space for movement inside the branch, appropriate signage, a wheelchair-accessible service station, comfortable access to a desk, comfortable waiting seats with armrests and restrooms adapted for disabled persons, and more. An accessible service station is available at each of the accessibilized branches, offering comprehensive service. These stations are staffed by employees who can provide service to customers in the full range of the bank's products and services.



186

#### **Accessible buildings:**

As of this writing, the bank has a total of 186 accessible buildings (branches, business centers, administrative buildings, etc.). A total of 56% of the bank's buildings are now accessible

The following devices are available at the branches to facilitate service for customers with various disabilities:

■ Step Hear: devices are available at the branches to facilitate service for customers with visual impairments, to help locate branch entrance doors and accessible ATMs. For example, the base unit of the system may be installed in the doorframe at the branch entrance. The system is based on radio wave broadcasts, and customers with visual impairments can wear a bracelet that serves as a remote control and will vibrate or beep within range of the base unit (several dozen meters). Pressing a button on the bracelet activates a voice message at the base unit, serving as a compass point for the customer;



#### **Accessible ATMs:**

As of this writing, the bank has 316 accessible ATMs at 248 of its branches, or a total of 87% of the branches, and at 23 Customer Courts. Step Hear systems have been installed in 215 ATMs in branches of the bank



#### **Accessibility tutorial:**

A tutorial formulated at the bank helps users gain a better understanding of customers' needs and provide adapted, appropriate service. The tutorial is mandatory for all employees of the bank

- Call Hear: The system alerts a designated banker responsible for the branch's accessible service station that a customer with a visual impairment or limited mobility is at the entrance to the branch. When the customer pushes a button, prominently located at the entrance to the branch, an alert light blinks at the accessible service station, and the banker on duty comes to the entrance to open the door (if no security guard is stationed there) and provide all necessary services;
- Inductive Loopset This system is designed to improve dialogue with customers who have auditory impairments, by neutralizing background noises and broadcasting the banker's voice only, on a frequency received by hearing aids. The system makes it possible for a person with an auditory impairment to hear only the banker, through his or her hearing aid, without superfluous background noise.
- As of this writing, Step Hear and Call Hear devices are installed at all accessible branches of the bank. The systems will be standard equipment for all branches that qualify for the new accessibility seal, as well as at all branches that are renovated. Inductive Loopsets are installed at all accessible stations at the branches.
- ATMs accessible to customers with visual impairments The bank uses an integrated solution, in which customers with visual impairments can use an earpiece connected to a socket on the ATM as well as the keyboard; customers can use the ATM through voice commands, in addition to the keyboard buttons. Instructions are provided in four languages: Hebrew, English, Russian, and Arabic.

#### Virtual channels and interfaces

Over time, the bank has worked to integrate and enhance technological innovations in its service offering, to enable customers to receive the full range of its services and products, at any place and time: through the call centers, online via desktop computer, on smartphones of every kind, on tablets, etc., using convenient, advanced interfaces. Beyond the benefits to customers and to the environment due to savings on travel, time, paper consumption, this approach represents a leap forward in allowing customers with disabilities to use banking services in the way they find most convenient.

The variety of channels and technologies makes it possible to overcome limitations on mobility, hearing, or vision, making all of the bank's products and services accessible to disabled persons. However, accessibilization of service interfaces in these channels for some customers still presents a challenge, such as in the case of cognitive, visual, or auditory impairments (e.g. in a call to a call center representative), difficulties using the mouse, keyboard, or touch screen and clearly identifying information on the screens. The bank's marketing site is accessible to users with disabilities. The website meets the Level II accessibility standard, complying with all requirements (approximately 99% of the pages within the website are Level II accessible). The bank plans to accessibilize its personal banking website as well.

A page on the bank's portal aggregates all of the information on accessibility at the bank's buildings, as well as basic guidelines for serving people with disabilities, information regarding accessibility of the bank's website, and an explanation of ways of serving people with various disabilities, such as visual, hearing, or cognitive impairments, during routine operations. News and procedures related to the accessibility of buildings and of service were communicated to employees during 2014.



194 branches of the bank (including regional administrations), or about 70% of the total, are planned to be accessible by the end of 2015;

234 buildings of the bank, or about 70% of the total, are planned to be accessible by the end of 2015.

## **Examining Achievement** of Objectives

#### 2014 Objectives

65 additional branches are planned to become accessible by the end of 2014, and the process of making the bank's head-office buildings accessible will continue.



Status

Completed.





ATM distribution: The bank has the most extensive distribution of ATMs in the Israeli banking system, with 560 ATMs - 474 at the bank's branches and

86 in Customer Courts

Envelope-free cash deposits: During the year, approximately 15 older ATMs were replaced with new ATMs allowing direct deposits of cash into accounts, without the need to use an envelope

**Dan the Saver devices:** One machine was added in 2014; the machine accepts deposits of coins, in addition to bills. These machines are located in shopping centers and city centers; they are designed to communicate with children, using clear instructions for making deposits. There are 18 machines in total

#### **Hapoalim Self Service**

The self-service stations (ATMs), available throughout Israel, operate independently of branch opening hours and allow customers to execute a wide range of transactions at their convenience. Self-service stations save time, hassle, and resources, and enable the bank to provide better, more advanced service. Customers are increasingly using the self-service channels to perform transactions previously conducted through bankers. Starting in 2010, funds can be deposited for third parties and into savings plans through these stations.

#### Self-service transactions as a percentage of total transactions



#### **Distribution of self-service devices**



#### Adcan machines

- Check deposit machines
- ATM In Customer Courts
- ATM: In bank courts

#### Adaptation of Self-Service Stations for Additional Uses

# ATMs offer cash withdrawals, balance inquiries, cash and check deposits, payments into certain deposits, and more, and are widely and extensively distributed throughout Israel. The bank's relative share of total ATMs in Israel is greater than its market share in the Israeli banking sector. The addition of user interfaces in

four languages - Hebrew, Arabic, English,

and Russian - to the self service network

continued during 2014.





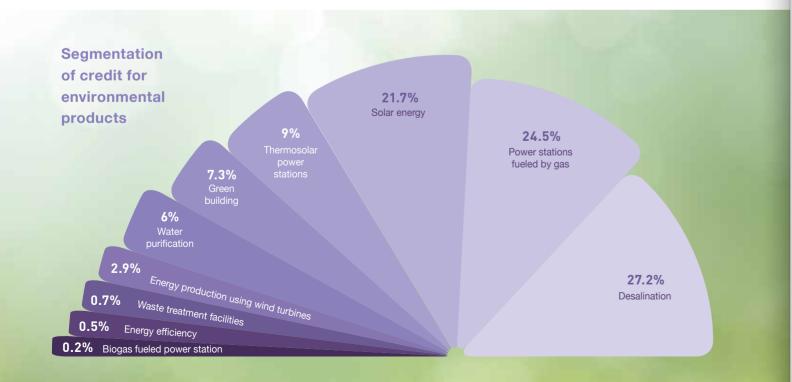
#### billion

As of the end of 2014, the bank has granted credit in a cumulative amount of NIS 6.66 billion for environmental projects and products

### Developing products and services to promote environmental sustainability

Mankind is at a critical crossroads due to the ever-expanding gap between supply and demand. Most environmental resources are being used faster than they can be renewed in nature, and meanwhile increased consumption of nonrenewable resources (such as fossil fuels, metals, and more) is causing severe shortages. In societal terms, the world's population is growing and developing, adopting wasteful consumption patterns, and creating an even greater strain on the existing resources. These and other trends call for a worldwide systemic change, based on several strategic activities:

Development and implementation of resource-efficient business processes, including in the areas of reuse and recycling; Emphasis on highly efficient product manufacturing processes; Incentivization and acceleration of groundbreaking



technological innovation in the energy industry; Creation of sustainable consumption patterns and consumer behavior in line with sustainability values; Water: management, transport, recovery, purification, and desalination; Rising of the challenging of producing and supplying food to a growing population while reducing wastage in the process, and more.

Bank Hapoalim recognizes the strategic inevitability of the necessary change, and the resulting opportunities. Action is therefore being taken on all levels of the activity, both internally and externally. In its outward-oriented activities, the bank is working to impart knowledge to its customers and offer tools for responsible financial planning and management, in order to promote its customers' economic sustainability. In addition to its internal environmental efforts, the bank has set a strategic objective of being a leader in offering financing solutions to its clients for projects that promote environmental concerns: renewable energy (solar thermal energy, photovoltaic energy, geothermal energy, pumped energy storage, cogeneration stations, wind turbines, transition to natural gas etc.), energy efficiency, water, and more. Activity in these areas is conducted alongside traditional banking activity. The new activity follows the accumulation of the necessary professional knowledge and an in-depth examination of goals and consequences.

- Promotion of the solar-energy industry in Israel Bank Hapoalim is committed to promoting the new field of solar energy by taking a proactive approach, and has become an active partner in providing momentum to this industry. The bank's involvement in the promotion of the solar-energy industry is based on five key elements: inter-sectoral partnership with the Electricity Authority and Israel Electric Corporation; intra-organizational evaluations of professional and comprehensive service to the range of clients in this sector; product quality assurance; dialogue with and support for the network of suppliers and installers; and raising public awareness of solar energy. The bank continues to offer financing solutions in the solar-energy field to all client segments, based on the arrangements published by the Electricity Authority;
- Power stations fueled by natural gas The bank organized the credit for the private power station project Dorad, to the south of the city of Ashkelon. The station will be powered by natural gas as a primary fuel, and will also have the capability to operate using an alternative fuel (diesel). The station will supply about 800MW to the IEC and to major private consumers, accounting for a substantial percentage of total power production capacity in Israel. The station began to operate at the end of the first quarter of 2014. Bank Hapoalim led the senior debt funding for the project, and organized a syndication for that purpose encompassing most of the commercial banks in Israel, as well as institutional investors including some of

The bank has set a strategic objective of being a leader in offering financing solutions to its clients for projects that promote environmental concerns: renewable energy (solar thermal energy, photovoltaic energy, geothermal energy, pumped energy storage, cogeneration stations, wind turbines, transition to natural gas etc.), energy efficiency, water, and more

the largest insurance companies and pension funds in Israel. The institutional financing was organized by the bank in collaboration with Clal Finance. The bank also finances the power station adjacent to the Sorek desalination plant, a double-fuel station powered by natural gas, with the capability for operation using diesel fuel; the station's capacity is approximately 140 MW;

■ Desalination - The bank is a leader in financing for desalination plants, funding approximately 80% of the desalination industry in Israel. The bank financed the desalination project at Palmachim, including its expansions; participated in financing for the desalination projects in Hadera and Sorek; and arranged financing for a desalination project by the water corporation Mekorot in Ashdod.



#### **Ashalim Thermosolar Project**

In 2014, the bank, together with EIB (European Investment Bank) and eight other Israeli financial institutions, led a financing agreement for a total of NIS 2.35 billion to fund the construction of a thermosolar project using solar tower technology. The project is owned by the French company Alstom; Brightsource Industries (Israel), the developer of the technology; and the Noy Infrastructure & Energy Investment Fund. The financing will serve the setup of the first thermosolar field in Israel, at Ashalim, in the Negev region. The cost of setting up the field is estimated at NIS 2.9 billion. This is a BOT project, in the format of a franchise agreement with the state, encompassing the planning, construction, and operation of a thermosolar power station based on solar tower technology, with an installed capacity of 121MW, equivalent to the electricity consumption of a mid-sized Israeli city. The franchise covers a setup period of three years and an operational period of 25 years, during which the Israel Electric Corporation, with backing from the state, has committed to buying the station's entire power output.

The power station will be built at Ashalim in the Negev region of Israel, over an area of 3.15 million square meters. Operation of the station is planned to begin in 2017, supplying about 1% of total power consumption in the Israeli economy using unique, clean, environment-friendly technology by Brightsource. This method involves using

50,000 tracking mirrors to focus the rays of the sun at the head of a 200-meter tower, and harnessing the resulting heat to move a turbine that generates electricity.

The financing deal led by Bank Hapoalim and EIB was named the European Solar Deal of the Year by the prestigious international IJGlobal Project Finance & Infrastructure Journal. The award was given to Bank Hapoalim and to the shareholders of the project (Noy Infrastructure Fund, Alstom, and Brightsource of Jerusalem) at an official ceremony held in London. During the competition, the journal examined a large number of solar-energy project financing deals signed during 2014 in the EMEA (Europe, Middle East, and Africa) region.

- Wind The bank is following the progress of regulation in the area of wind energy in Israel. The bank is in negotiations with leading entrepreneurs in this area for the formulation of a financing package for wind-energy projects;
- Green building The bank provides financing for several construction projects based on green-building principles throughout Israel;
- Waste treatment facilities The bank provides financing for several companies that operate facilities for responsible waste treatment (sorting, separation, and recycling). As part of this effort, a waste screening and sorting facility and an RDF (refuse-derived fuel) production plant have been set up at the Hiriya waste dump site. RDF is a green solid

fuel derived from waste, used as a combustion material by the concrete manufacturer Nesher. The plant will process about 1,500 tons of household garbage daily – about half of the amount received at Hiriya. This quantity can be used to produce 500 tons of RDF per day. In order to achieve maximum recycling, mixed waste will be separated, using advanced technologies, into organic waste and dry commercial waste;

- Water purification The bank provides financing to several operators of sewage purification facilities; the water obtained is primarily used as treated wastewater in agriculture;
- Energy efficiency The bank participates in financing for several companies in the field of energy efficiency.



The bank intends to continue to examine financing solutions in the areas described above, including the transition of the Israeli economy to the use of natural gas and financing for Israeli institutions and operators in this industry.

## Examining environmental risks in financing

Pursuant to the directives of the Supervisor of Banks regarding exposure to and management of environmental risks, Bank Hapoalim established a working committee to formulate recommendations regarding environmental risk management policies and methodologies. The committee enlisted the assistance of external specialists and examined existing methodologies at banks elsewhere in the world.

#### Methodology for Management of Environmental Risks in Financing

The objective of the environmental risk management system is to identify, specify, and manage environmental risks in its key areas of activity, based on a uniform, approved methodology, in accordance with the following principles:

- Management of environmental risks from the perspective of the overall exposure of the bank to each specific risk;
- Management of credit risks through assessment and management of the exposure to environmental risk in the corporate credit portfolio, assessment of environmental risk and its effect on credit risk in new credit applications that meet predefined criteria, and management and monitoring of exposure to environmental risk at the level of the overall credit portfolio and at the individual level;
- Management of market risks managing exposure to environmental risks in direct investments by the bank (in the proprietary portfolio and in general);
- Management of operational risks adapting operational systems to regulatory changes on environmental matters.

## Risk Management Method of the Bank Group

Risk management at the bank is performed based on a global view of its activity in Israel and of its branches abroad, with due attention to the activity of banking subsidiaries. Risks are managed separately by each banking subsidiary in the group, according to policy formulated by each company's board of directors and presented to the board of directors. Some risks are hedged during risk management. Financial and operational risk assessment and control are performed based on a uniform methodology at the level of the group, with guidance from the risk management area, taking into consideration the unique characteristics of each subsidiary's activities. Even before a general policy had been formulated, the bank began to apply environmental

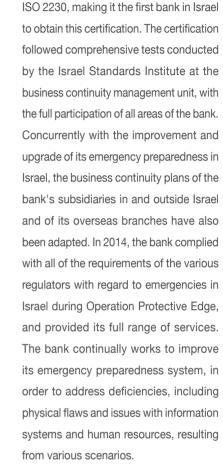
risk management processes when financing major infrastructure projects. A prerequisite for specific financing of such projects is an examination of the project's impact on the environment. Clients are required to prepare an environmental survey, which is examined for the bank by an external consultant. The consultant ensures that the project complies with all of the requirements set forth in the permits granted by government agencies.

The bank's system of environmental risk management in financing currently encompasses the organizational components necessary for efficient and effective management in this area, including a policy formulated and approved at the level of the board of directors; organizational structure; a model for the classification of the risks. including control thresholds; procedures for transaction approval processes; and control systems. The bank has approved a model for environmental risk management in financing. The model links the various environmental risks, as defined by the Supervisor of Banks, to the business sectors to which the bank's clients belong. The model, which is based on equalization principles, categorizes different sectors of economic activity by risk level (high, intermediate, low). The bank is assisted by an environmental consultant, as necessary, to analyze environmental risks in specific credit applications.

All of the relevant personnel of the bank were given training in this area (a total of 100 senior-level employees, including customer relationship managers). The bank's system for the management of environmental risks in financing is applied to all infrastructure projects and real-estate projects over NIS 50 million, and to credit above NIS 200 million. This activity continued in 2014.

#### Business continuity

In order to protect the bank's business continuity and survivability in the event of a disaster or malfunction, in accordance with the Bank of Israel's Directive 355, Business Continuity, and Directive 357, Information Technology Management, the bank maintains continual preparedness based on detailed action plans, working procedures, and periodic drills, as specified in the system of emergency procedures. The bank's business continuity management system was approved by the Israel Standards Institute, in 2014, as conforming with the requirements of the international standard





The bank's business continuity management system was approved by the Israel Standards Institute, in 2014, as conforming with the requirements of the international standard ISO 2230, making it the first bank in Israel to obtain this certification. The certification followed comprehensive tests conducted by the Israel Standards Institute at the business continuity management unit

### Acting for the best interest of the costumers,

Starting with innovative digital services, providing information and tools for prudent financial conduct as well as savings on paper and transport

use mobile services

million customers

active on the bank's website, which includes tools, information and self-service options



Collaborating with fine-tech and start-up companies to develop new financial products





Extended innovative

strategic move for

promoting the seniors sector

while integrating social & environmental aspects

And also in activities for promoting the development of various populations

important for the Israeli society and economy

located in towns and cities with Arabic-speaking populations Expanding and suited service

large observant and ultra-orthodox (Haredi)

and 316 ATMs accessible for disabled people A multi-year program for accessing the bank's structures and services





Simultaneously, the Bank also promotes social and environmental aspects in its core business

Strategic initiative for empowering small businesses

in credit for the small business sector, including designated funds and benefits Personalized service in the widest spread in Israel, including

expert banker, designated website and apps for business with added value Exposure through creating marketing arenas:

businesses

members of CashBack Club

"Poalim business" club



Financing projects which promote environmental sustainability



in credit, for promoting energy from renewable resources, energy efficiency, desalination, green building, transition to gas usage, and more

And as part of the work, it all starts at the basics: the best interest of the customer and excellent service

Service Quality Metric - Branches



During 2014, Tens of thousands of customers of the costumers where surveyed throughout the year in branches and various channels, for research and feedback

Service Quality Metric - Hapoalim Online



2014

year, adding to an 11% decrease last year, together about 25% in two years.

EMPOWERING
SOCIETY AND
THE COMMUNITY





The economic impact of the bank reaches beyond its direct positive value, which is primarily aimed at its shareholders and investors; it also takes the form of taxes, local procurement, and employment. In addition to its routine business, the bank is committed to advancing and empowering the community

## Influencing the State and Society of Israel

As Israel's largest bank, Bank Hapoalim is a powerful economic institution with a strong influence on Israel's economy and society. This section of the report reviews the broad economic impact of Bank Hapoalim, and describes its added value and its extensive efforts devoted to promoting Israeli society and communities. The economic impact of the bank reaches beyond its direct positive value, which is primarily aimed at its shareholders and investors; it also takes the form of taxes, local procurement, and employment. In addition to its routine business, the bank considers itself an integral part of the community, and is committed to advancing and empowering the community. The practical expression of this philosophy is the bank's community investments, on a number of dimensions: a range of community activities, based on dialogue and collaborations with organizations in every sector of society; continual volunteering by employees of the bank; and donations and sponsorships. Through all of these activities, the bank expands its sphere of influence and promotes social and environmental values in society and in the community.

	2010	2011	2012	2013	2014
Profit from financing activities*	7,496	7,884	8,415	8,423	8,684
Total income (financing profit + operating income)	12,827	13,083	13,637	13,664	14,022
Operating costs	8,333	8,410	8,886	9,024	9,140
Wages and related expenses	4,709	4,847	5,130	5,434	5,300
Donations and investments in the community	44	47	48	46	47
Shareholders' equity	22,406**	23,662**	26,561	28,834	31,361
Dividends paid to shareholders of the bank	-	270	-	276	448
Interest to debt or bond holders	1,627***	1,956***	1,925	2,065	1,361
Provision for taxes (tax benefit) on operating profit	1,328	792	1,230	1,271	1,729
Provision for doubtful debts	1,030	1,202	987	874	425

<sup>\*</sup> Restated due to retrospective implementation of guidelines of the Supervisor of Banks concerning capitalization of software costs9.

<sup>\*\*</sup> Restated due to the initial implementation of International Accounting Standard 12, Income Taxes.

<sup>\*\*\*</sup> Reclassified due to the initial implementation of the directives of the Supervisor of Banks concerning the format for statements of profit and loss of banking corporations.

#### **Economic Impacts**

The direct economic impacts of the bank are reflected in its annual earnings, as well as in its contribution to the national economy through taxes, local procurement, employment, and community donations. The following table presents key data regarding the bank's financial performance and the added value it generates (based on the bank's consolidated financial statements, in millions of NIS)

The following table describes the financial added value of the bank, which includes gross wages (including related items), taxes, earnings, and more (in millions of NIS). This value reflects the bank's contribution to the Israeli economy, as a large organization in economic interaction with many stakeholders (employees, suppliers, the community, government agencies, etc). Bank Hapoalim pays state and municipal taxes, and receives no financial assistance or support from the state.

#### A Nationwide Employer

Bank Hapoalim maintains a network of 277 branches (as of the end of 2014), distributed throughout Israel. About 20% of the branches are located in National Priority Areas, and approximately 40% of the branches are outside the Gedera-to-Hadera central region. Branch employees and managers usually reside in the vicinity of the branch.

Recruitment procedures are identical for all branches. Consequently, the bank employs an equal proportion of residents of peripheral and central regions.

Bank Hapoalim operates two call centers and a central back office, which provide approximately 1,500 jobs. One of the call centers is located in central Israel, at the industrial zone in the Azor Regional Council, and the other, for reasons including social responsibility considerations, is in the northern town of Nesher. The central back office (Matab) is located outside Tel Aviv, in the Beit Dagan area. The central back office in Beit Dagan also operates through regional offices throughout Israel, located in Beer Sheba, Nesher, Givat Olga, Hatzor Haglilit, and Jerusalem.

#### **Economic value of the Bank Happalim Group, in NIS millions**

	Breakdown	2010	2011	2012	2013	2014
Economic value created by the group	Total income (including extraordinary income)	12,827	13,088	13,637	13,664	14,022
Distributed to stakeholders by the group (operating and other expenses plus provisions for taxesand dividends)	Operating and other expenses (including municipal tax; excluding depreciation)*	7,654	7,735	8,174	8,350	8,502
	Wages and related expenses (within operating and other expenses)*	4,709	4,847	5,130	5,434	5,300
	Donations and sponsorships (within operating and other expenses)	44	47	48	46	47
	Provision for taxes (tax benefit)*	1,328	792	1,230	1,271	1,729
	Dividends declared*	0	270	-	276	448
	Total*	8,982	8,527	9,404	9,621	10,231
Economic value retained	Difference between the group's income and its operating and other expenses, provisions for taxes, and dividends	3,845	4,556	4,233	4,043	3,791

<sup>\*</sup>Restated due to retrospective implementation of guidelines of the Supervisor of Banks concerning capitalization of software costs.



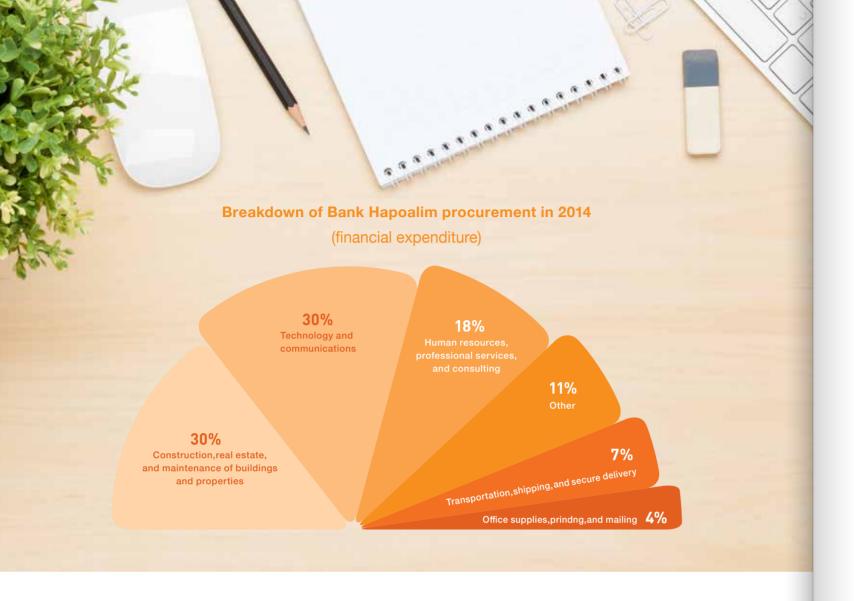
of the bank's procurement is from suppliers who are located in Israel and employ workers there

### Responsible Supply-Chain Management

#### Profile of the Bank's Supply Chain

The operational activity of Bank Hapoalim, as a banking organization, is based on a supply chain that consists of a pool of suppliers of goods and services, comprising thousands of companies in the areas of logistics, technology, and consulting. Contractual engagements were executed with approximately 1,700 suppliers from this pool during 2014. The bank's supplier pool contains suppliers of varying sizes (large, mid-sized, small, and micro businesses), operating throughout Israel and in additional countries. Approximately 98% of procurement at Bank Hapoalim is from suppliers who are located in Israel and employ workers here.





The five main categories in the bank's supply chain, which in aggregate account for 89% of its total annual procurement, are:

- Construction, real estate, and maintenance of buildings and properties;
- Projects, acquisition, and maintenance of technological and telecommunication infrastructures:
- Human resources, professional services, and consulting;
- Transportation, shipping, and secure deliveries;
- 5. Office necessities, printing, and mailing.

In addition to these five categories, additional purchasing groups are aggregated under the category "others," such as advertising and sales promotion, information services, professional literature, and more. Procurement in each of the additional groups does not exceed 4% of the total purchasing volume.

Procurement at Bank Hapoalim is managed by the corporate procurement unit, which serves as the integrative administrator of all procurement activities and manages interfaces with the bank's supply chain. The process is defined, uniform, and orderly; clear parameters are established to examine the quality of the purchased items; separation of authority is practiced in the critical stages of the procurement process (such as establishing demand, selecting suppliers, and payment); authorizations are set up on the bank's information systems; and information and decisions in each stage of the process are documented on these systems. All of these practices are aimed at improving the efficiency and quality of procurement management, allowing control and conclusions, and preventing conflicts of interest.



#### **Responsible Procurement**

As part of a comprehensive philosophy of corporate responsibility, the bank is in advanced stages of implementation of a formalized plan for embedding corporate responsibility within purchasing operations. The goal of this plan is to expand the perception of third-party risk management in allocating the bank's resources; to communicate the bank's corporate responsibility philosophy to its suppliers; and to encourage suppliers to adopt norms for responsible conduct in the areas of fair and equitable employment, fair business practices, protection of the environment, and promotion of opportunities in the area of green purchasing. The plan is based on an in-depth analysis of the procurement patterns and characteristics of suppliers of the bank, and is being implemented according to the responsible procurement policy.

This policy establishes the following principles and guidelines for the management of supplier relationships:

As part of a comprehensive philosophy of corporate responsibility, the bank is in advanced stages of implementation of a formalized plan for embedding corporate responsibility within purchasing operations



The implementation of the policy was adapted to the customary practice at the bank in contractual engagements and to the nature of the different suppliers:

#### Responsible procurement policy

#### Mandatory

Mandatory criteria adapted to the unique nature of each procurement category Mandatory criteria for all suppliers (required norms of responsible conduct) Preference criteria (additional quality parameters) used to evaluate bids in significant contracts

**Voluntary** 



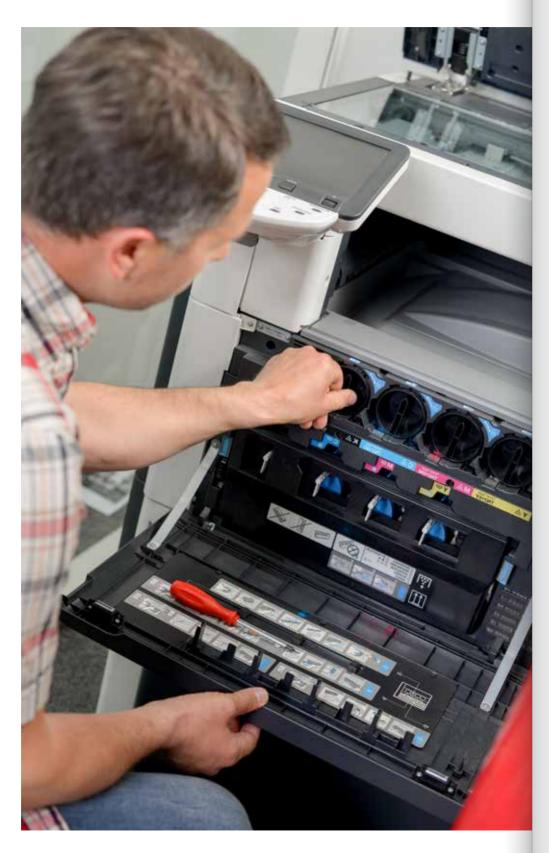
#### Implementation Process and Main Activities in 2014-2013

During 2013, binding requirements and criteria for granting precedence to suppliers were formulated, with the aim of including these requirements and criteria in contracts with suppliers and in bid procedures. As part of this process, a list of general requirements applicable to all suppliers was formulated, as well as a list of adapted requirements applicable to some suppliers, according to the nature of their activity. The list is based on the existing language in the contracts, in addition to a new version, in accordance with the policy of the bank. In constructing the list, the trends in this area in the international banking sector and developments in Israel were taken into consideration. New legislation and future regulatory trends were also a factor.

During 2014, the bank worked to instill responsible procurement in the following ways:

#### **Mandatory requirements**

- General and adapted requirements gradually began to be included in new contracts with suppliers of the bank.
- Concurrently, updates of responsible procurement requirements in the bank's existing contractual engagements began.
- 3. In order to coordinate expectations with suppliers in advance, prior to engagement, a corporate responsibility appendix was formulated, covering all of the requirements in this area. In the next step of implementation, this appendix will be attached to bid specification documents and distributed to suppliers as part of the routine work process, during the price bid stage.



#### Precedence criteria

- 1. A corporate responsibility appendix and a questionnaire for the evaluation of bidders' corporate responsibility performance were formulated.
- A matrix was prepared for factoring corporate responsibility performance into general evaluations of bidders. A decision regarding the method of integrating these factors with the bidder selection process will be made after examination of the results of a pilot project in this area.

#### Basic Rules for Suppliers' Conduct

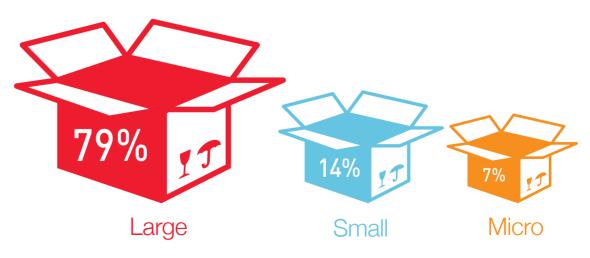
In 2013, the bank formulated basic rules for the conduct of suppliers in contractual engagements with the bank. The rules are based on the values in the bank's vision and on norms detailed in the bank's ethical code of conduct. The basic rules are designed to clearly and simply elucidate the bank's expectations with regard to the conduct of the suppliers with which it has working relationships. The basic rules of conduct were distributed to 1,700 suppliers of the bank during 2014, as part of the distribution of the terms of contractual engagements. Further, beginning in 2014, the rules have been enclosed with every contract of the bank and are proactively distributed to the entire group of suppliers from time to time.

#### **Promoting Small Businesses in the Supply Chain**

Bank Hapoalim recognizes the importance of small businesses to the progress of the Israeli economy, and promotes these businesses in its procurement processes. The bank engages small suppliers when possible, in view of its size and nationwide reach. In practice, more than 20% of the bank's procurement is from small and micro-businesses; they constitute approximately 70% of all of the suppliers engaged by the bank in 2014.

The basic rules of conduct were distributed to 1,700 suppliers of the bank during 2014, as part of the distribution of the terms of contractual engagements

#### **Breakdown of Procurement extent** (by size of business)



#### Breakdown of the bank's suppliers (by size of business)



During 2014, the bank built up a pool of Socially Conscious suppliers who organize activity days to promote team spirit, for various units of the bank

#### **Green Procurement**

In 2014, as in previous years, the bank continued to examine alternatives for environmental procurement of products such as envelopes, wood-free paper, doublesided printers, recycled toner cartridges made in Israel, LED lights, etc.

#### **Empowerment of Socially Conscious Suppliers**

During 2014, the bank built up a pool of suppliers who organize activity days to promote team spirit, for various units of the bank. This list mainly consists of small businesses from central and northern Israel whose activity embodies social values and content, such as employment of at-risk youth, assistance to people in need, integration of people with disabilities, and more. When possible, the bank also grants precedence to socially conscious suppliers in procurement gift baskets and flower bouquets for its employees and clients.

#### Support for Suppliers from Southern Israel during Operation Protective Edge

During Operation Protective Edge, the bank rechanneled budgets in the amount of approximately half a million NIS to suppliers in the southern region of Israel, in order to help them during this time of crisis. Within this process, occasional suppliers (not necessarily regular suppliers of the bank) were located by branches in the southern region, for purchases of food, office supplies, and flowers.



Suppliers small or micro-businesses



As part of the process of implementing corporate social responsibility, the bank created an ethical code, in collaboration with its contractors, for supervised contractor employees working in the areas of security, the cafeteria, and cleaning in the bank. The content of the code is distributed in Hebrew, Russian, Arabic, and Amharic

### Protecting the Rights of **Contractor Employees** Working on the Premises of the Bank

To supply its needs, the bank enters into agreements with various contractors for the provision of security, cleaning, and cafeteria services, through employees of the contractor who are assigned to the bank. In order to ensure the protection of these workers' rights, the agreements between the bank and the contractors stipulate the obligation of the contractors to provide the following to their employees, among other matters: minimum wage, and all other rights granted to workers in Israel under the labor laws; social benefits; prevention of harmful employee turnover, and due disclosure of their rights. This infrastructure was created in order to prevent harmful employment, and has been in place at the bank for years as part of its CSR approach.

In 2012, with the implementation of the Law for Increased Enforcement of Labor Laws, 2011, based on the existing processes at the bank, the infrastructure was adjusted to the provisions of the law, which took effect in June 2012 (The supervision process took place even prior to the low taking effect, and is conducted today in accordance to the low). This move included updates of the bank's procurement contracts, the establishment of a system for inquiries by contractor employees at the bank's human resources division, and the appointment of a supervisor



responsible for ensuring the protection of the employees' rights and response to their inquiries during their employment on bank premises.

As part of its efforts in this area, the bank collaborates with Hilan, which monitors the terms of payment by suppliers to their employees. During 2014, controls were applied by Hilan at all of the employment contractor companies engaged by the bank (eleven suppliers). The number of suppliers undergoing this process decreased in comparison to 2013, but the volume of the control process carried out by Hilan (the number of pay stubs examined) remained identical, and is in compliance with the law.

#### **Ethical Code for External Contractor Employees**

Within the process of instilling social responsibility, the bank formulated an ethical code adapted for external contractor employees who work on its premises in the areas of security, cafeteria services, and cleaning. The content of the code is communicated to all contractor employees employed at the bank's facilities. These employees receive and read the code, and sign the code document. The bank receives a report of the completion of this process from the company employing the workers, signed by the general manager of the company. The content of the code is distributed in Hebrew, Russian, Arabic, and Amharic. As of 2011, all new and existing suppliers are required to communicate the content of the new code, annually, to every employee they assign to the bank.



of external contractor employees were processed using the **Human Resources Division** system during 2014.



The process of integrating mandatory requirements into contracts with the bank's suppliers will continue in 2015;

A pilot project for the integration of voluntary criteria in a significant RFP will be completed during 2015. After drawing conclusions and examining the implementation of the process in this RFP, a decision will be made regarding the method of laterally integrating these criteria into RFPs.

#### **Examining Achievement** of Objectives

#### 2014 Objectives Status

A process of integrating additional requirements into all of the bank's Completed contracts with its suppliers, according to the supplier's activity and the criteria formulated. will begin in 2014.



## Expansion of the Bank's Sphere of Influence in Israeli Society

In its efforts to promote sustainability and CSR values, the bank works to expand its sphere of influence to Israeli society and the public arena by implementing social and environmental values in ever-widening circles. The bank is guided by two essential principles: dialogue, and the creation of shared value. The bank conducts dialogue with stakeholders in order to understand their needs, provide accurate and appropriate solutions, and optimize its activity, with the aim of influencing a wide variety of population groups within Israeli society and contributing to the public good. Based on this dialogue, the bank has initiated a broad range of programs and projects, with inter-sector collaboration, to promote various causes in Israeli society and create shared value for the bank and for stakeholders in the social, environmental, and economical spheres. Selected initiatives of the bank in 2014 are described below.

In its efforts to promote sustainability and CSR values, the bank works to expand its sphere of influence to Israeli society and the public arena by implementing social and environmental values in ever-widening circles. The bank is guided by two essential principles: dialogue, and the creation of shared value

## The Social-Environmental-Economical Project for Collection and Recycling of Electronic Waste with Employment of Persons with Disabilities

Bank Hapoalim initiated a pioneering social program for systemic treatment of the collection and recycling of electronic waste, metals, and appliances, in collaboration with municipalities throughout Israel. The program includes design and development of collection receptacles made in Israel and supplied by the bank to the municipalities; placement of the receptacles in city centers; organization of collection and recycling processes, and publicizing the program to residents. Collection from the receptacles and disassembly of the waste are carried out by Ecommunity, which employs disabled workers. The bank thereby creates shared value and responds to both an environmental and social needs.





The program is now available to a total of 850,000 residents



#### Implementation of the Program

In early 2012, 20 receptacles were placed in Holon, with the full cooperation of the mayor and his leading team; the launch process began. During the subsequent months, conclusions were drawn for the expansion of the program to additional towns. During the same year, in view of the program's success, it was expanded to the towns of Ashdod, Rishon Lezion, Rehovot, Yavneh, and Shoham. In 2013, the program expanded to the town of Nes Tziona, and additional receptacles were placed in the participating towns. The program is available to a total of 850,000 residents, through 130 receptacles in their towns.

During 2014, as part of the ongoing implementation process of the program, the bank introduced educational environmental activities, in collaboration with the town of Holon, at the town's elementary and high schools. The goal of this effort is to promote a change in habits and to raise awareness of waste collection and recycling. Activities included an electronic waste collection contest between schools, accompanied by preparation and knowledge provided to students and parents. Relevant lesson plans were also provided in advance of the competition. The project was advertised at the schools, on the Internet, and in the local press. The competition ended on Earth Day.

#### **Promoting Green Campuses**

Within the drive to expand its environmental and social impact to the general public in Israel, the bank is conducting a joint effort with a range of academic institutions to promote activities that generate shared environmental and social value. This initiative is based on the principle of dialogue with stakeholders, in which the bank maintains ongoing relationships with various academic institutions in the areas of corporate responsibility and sustainability.

In a collaboration aimed at instilling recycling habits in students and employees at these institutions, various recycling facilities were placed in campus buildings and courtyards at several academic institutions (the College of Management, Bar Ilan University), providing solutions for collection and recycling of beverage bottles and cans; paper recycling in offices, using individual receptacles; and collection of electronic waste, metal, appliances, fluorescent bulbs, and used clothes. The bank financed the installation of the receptacles and consulted on a comprehensive solution for waste recycling, which encompassed academic knowledge, operational knowledge, communications and advertising, etc. The activity was publicized through the



various media channels of the academic institutions, including social media. The recycling receptacles designed by the bank were installed for use by students, staff, and visitors at the schools; they are available to 50,000 potential recyclers in this environment.

In 2014, the bank promoted the installation of solar-powered charging stations in public spaces on campus, allowing twelve mobile phones of various types to be charged simultaneously using energy derived from solar panels. Benches were set up next to the charging stations, which are located in central areas where students congregate during the day. The stations provide a response to the familiar need to charge the batteries of mobile devices and offer a service to students, while also promoting an environmental message (use of the solar panel), a technological message, and a place for students to meet.

These stations are part of the ongoing collaboration of the bank with the Corporate Responsibility Center at the College of Management. The project was carried out with a team of students from the college, and culminated in a prototype currently manufactured at the Segev factory in Yavneh. In the first stage, two stations will be placed at the College of Management campus. Later, eleven additional stations will be installed at university campuses, and in a public space in the town of Holon. This is part of the effort to promote an environmental and social agenda in Israel, while also providing a necessary service in response to the problem of mobile-phone battery charging.



The bank also donated recycling receptacles to the Ramat Hadassah Youth Village school, as part of an educational process aimed at achieving a "greener" village. The village is home to 300 adolescents who come from disadvantaged families. The northern region administration of the bank has adopted the youth village for the last three years. In appreciation for the bank, the management of the village held a green conference, to introduce the recycling receptacles and raise students' environmental awareness.

## Promoting Social and Environmental Issues in the Galilee

Within the effort to expand its impact, the bank supports the hovercraft project run by Moona – A Space for Change, a social organization operating in the Majd Al-Krum area in cooperation with the local council. In this project, Arab-Israeli and Jewish youth work together to develop and operate hovercraft used to discover environmental problems or hazards from the air, in various parts of the Galilee region, thereby helping to address these issues and minimize their negative effect on the environment. Moona, through this project, promotes technological initiative and innovation, equal opportunities for the population of the Galilee, and environmental and social values.

#### **Promoting Diverse Employment**

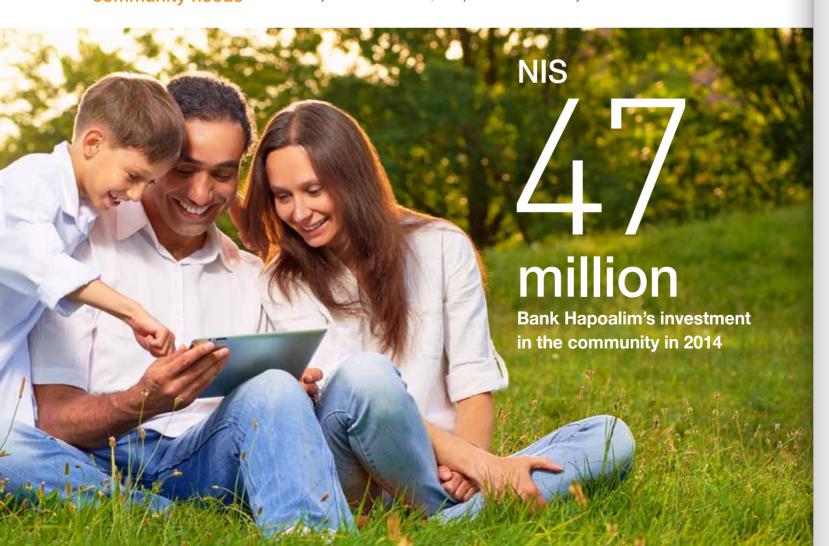
The Poalim Campus hosted a course for organizations working in the area of employment of people with disabilities. The Ze Oved Coalition consists of commercial firms, including Bank Hapoalim, non-profit organizations, and government agencies, working to promote the inclusion of workers with disabilities in the private market. As part of the bank's participation in the coalition, in 2014 the Poalim Campus hosted a second course on the development of employer relationships, for staffing coordinators at employment organizations working with people with disabilities. The course provides practical tools for dialogue with the business world, such as sales skills, identification of the strengths of the target audience, communicating a marketing message, customer retention, and more, as well as content from the bank in the area of sales, service, and presentation. 30 staffing coordinators participated in the course, from employment organizations throughout Israel, including Bayit Cham, Shmaya, AKIM, Slav and Sons, Shekulo Tov, Enosh, and Beit Ekstein. The course was moderated by the Poalim Campus, in cooperation with Tevet-Joint Israel



Bank Hapoalim
exercises its
community
involvement
through nationwide
projects, including
projects targeted
to geographic,
economic, and
social peripheries,
with expert
assistance in the
understanding of
community needs

## Poalim for the community Committed through Our Strategy and Vision

As part of the Bank Hapoalim Group's vision, strategy, and corporate values, the bank is committed to an active, leading role in the community, alongside its business leadership and economic initiatives. This involvement is implemented through Poalim for the Community (Registered Non-Profit Organization), as part of an advanced managerial approach. The bank holds that an organization that operates within the community - and draws both its employees and customers from within it - should take a leading role in the advancement and improvement of conditions for all members of the community, especially those who are underprivileged. In the spirit of this business philosophy, the bank conducts a varied and extensive range of community-oriented activities in the form of social involvement, monetary donations, and large-scale volunteer activities with the participation of both management and employees. Community activity is an important factor in developing employee pride and cohesion. As noted, the bank's community-oriented activity is organized within the Poalim for the Community foundation. Mrs. Shelly Amir, head of community relations at the bank, is responsible for this activity.



### Cumulative donation of 456M NIS 2004-2014



Cumulative donation
Annual donation

#### **Creating Strategic Partnerships**

Bank Hapoalim exercises its community involvement through nationwide projects, including projects targeted to geographic, economic, and social peripheries, with expert assistance in the understanding of community needs. These projects strive to realize the underlying philosophy of the principles of social community development. The distinction between aid and socio-community development is an important one; such development is based on the following principles:

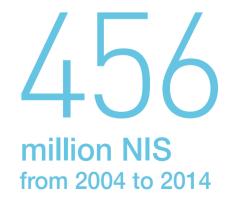
- Focus on a core issue closely related to the bank's essence and essential to Israeli society:
- Long-term projects, rather than temporary action;
- Measuring the project according to effectiveness in attaining its objectives, with conclusions drawn and implemented throughout the course of the project;
- Strategic partnerships with additional parts of the community, including professional partners, rather than stand-alone projects.

The bank maintains strategic partnerships with a range of leading community organizations. These include collaborations with the ORT network of science and technology schools, museums, the National Parks Authority, the Israel Association of Community Centers, the Batsheva Dance Company, the Israel Philharmonic Orchestra, the Israel AIDS Task Force. The bank also collaborates with a large number of non-profit organizations on unique projects in their respective fields. Notable organizations include Hayim, Etgarim (Challenge), Paamonim, Latet - Israeli Humanitarian Aid, Beit Issie Shapiro, ELEM - Youth in Distress in Israel, Beterem - Safe Kids Israel, The Council for a Beautiful Israel, and Be-Atzmi – Employment for Youth at Risk.

## Monetary and Equivalent Community Investments

Assistance to the numerous organizations supported by the bank is delivered through the Poalim for the Community Forum (there is no donations of other units at the bank). The Forum, which consists of senior executives of the bank, manages all of the bank's donations according to criteria established in the policy of the Poalim for the Community Foundation (Registered Non-Profit Organization). As in previous years, the foundation made contributions in many different areas in 2014, including education in general, and financial education in particular; culture and the arts; welfare and health care: and other social causes. The bank does not donate money or equivalents to political parties, politicians, or political institutions. Bank Hapoalim's investment in the community amounted to NIS 47 million in 2014.

#### **Cumulative donation**







#### **Donations of Computers**

Recognizing the great importance of technological investment for the education and advancement of children and youth, the bank donates computers and related equipment each year. Donations of computers are managed by the technological procurement center. In 2014, the bank donated 629 computer systems and auxiliary equipment, at a value of NIS 361 thousand.

#### **Donations of Computer systems (NIS thousands)**

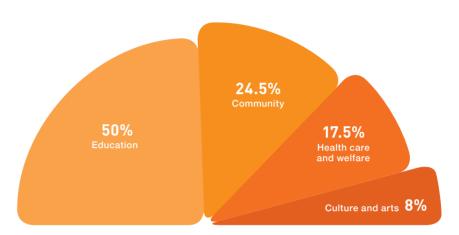
2008-10	2011	2012	2013	2014
2,554	921	500	831	361



#### million

The monetary value of the donations of computer systems by the bank in 2007-2014 is approximately NIS 6.3 million.

#### Breakdown of Bank Hapoalim donations budget, 2014



#### Results of Community Investments in 2014

As part of its investment in the community, the bank has updated its examination of the non-profit organizations that receive its support and its mapping of these foundations. The review covered the organizations' areas of activity, goals, target populations, methods, and outcomes (outputs and effectiveness). The purpose of this process is to obtain an understanding of the bank's current influence in Israeli society and in the community, and to create a measurement infrastructure to assist with routine management in this area and support informed decisions regarding the bank's overall investment in the community. The process was conducted through surveys and dialogue with the organizations, and involved the major organizations, which account for about 60% of the bank's annual community investment.

Main conclusions of the review:

- The decisive majority of the organizations present their area of activity, goals, methods, and participating population in an orderly manner;
- In the context of measuring the outcomes of the organizations supported by the bank, the organizations can be divided into two groups:
- 1. Educational activity Organizations active in this field help participants maximize their individual potential and leverage their abilities for a better future, through education and learning. The review found that all of the organizations operating in this area measure their outputs (the number of participants and the volume of activity), and the large majority also measure the effectiveness of their activities (e.g. improvement in students' scores, dropout prevention, students who continue to college, etc.).
- 2. Organizations in the fields of health care, welfare, culture, and the arts This group consists of two types of organizations: organizations engaged in remedying

essential welfare or health-care problems (such as assistance to distressed and disadvantaged population groups), which contribute to society by offering a venue for appropriate treatment of the problems they have chosen to address; and organizations that promote culture and the arts, and would find it difficult to exist without support. The survey found that organizations in this group primarily measure outcomes, which serve as the key metric for examining the results of

- Approximately 80% of the foundations surveyed earmarked the bank's contribution for specific projects or programs within their activities;
- Of the activities and projects surveyed, approximately 65% are targeted specifically to participants in geographical and social peripheries (foundations in which %50 or more of activity is targeted to peripheral regions). In about %50 of the foundations surveyed, %80 of activity is targeted to peripheral regions. The other foundations target various population groups, according to the type of activity, encompassing all parts of Israel, including the peripheral regions.

The central focus of the bank's community activity is education. The bank invests in several long-term projects, along with projects aimed to support education in schools, academic institutions, and informal settings

#### **Promoting Education and Financial Education in** the Community

The key focus of the community activities of the bank is education. The bank invests in several long-term projects, as well as a variety of other projects aimed at supporting learning in educational institutions, academic institutions, and informal education organizations.

In 2014, the bank invested in dozens of non-profit organizations and community groups active in the area of education, which helped more than 160,000 students - children and adolescents - in hundreds of institutions, in dozens of communities throughout Israel. The bank's contribution helped approximately 37,000 children and adolescents directly.

#### **Promoting Education Initiatives and Projects**

Main examples of the bank's investment in education are described below:

#### From Three to Five

Bank Hapoalim, through the ORT Alumni Association, is participating in the effort to help students with lower socioeconomic backgrounds improve their academic achievements in scientific and technological subjects. Poalim from Three to Five is designed to promote a vision of social change, in which geographically remote communities in northern and southern Israel are brought closer to academic centers, with a substantial increase in the number of students from these areas who take matriculation examinations in mathematics and sciences. The aim of this effort is to help reduce social inequalities. The project includes students in grades 9 through 12 from Israel's Jewish, Arab, Bedouin, and Druze communities.

#### **Students**

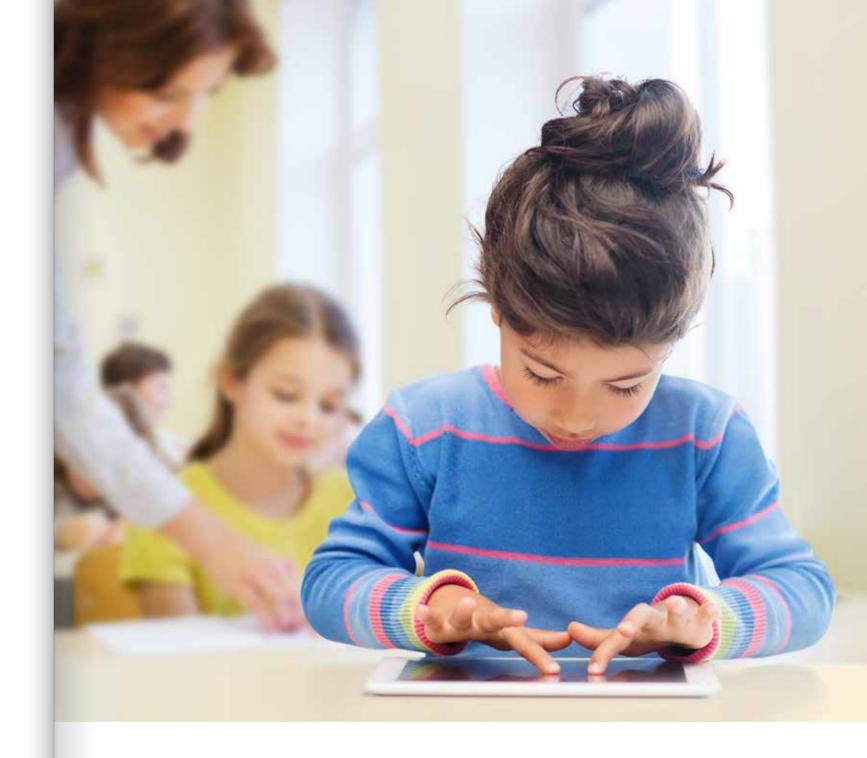
articipated in this activity, at 23 schools, in 16 towns throughout Israel

**Students** 

Since the launch of the project, 9,864 students have participated, in 1,218 groups

Students in the program who were given support before a matriculation examination achieved an average improvement of 25.5 points in their scores, relative to scores prior to the program, an increase of approximately 45%

About 40% of the program's students began the school year at risk of demotion to a lowerlevel academic grouping. Thanks to the program, demotion was prevented for 32% of the students, and they remained in the higher groupings



#### A Password for Every Student

As part of its support for the integration of technology into education, in 2011 the bank joined the educational initiative "A Password for Every Student," which combines education and today's technology as a way of acquiring learning and developing abilities. Within its support for this project, the bank has adopted ten schools in communities needing special reinforcement, throughout Israel, for a period of three years. The goals of the project are to create a technological infrastructure allowing all users to work and learn using a central portal, from any location; to implement a view of the school as a computerized organization; and to create a computerized educational environment in the school.

students towns

and teachers participated in the program in 2014, at 200 Thousand schools, in 42

The direct support of the bank helped the program reach more than 7,500 students at 16 schools in 8 towns.



In 2014, 7,800 participants registered for the eight mobile libraries operating throughout Israel, up 40% from 2013.

#### Read & Succeed

Starting in 2004, the Poalim for the Community Forum has led a focused initiative aimed at changing the reading habits of Israeli children and youth. This project continued in 2014. The Read & Succeed project includes a public informational campaign, distribution of books, funding of story hours throughout Israel, activities during National Book Week, and collaboration with the Children's Channel and other media. As in recent years, the bank continued the Read & Succeed project in the Arab-speaking sector and in the Haredi (ultra-orthodox) sector as well, in formats adapted specifically for these communities. Read & Succeed also includes mobile libraries, operated in cooperation with the Key Books Foundation. This project consists of mobile lending libraries housed in trucks that travel throughout Israel, allowing children and youth to enjoy a wealth of children's theater, creative writing workshops, lectures, story hours, and enrichment classes.

#### More then

160,000 students - children

In 2014, the bank invested in dozens of non-profit organizations and community groups active in the area of education, which helped more than 160,000 students – children and adolescents – in hundreds of institutions, in dozens of communities throughout Israel. The bank's contribution helped approximately 37,000 children and adolescents directly



#### Amiram Sivan Center for Community Initiative – Tel Aviv University

The center is dedicated to reducing social inequalities by making academia accessible to diverse groups within Israeli society, with an emphasis on the population of social and geographical peripheries. The center supports four programs: Periphery Excellence – aid for outstanding high-school graduates from peripheral regions, with direct acceptance to the university; University for the People – an inspiring experience with university studies for a range of population groups that have not had the benefit of this environment due to circumstances; Summer Youth University – a program in which the gates of the university are opened to high-school students from peripheral regions with the potential for higher education, introducing them to enriching content areas and knowledge; and the Socio-Economic Leadership Promotion Program – projects designed to encourage young socio-economic leadership in Israel, with an emphasis on participant diversity by sector, gender, and geography. University students involved in these programs experience a process that imparts knowledge and tools while offering experience with meaningful community work.

More then

1,700

Students
participated in the center's activities
during 2014

100% of the students in the Periphery Excellence program completed their third and final year of undergraduate studies successfully, and 20% of these students continued to graduate studies

90% of the participants in the Summer Youth University program continued to

undergraduate studies

82% of participants in a women's economic leadership program said that the encounter with the students allowed them to acquire new knowledge and skills

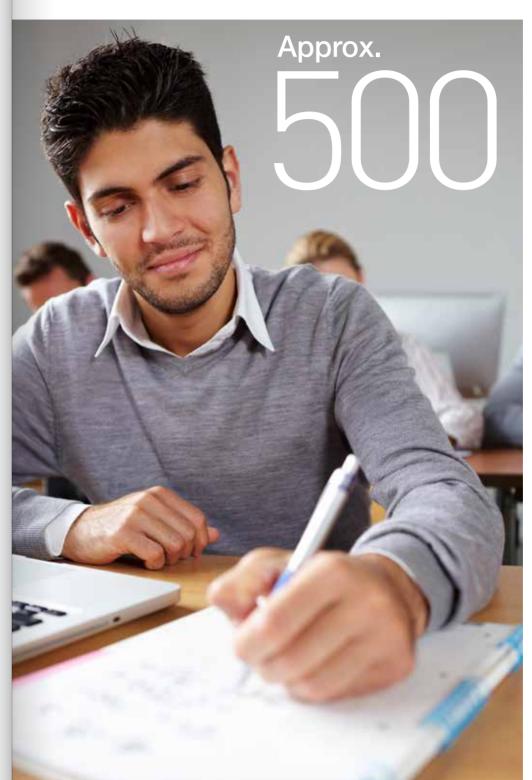
#### FIRST

FIRST is an international non-profit organization dedicated to encouraging adolescents to study science and technology. The organization's flagship event is an annual competition in which participants from all over the world present technological projects created by teenagers, with the guidance of a team of instructors and volunteers from the local community. This is the fifth year in which the bank has supported this initiative, within its ambition to promote technological education in Israel.

8,000 Students

Children aged 6-18 participate in this program. Over the last nine years, the number of students involved in FIRST activities grew from 360 to 8,000 3,000 Students

The bank supports a project targeted to children aged 9-14 (grades 4-9), which reached over 3,000 students in 2014





### scholarships

The bank provided assistance in funding approximately 500 scholarships for college students from various sectors of Israel in 2014

#### **Ben Gurion Heritage Institute**

An educational institution dedicated to communicating the heritage of David Ben Gurion. The institute works in many areas derived from this heritage: Zionism and Jewish identity, sovereignty, excellence in society, leadership, development of the Negev region, and more. The institute has several units that operate specialized programs for various groups: children and youth, teachers, defense employees, new immigrants, tourists, and the general public.

## 15 Thousand students

The institute conducted a wide range of educational programs for approximately 15 thousand students in 2014

Over 60,000 visitors came to the site in 2014



## Promoting Financial Education in Society and in the Community

The bank's effort to promote education and its financial freedom perception have given rise to several projects, some unique, designed to advance financial education in the community, as described below:

#### Financial Education in Secondary Schools at the ORT Network

Bank Hapoalim, in collaboration with the ORT Israel Development Center, offers a program of study for secondary-school students designed to provide personal financial education, teach skills that students will need as independent adults, and impart the tools and knowledge necessary to make sound personal financial decisions. The program consists of fifteen hours of instruction, with a blend of face-to-face teaching and virtual learning, in ten self-contained modules covering subjects such as investment, savings, income, smart consumerism, money and means of payment, personal budget management, bank accounts, and the capital market.

4,500 Students participated in the program in 2014, in 140 groups, at 43 schools Each participating class received 20 annual hours of instruction on financial education

#### The Growing Family

A project initiated by the bank in collaboration with the Yedioth Ahronoth newspaper and the Ynet website, to follow families facing various financial challenges in order to learn how to improve their economic conduct. The families are provided with guidance by the bank's advisors in areas such as personal financial conduct and financial growth, real estate and mortgages, pensions, investments, and more. The project serves as a platform demonstrating to the public, through the stories of five families, how consumer habits, economic habits, and financial behavior in general can be transformed, with the aim of achieving economic balance and growth.

## Over 8,000 Children

participated in dozens of Dan the Saver day camps, in over 20 towns, during the 2014 summer vacation

Approximately 60,000 children have participated in Dan the Saver day camps over the last five years.

#### **Dan the Saver - Teaching Savings**

Within the drive for financial education for the bank's customers and for the next generation, aimed at making a better economic future possible for them, based on the awareness that childhood habits become the habits of a lifetime. the bank is leading a financial education effort targeted to children and parents. This project is designed to reinforce and promote the value of savings for parents and children. Activities aimed at parents focus on encouraging savings, by evoking positive nostalgic memories, while maintaining innovation and a value offer to benefit the client. Activities for children focus on creating a positive experience at their first encounter with a bank, and building a beneficial, empowering relationship. During 2014 Dan the Saver summer day camps were held in more than 20 towns throughout Israel for children from various sectors



#### **Enriching Parents**

Bank Hapoalim has undertaken a goal of working to promote financial education for young children, preteens, and adolescents. Young children in preschool and elementary school are acquiring their first concepts of money, savings, and more. It is therefore important to provide them with the tools for future management of their economic lives. The bank created a presentation and a lesson plan for children aged 5-8 regarding basic concepts for prudent financial conduct, as part of the Enriching Parents project, in which parents teach classes at their children's schools.

#### Paamonim Foundation

The foundation promotes balanced, responsible financial lifestyles for families, and works to strengthen the personal financial responsibility of families and individuals and to boost their ability to conduct a stable, balanced economic life, thereby helping to reinforce Israel's social and economic resilience.

16,000 People

In 2014, the foundation helped approximately 16,000 people through workshops and lectures, and provided individual counseling sessions to 6,000 families.

60% of families that received individual financial guidance over the last few years attained financial balance within three years. More than 7,000 families in Israel have reached financial balance over the last few years, with the help of Paamonim guidance and workshops.

## 84%

of families that completed the program in 2014 will reduce the gap between their income and expenses by approximately NIS 2,000 within one year

28% of families participating in the organization's programs will increase their income by approximately 30% within one year.

#### Chasdei Lev

The Chasdei Lev organization has set the goal of creating a better financial and personal present and future for families in the Galilee region, through stronger economic resilience. As a social and professional organization, Chasdei Lev promotes the construction of economic resilience for Israeli households, through three key programs, each designed for a different target group: Positive Family - an economic empowerment program for families caught in a cycle of poverty and financial distress; Economic Growth College – for employed and self-employed people who earn wages that do not allow them to support themselves with dignity, and in many cases may lead to economic collapse; and Shekel - a financial education program supporting education on values, understanding, and clear thinking on these subjects, aimed at raising a new generation with an awareness of the significance and value of prudent economy.



#### **Promoting Culture and the Arts**

The perception of Poalim for the Community places special emphasis on culture and the arts. The bank provides assistance to outstanding cultural institutions dedicated to leadership and excellence, focusing on institutions that have initiated community efforts to bring culture and the arts to a wide range of different audiences. The bank also works to make cultural events accessible to underprivileged children and adolescents.

In 2014, at least 40,000 people attended cultural and artistic events supported by the bank. The bank's contribution directly aided the participation of approximately 23,000 people.

Several examples of the bank's investment in culture and the arts (of the dozens of initiatives and projects in which the bank is involved), are described below:

#### Poalim for Culture and Nature in Israel

Since 2005, Poalim for the Community has conducted a special project each Passover, in which all Israelis are invited to visit a variety of sites throughout Israel free of charge during the holiday week. Bank Hapoalim believes that closeness to

Thousand People

visited dozens museums and other sites free of charge, sponsored by the bank at its initiative, during the Passover holiday in 2014

our heritage and culture is of the utmost importance, and has therefore resolved to make it possible for parents and children throughout Israel to travel during the holidays and enjoy a variety of sites all over the country at no cost, while promoting culture and the arts.

#### **Batsheva Dance Company**

The dance company runs a project for morning performances at schools, holding approximately 50 performances each year for students across the country. The performances are organized jointly with Sal Tarbut Artzi (National Culture Basket), an arts education

Thousand Students

Within the effort to promote culture throughout Israel, for a wide range of audiences, the Batsheva Ensemble held approximately 50 performances for 20.000 students in 2014.

program in which all students in grades 1-12 are exposed to each of the canonical art forms - an inspiring model for bringing a young audience closer to the arts.



#### Israel Philharmonic Orchestra

The orchestra runs the Mafteach (Key) program, in which children and adolescents gain exposure to classical music through in-person meetings with orchestra musicians and in concerts, in various locations in Israel.

## Over Thousand Children

adolescents, and people of all ages, with an emphasis on peripheral communities, participated in this program in 2014

The bank's contribution supported the participation of more than 2,000 children and adolescents in the program

#### Cameri Theater

The bank's aid to the theater includes tickets donated to various population groups throughout Israel that are usually unable to attend performances, thereby helping to make culture and the arts accessible to all segments of Israeli society.

## 1,000 Tickets

As it has done each year, the theater donated 1,000 tickets, inviting people who are not able to attend theater performances routinely, according to target groups selected by the bank



## At least **Thousand**

received treatment and assistance in the areas of health care and welfare in Israel through organizations supported by the bank. The bank's contribution directly helped approximately 41,000 people

People

#### **Promotion Welfare and Health**

Poalim for the Community is involved in a wide range of community activities and invests in welfare programs and in aid to health-care institutions.

#### Israeli Art Exhibition for the Israel AIDS Task Force

The inner space of the bank's head-office building is reminiscent of a museum, with open galleries on every floor. For several years, the bank has organized art exhibitions in this building in order to raise funds for important causes. The exhibitions are professionally curated, so that the building is transformed into a museum for the duration of the show. The bank leverages its network of community and business relationships to draw stakeholders and contributors to the exhibitions.

This exhibition, in memory of Leah Rabin, one of the earliest supporters of the battle against AIDS, was held for the sixteenth year at the bank's head-office building. Artwork donated by hundreds of artists was displayed. All of the funds raised through the sale of the artwork at this event are devoted to the Israel AIDS Task Force.

million NIS Task Force

was collected at the exhibition held by the bank in support of the Israel AIDS

The Israel AIDS TaskForce held more than 100 workshops for approximately 17,500 adolescents

#### Ezra Lemarpeh

This non-profit organization, headed by Rabbi Elimelech Firer, has a wide range of activities and services for patients, aimed at enabling both patients and their families to resume their lives and return to work. In addition to medical advice and rehabilitation services, the organization runs activities for children who are sick and for their families, including medical, educational, and emotional support for children and families; the Elder Brother program, which offers home visits and help with schoolwork; birthday celebrations; making wishes come true; and more.

Approx. Thousand

In 2014, the organization helped 150,000 people receive advice, treatment, and medical support. The bank's contribution helped approximately 1,500 people



#### Latet

An Israeli non-profit humanitarian aid organization, founded to help reduce poverty for the creation of a better and more just society, by assisting population groups in distress, encouraging mutual accountability and giving in civil society, and spearheading a change in national priorities. Programs run by the organization include a nutritional security initiative; aid with food and medications for Holocaust survivors; Latet Youth, developing leadership and social initiative in adolescents; Latet Future, for the development of micro-enterprises among populations living on the borderline of poverty; Hunger Free City; and efforts to raise social awareness and change policies.

Approx. **Thousand Families** 

The foundation serves as an umbrella organization, collaborating with 150 local non-profits and organizations, which helped approximately 60,000 families throughout Israel during 2014. Approximately 5,400 families received assistance from the foundation as a result of the bank's donation



participated in programs and projects related to various community causes in Israel, initiated by the non-profit organizations supported by the bank

#### **Promoting Additional Social Causes**

Poalim for the Community also invests in a range of additional areas, fostering various social and environmental values - such as support for organizations that promote equal opportunities, organizations promoting employment in underemployed population sectors, environmental groups, organizations for the empowerment of women, and more.

Iln 2014, at least 58,000 people participated in programs and projects related to various community causes in Israel, initiated by the non-profit organizations supported by the bank. Key examples of the bank's investment in additional social causes:

- Non-Profits Exhibition For the ninth year, the bank invited the Israeli public to buy holiday gifts sold by non-profit organizations that offer products handmade by children, adolescents, and adults with disabilities or special needs. The exhibition is used to develop resources for the organizations, as a platform for exposure of the organizations' activity to various stakeholders and the general public, and as a model that can serve other business organizations seeking to promote community causes. All income from the sale of these products is dedicated to the activity of the foundations. The exhibition was held at the Poalim Campus in Shefayim, with 35 non-profits participating; the proceeds were transferred to the organizations in full;
- **Etgarim** In 2014, the Etgarim foundation helped approximately 5,500 adolescents and adults with special needs, such as physical, sensory, and mental disabilities, maximize their individual potential, expand their abilities, and participate in the community through challenging activities in nature;
- Promoting employment: Olim Beyahad A non-profit organization working to reduce unemployment among Ethiopian-Israeli college graduates by offering job opportunities suited to their skills. 260 people participated in this program in 2014. 89% of the program's graduates are currently employed in suitable positions;
- Promoting employment: Be-Atzmi The Mifne-Massar program for unemployed women from diverse population segments (Arab-Israelis and Jewish Israelis, single parents, and women aged 45+) achieved 67% success in job placement and/or occupational training for its participants, who numbered 251 in 2014. The Employment for Empowerment program for financial guidance and workforce entry as means of emerging from poverty, targeted to families referred by municipal social services, achieved 81% success in placement in jobs and/or occupational training (approximately 2,500 families in the last three years).





Poalim for the Community will continue to focus on education, with an emphasis on financial education and education for prudent financial behavior, while also continuing to promote strategic projects of the bank such as Read & Succeed, the Passover project, the Non-Profits Exhibition, and more.

#### **Examining Achievement of Objectives**

#### **2014 Objectives**

promote strategic projects of the

bank, such as Read & Succeed, the

Passover project, the Non-Profits

Exhibition, and more.

Poalim for the Community will continue to focus on education, with an emphasis on financial education and education for prudent financial behavior, while also continuing to



Status

3,000

employees volunteered

Approximately 3,000 employees volunteered on a regular, ongoing basis in 2014. Overall, 30% of the bank's employees volunteered on a regular basis

More then

4,000

employees

On Good Deeds Day, held for the eighth time in 2014, more than 4,000 employees volunteered in a wide range of activities

#### Volunteering

The bank has established a nationwide network of volunteers, encompassing thousands of its employees from various parts of the country. The frequency and type of volunteer work vary widely among the units, including weekly, monthly, or quarterly activities, activities held on holidays, and activities on Good Deeds Day. The bank's broad geographical deployment makes it possible to respond to the needs of local communities and volunteer for a wide range of activities, so that the local branch becomes a center for social improvement and aid during times of distress. Employees and executives volunteer in their spare time, some privately and independently, and some with the leadership of the bank, in collaboration with the various foundations. Volunteer activities are varied, with numerous community partners; employees can choose a continuous activity throughout the year, or specific events where they can contribute according to their abilities. Among other efforts, employees of the bank volunteer with children and adults with special needs, Holocaust survivors, mentoring for soldiers with no family in Israel, mentoring for women who are victims of violence, assistance and training for the promotion of employment, adoption of centers for children and for the elderly, assistance at group homes for children at risk and at foster homes, and packaging and distributing food to people in need.

The bank's broad geographical deployment makes it possible to respond to the needs of local communities and volunteer for a wide range of activities, so that the local branch becomes a center for social improvement and aid during times of distress.

Volunteer work is performed through integrative management and an orderly organizational structure, consisting of the following functions:

- Senior manager Appointed within the bank to hold overall responsibility for management of this area;
- Steering committee Provides strategic support for the new structure through the exposure and selection of models and of potential strategic partners in the community; formulates policies for recognition and appreciation of volunteers, marketing of the activities in the organization, and recruitment of volunteers;
- Core social leaders 46 leaders selected by division/region heads, responsible for promotion of the Poalim Volunteers program and its goals and objectives in their division/region, development and management of partnerships and volunteering programs on the regional and local level with community partners, motivation of employees, and management and guidance of the network of social leaders;
- Social leaders network- 400 leaders selected by department and branch heads, serving as a direct liaison to all employees and leading the volunteering drive at the level of the units and branches.



#### Volunteering in 2014

#### **Volunteering to Promote Financial Education**

The bank's volunteering efforts emphasize financial education, in alignment with its core activity. Within this effort, bank employees volunteered in several areas in 2014:

- Lectures on financial education and family budget management Given for various target audiences by employees of the bank. In addition, within the activity of the non-profit organization Shiur Acher ("A Different Lesson"), hundreds of employees of the bank taught classes at schools throughout Israel on financial and other subjects; parents and retirees gave lectures to children in the Enriching Parent program:
- Children's Bank The first children's bank in Israel was founded at the Kfar Hayeladim group-home school in Karmiel, serving 230 children. Children who receive an allowance can deposit it at the children's bank, check their balance at any time, buy products at the village store, and pay with a magnetic card issued to them. The bank provides the children with their first banking and financial experience;
- Promotion of entrepreneurship -Employees of the bank give lectures on writing a business plan and advise teenagers on business ventures at schools, within the Premium Entrepreneur and Taasiyeda projects.

#### **Summer Youth**

As part of the promotion of the values of doing and giving, 1,200 children of bank employees aged 15-18 participated in a wide range of community activities during the summer vacation (in accordance with the Youth Employment Law, 1953). Summer

Youth is an initiative of Poalim Volunteers in collaboration with the employee union, the human resources division, and the Poalim Campus, funded by the bank. The project enables employees' children to learn about and absorb the value of giving, through activities aimed at helping various population groups in Israeli society. The participants learn about the underprivileged parts of Israeli society and experience volunteering for one week. Six six-day sessions of this project were held during the summer. Each session opened at Poalim Campus with an introduction to content areas related to Israeli society and experiencebased enrichment, including instruction on volunteering, and learning about the value of financial freedom and about managing youth bank accounts, and later progressed to practical volunteer activities.

EMPOWERING SOCIETY
AND THE COMMUNITY

#### more then

100

**Lectures** on financial education and household budget management were given by volunteers from the bank

500

Within the Shiur Acher program, 60 courses on financial and other subjects were taught at 44 schools, to 1,500 students, by more than 500 bank employee volunteers



Thousands of employees participated in volunteer activities during the holidays, in areas such as childcare centers, elder care, hospitals, and more, and distributed



Bank employees were trained to instruct new drivers, as part of the Or Yarok program

The employees' children were praised and honored by the foundations and community partners, who welcomed the activity and initiative of the bank's management and the sense of partnership and values demonstrated by the participants. Many of the adolescents expressed satisfaction with the experience and a desire to continue volunteering after completing the program.

#### Realizing the Rights of Holocaust Survivors

In recent years, employees of the bank have participated in a project promoting the realization of Holocaust survivors' rights. Employees in the Jerusalem area worked on this project, visiting survivors' homes, explaining their rights to them, and filling out forms on their behalf. Participating employees received certificates at a ceremony held during the year.

#### **Volunteer Activity Management System**

A specialized computer system was set up in 2013 to manage the bank's volunteer system. This system enables employees who volunteer to enter information regarding their activity, making it possible to measure the aggregate volume of employee volunteering. The system also serves as a platform helping employees who wish to volunteer near their homes find an appropriate venue, through a user-friendly search interface. Registration of employees on this system continued in 2014.



Volunteer activities in the area of financial freedom for a range of target audiences will be expanded during the year, and will include various non-profit organizations

Children's bank - Children's banks will be set up at three group homes for at-risk children during 2015

Activity to benefit Holocaust survivors will continue in 2015, through participation in the project for realization of rights, as well as volunteering on an individual basis and at activity centers.

#### **Examining Achievement of Objectives**

#### 2014 Objective

regular volunteers

The emphasis in 2014 will be on maintaining the volume of volunteers at the bank at approximately 30% of all employees, and on closer relationships with the group of

Completed

Status

Volunteer activities in the area of financial freedom for a range of target audiences will be expanded during the year, and will include various non-profit organizations

Completed

Registration of all volunteersan volunteer activities on the system used to measure employee volunteering will be completed during 2014; the system will be integrated with the organizational portal



Completed

In 2014, bank employees will be trained to instruct new drivers, as part of the Or Yarok program

Completed. A group of employees received the training.

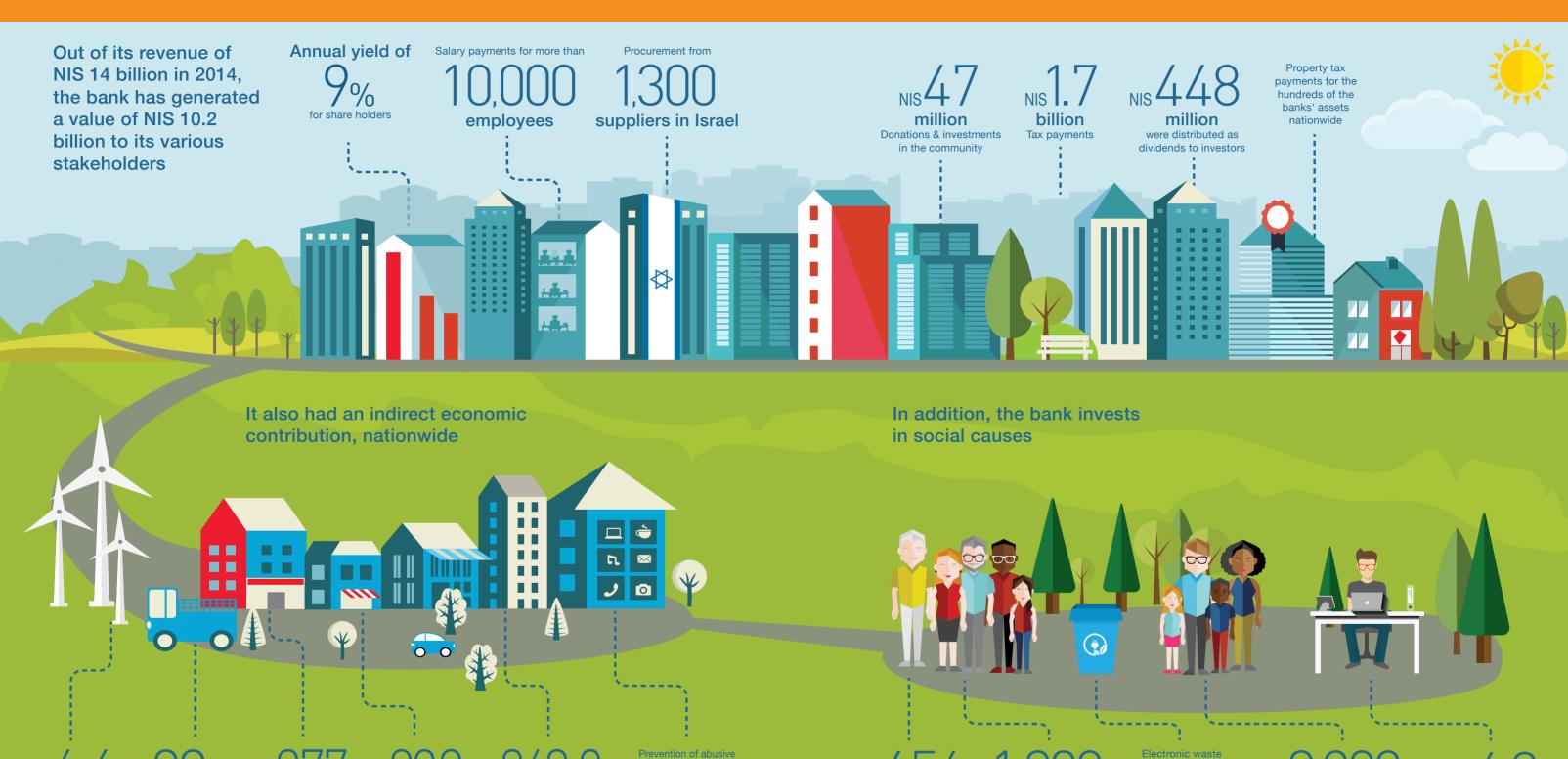


**Thousand** hours of volunteer work

> Employees performed over 124,000 hours of community volunteer work during 2014

## The lion's share of the monetary is returned to the its

## value that the bank has generated Israeli stakeholders



billion

billion
for environmental
projects
of the procurement is
from local suppliers.
30% of the
procurement is from
small suppliers

277

branches

/

billion in credit to small billion

in credit to the public allowing economic growth and development employment, protection of the rights of contractor's workers, reduction of environmental impacts via responsible procurement, and promotion of small and peripherally located businesses NIS 456

nillion

donated for a variety of social organizations and projects, that help hundreds of thousands of people each year (between 2004-2014) 1,200

employee's children volunteer during summer vacation

treatment program for collection and recycling. The program integrates employees with special needs 3,000 bank employee

bank employee's
bank employees took part in
volunteering activities
throughout the year

)O NIS 6.3

s milli in donate purchasing o

donated for purchasing computing systems between 2007-2014

# EMPLOYEES QUALITY OF LIFE AND WELL-BEING



The bank's philosophy is that the most successful way to manage human capital, in the best interests of the organization and its employees, is through genuine partnership. The bank recognizes that as an employer, it must consider its employees' wellbeing and wellness, as well as their enrichment, growth, and empowerment, and works to achieve the optimal synergy between each employee's individual development and the needs of the organization, across all stages of the work cycle

#### **Human Capital Approach**

The bank applies long-term considerations of sustainability and social responsibility to the management of its human capital. For the bank, its employees are key stakeholders; its relationship with them is conducted on a firm foundation of true growth and partnership. The bank promotes a responsible work environment while ensuring compliance with the law regarding the terms of employment of its employees and other workers on its premises. Furthermore, the Bank respects and acts in light of universal norms of securing employment rights listed in the UN Convention (UNGC, UN International Bill of rights, UN int Covenant on Economic, Social and Cultural Rights and UN Guiding Principles on Business and Human rights) and the conventions of the International Labour Organization (ILO), this inter alia in issues of freedom of association and collective bargaining, prevention of discrimination and inequality and more.

According to long-standing tradition, the work environment at the bank is characterized by:

- Equal opportunities and the prevention of discrimination;
- A wide range of opportunities for personal and professional growth and development, generating shared value for employees and for the bank;
- Concern for the wellbeing of employees and their families, including aid and support during times of change or crisis;
- An excellent working relationship, dialogue and partnership maintained between management and the employee union.

The bank's philosophy is that the most successful way to manage human capital, in the best interests of the organization and its employees, is through genuine partnership. The bank recognizes that as an employer, it must consider its employees' wellbeing and wellness, as well as their enrichment, growth, and empowerment, and works to achieve the optimal synergy between each employee's individual development and the needs of the organization, across all stages of the work cycle: from recruitment, to training, promotion, and orderly and attentive preparation for retirement, as well as ongoing relationships with retirees, who remain part of the family of employees of the bank.



Responsiveness, flexibility, assistance, and support, from a broad perspective on employees' lives, are vital elements in fostering the desired relationship between the bank and its employees. This includes a balance between work hours and leisure time. The work week at the bank consists of fewer hours than the number of weekly work hours established in Israeli labor laws. The bank also ensures that its employees do not exceed the amount of overtime permitted by law. The bank asks its employees to use the full amount of vacation days owed to them each year. This approach helps the bank achieve the goal of satisfied employees who are able to function to their full potential and who view the bank as a desirable, preferred workplace where they seek to remain.

#### **Rating on List of Best Workplaces**

In a survey conducted by BDI in 2014 to rank the 100 best workplaces in Israel, Bank Hapoalim placed seventh. The Bank has maintained its standing as one of the top ten best workplaces in Israel over recent years. In another BDI survey of high-tech workers at 60 Israeli companies, the bank was rated one of the ten most desirable workplaces. The bank is the only financial organization included in the top ten. These accomplishments reflect the bank's commitment to its employees and its achievements in the area of social responsibility.



### Presenting Information on Employees



9,283

The number of employees of the bank in 2014



95.9%

Full-time and part-time employees: 95.9% of the bank's employees are employed full time, while 4.1% are employed in



91.7%

Collective agreement: The bank recognizes its employees' right to unionize and conduct collective negotiations. The collective agreement applies to the decisive majority of employees of the bank, excluding those employed under personal contracts



62.4%

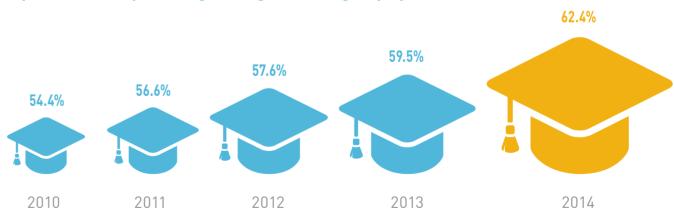
The percentage of employees who hold academic degrees rose from 59.5% to 62.4% in 2014. 200 employees were enrolled in academic degree programs this year, with tuition financed by the bank through a joint fund of the board of management and the employee union. 37.4% of the bank's degree-holding employees have master's degrees or higher. This group constitutes 23.4% of all employees of the bank

#### **Education and Age**

The following table presents a breakdown of the 9,283 employees of the bank in 2014, by age and level of education

Education No academic degree		Academic degree			Total	Age group
	B.A.	M.A.	Ph.D.		distribution	
18-21	23				23	0.2%
22-30	486	527	95		1,108	11.9%
31-40	567	1,324	748	3	2,642	28.5%
41-50	767	1,001	871	7	2,646	28.5%
51-60	1,373	614	356	5	2,348	25.3%
60+	275	158	81	2	516	5.6%
Total	3,491	3,624	2,151	17	9,283	100%
Education distribution	37.6%	39.5%	23.2%	0.2%	100%	

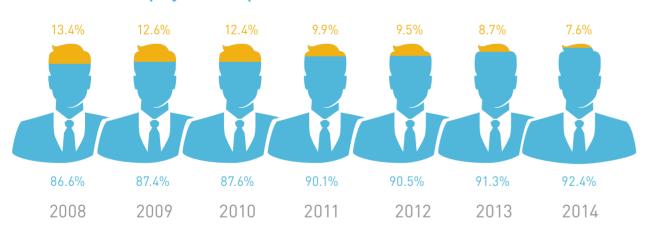
#### Upward trend in percentage of degree-holding employees at the bank



\*The upward trend in the percentage of degree-holding employees continued at a greater pace in 2014. This achievement reflects an ongoing long-term positive trend of rising proportions of degree holders at the bank, due to factors including the bank's encouragement of employees to study towards undergraduate and graduate degrees, through tuition aid and added vacation days for examinations. Overall, from 1997 to the end of 2014, the percentage of degree-holding employees at Bank Happoalim rose from about 26% to 62.4%.



### Ratio of bank's employees to Supervised workers at the bank





Supervised workers Bank employees

Maternity leave: 695 employees took maternity leave in 2014, while 523 returned to work following maternity leave. Employees returning from maternity leave usually resume their previous positions. Any position change if made, is done in coordination with the employee

### Distribution of employees by type of employment agreement

		Permanent employees	Temporary employees	Senior employees	Total
2014	Collective contract	80.93%	10.82%		91.75%
	Personal contract		6.98%	1.26%	8.25%
2013	Collective contract Personal contract	80.7%	12.4%		93.1%
		0.2%	5.5%	1.2%	6.9%
2012	Collective contract	78.1%	15.1%		93.2%
	Personal contract	0.2%	5.3%	1.3%	6.8%

# Employee turnover, 2012-2014 (employee departures)

Year	Age	Female	Male	Total
2014	Up to 30	102	71	173
	31-50	9	12	21
	50+	496	202	698
	Total	607	285	892
2013	Up to 30	198	72	270
	31-50	119	81	200
	50+	212	134	346
	Total	<b>529</b>	287	816
2012	Up to 30	181	78	259
	31-50	96	57	153
	50+	84	68	152
	Total	361	203	564

# 4,026

Absorbing supervised workers: In 2014, the bank hired 374 supervised workers as regular employees (approximately 70% of these are women), these employees consist 48% of all supervised workers employed during the year. Overall, the bank hired 4,026 workers in 2008-2014. The percentage of supervised employees decreased from 18.8% to 7.6% between 2007 and 2014

**Employees become** partners in promoting the bank's endeavors through organization-wide communication on all levels: dialogue between managers and employees, and direct communication between the various units. The range of methods applied at the bank to achieve these aims includes faceto-face meetings, use of the organizational portal, promotion of a culture of sharing and innovation, and processes of feedback, assessment, and drawing conclusions

## Promoting a Culture of Dialogue and Openness

Bank Hapoalim considers its employees to be full partners who contribute to all business and organizational processes. Employees become partners in promoting the bank's endeavors through organization-wide communication on all levels: dialogue between managers and employees, and direct communication between the various units. Direct dialogue between managers and employees enables employees to feel connected with organizational objectives. Lateral dialogue between units helps organization-wide processes move forward with flexibility and efficiency. The range of methods applied at the bank to achieve these aims includes face-to-face meetings, use of the organizational portal, promotion of a culture of sharing and innovation, and processes of feedback, assessment, and drawing conclusions. The bank also works to encourage "the wisdom of the crowd" and a culture of social dialogue by providing a comment section for news items posted on the organizational portal, as well as through surveys, webinars, forums, etc.

### **Strengthening Relationship with Employees**

- Management-employee encounters A series of different types of meetings have been held between the bank's management and employees: breakfast meetings with CEO Zion Kenan, aimed at forging closer relationships with employees and giving management a stronger connection to events on the ground; and Executive Chats -open talks held by members of the board of management with groups of employees from different units of the bank, in a variety of positions, representing a range of the bank's units. These meetings continued during 2014;
- Employees instill the vision of the bank The project of instilling the bank's vision, initiated in 2010, represents a process of renewal and growth as well as a declaration of the bank's commitment to universal social values, towards its business environment and its community. A detailed plan was constructed for leadership of this process by managers and its application to the bank as a whole, from senior management to each and every employee. Following the official organization-wide launch of the vision in 2011, the process of instilling the vision continued in 2014, through various aspects of the bank's activity: instilling the vision at the different units of the bank, integrating the values of the vision into learning and training materials, and communication of the bank's vision to employees and managers;



**Employee-management encounters:** From the launch of this initiative to December ,2014 220 Executive Chat meetings were held by members of the board of management with groups of bank employees (40 meetings in 2014). Approximately 2,320 employees participated these meetings

**Employee-CEO encounters:** 31 breakfast meetings with CEO Zion Kenan have been held (3 in 2014). Approximately 1.000 employees participated these meetings



sharing and dialogue among employees

through forums, surveys, comments, and participatory activities. As a result, the bank has achieved improvement in employees' professional skills, increased synergy between the head office and the units on the ground, stronger organizational identity among employees, and genuine dialogue through the range of tools available on the portal. The bank's organizational portal has earned recognition in Israel as "best practice" in the areas of knowledge management and intra-organizational communications. In 2012, Bank Hapoalim was the first organization in Israel to earn accreditation under the Israeli knowledge management standard SI 25006;

■ Feedback and evaluation processes - Each year, managers provide feedback to employees on their individual performance at their positions. The performance evaluation process takes the form of a dialogue between the manager and the employee, and supports a number of goals, including employee development, coordination of expectations, and improvement of performance. The process helps empower and nurture employees, and promotes excellence. The performance evaluation process includes an examination of the employee's performance over the last year and formulation of the main objectives for the coming year, including professional as well as personal objectives. Midyear talks to track progress on the objectives and development are held about six months after the feedback sessions. These processes continued to be performed routinely in 2014;





### **Activity of the Organizational Portal in 2014**



/ + million

Number of pages viewed monthly

159<sub>k</sub>

Employee queries via the portal

95%

Attainment of response targets (24 hours)

500

Content expert employees who manage sites within the portal

250

Knowledge items posted on the portal daily

Organizational innovation - Innovation is one of the most significant values promoted at the bank. Activities related to innovation are aimed, first and foremost, at creating value for customers through innovative thinking originating both within and outside the organization. Innovation processes have been led for the last five years by the Research and Development Unit in the Strategic Management Center, within the Corporate Strategy Area, through a series of initiatives congruent with the present and future goals of the bank.

Several processes were conducted in 2014 with the aim of encouraging in-house innovative initiatives. In addition, the annual Innovation Festival was held, as in recent years, with the participation of some 200 employees and managers from various bank units.

In 2014, the Fintech Unit of the bank's Strategic Management Center continued to collaborate with the Information Technology Area and with Poalim Capital Markets on an initiative to promote, adopt, and invest in promising financial technology companies. The goal of this activity is to expose the bank to innovative technologies in the financial industry being developed outside the bank, and to gain a competitive advantage by absorbing these technologies, as part of the value offer for the bank's customers. Representatives of the bank meet with financial technology start-ups and examine the innovativeness of their ideas and their potential added value for the bank. Companies offering an interesting product are examined in depth, on the business and technology dimensions, and some are selected for practical testing at the bank. Since the foundation of the Fintech Unit at the bank, new technologies from ten Israeli start-up companies have been embedded in a wide range of areas, such as improving the customer experience, the capital market, and payments.

Alongside the intra-organizational innovation processes, the bank also reaches out to external entrepreneurs and companies in order to bring in outside innovation. During the last guarter of 2014, the bank launched the BankApp application development competition, considered innovative even on the international level. The bank gave competitors controlled access to some of its databases. and invited developers and start-up entrepreneurs to develop mobile applications based on data including anonymous information on financial and consumer behavior in bank accounts and credit cards. The competition sparked fruitful collaboration with the start-up community in Israel, and generated various ventures, the promotion of which will be considered during 2015.



# LOOKING

### Launch and implementation of the Mobile Portal

- The portal will contain news and useful content for employees, including for access from home, such as information regarding employees' rights during pregnancy and maternity leave, rights of employees on prolonged sick leave, information for parents of children with special needs, information about support for aging parents, and more. The portal also contains benefits for social and leisure activities, and the Poalim Travel forum, where employees can share experiences and tips;

### **Specifications and setup of the Colleague Portal**

- The portal will enable groups of employees with shared interests to discuss them and share content and knowledge. This solution, managed using Connections by IBM, will be fully integrated with the portal and will serve small knowledge communities as a space to promote dialogue among members, in order to learn from each other's experience and thereby improve work processes, improve customer response times, and promote the business. The Colleague Portal will eventually replace outdated tools, such as the Staff Rooms and Forums;

### Deeper and broader intra-organizational dialogue through new tools and channels

- An online news program, uniform message sheets, recruitment of mid-level executives as communication agents, and more;

The effort to promote innovative initiatives that create value for the bank's customers will continue;

The drive to promote and instill an organizational culture of in-house and external innovation will continue, with the aim of achieving continual improvement.



### **Examining Achievement of Objectives**

### **Objectives 2014**

### An organizational event calendar will be launched on the portal in 2014. The calendar will display periodic activities and organizational tasks to employees, at the level of the bank and of the unit.

An upgrade of the search engine on the portal is planned, to improve capabilities and reduce the time needed to find information.

The upgrade to Version 8 of the IBM PortalWebSphere infrastructure used for the portal will continue, in order to improve stability and utilization of capabilities.

The structure of the portal's homepage will be revamped in order to make knowledge more accessible and personalize the presentation of information, so that each employee can view relevant unit-level information in a box on the main page, without delving into the depths of the portal.

The expansion of information consumption through the organizational portal will continue, as a result of its accessibility via mobile phones, tablets, and the Portal from Home.

As part of the innovation drive, the implementation and absorption of selected initiatives drawn from within the bank with added value for its clients will be emphasized.

The bank will continue to promote and instill an organizational culture of innovation, through the existing innovation infrastructures: the annual Innovation Festival, the Innovation Competition, business innovation workshops, the Innovation Community, and more, while continually monitoring and improving the effectiveness of these activities.

### Status



The calendar has been launched and is being used by the business websites and the portal.



Planned for the first quarter of 2015.



Successfully upgraded in June 2014.



The new homepage was launched following the upgrade of the portal in July 2014.



The Mobile Portal is in the final stages of development, and is scheduled to launch in the first quarter of 2015.



Several intra-organizational efforts have been conducted, along with the creation of processes to allow the development and launch of a range of innovative initiatives during the year.



Several processes were implemented to promote innovation at the bank and to foster an organizational culture of innovation in the business units.



# Promoting Diversity, Equal Opportunities, and Transparency

### Non-Discrimination

### From the Bank Hapoalim ethical code:

"The bank treats its employees fairly and without discrimination. The policy of the bank is to employ, promote, and make decisions regarding employees based on pertinent considerations, such as qualifications and performance, with no discrimination due to religion, race, sex, age, political views, sexual orientation, disabilities, etc. The bank does everything in its power to implement this policy." Any claims of discrimination brought before the responsible parties are addressed by the bank immediately, in order to investigate the allegation. No complaints of discrimination found to be justified were filed at the bank in 2014.

### **Transparency from Step One**

The relationship built between an employee and the bank during his or her first days with the organization forms the foundation for their work at the bank over the years to come. The bank accords high importance to employee satisfaction during the orientation period, and emphasizes respectful individual attention and full explanation

	Male	Female	Total
Board of directors*	5	10	15
Senior executives	23	66	89
Middle Management	1,309	1,172	2,481
Employees	4,673	2,040	6,713
Total employees	6,005	3,278	9,283

the labor market



and information about rights and obligations, as well as a personal gift for the employee's home and a detailed orientation package. The bank provides new employees with information regarding terms and processes related to their work, as well as useful information on all matters connected with the beginning of their employment. New employees are invited to initiation conventions and orientation days, to receive an explanation of their designated position and of what it means to work at the bank, and to gain familiarity with the bank's organizational culture and expectations.

### **Equality in Wages and Terms**

In general, salaries and terms of employment for bank employees are determined according to a role book. The role book, which is available on the organizational portal, contains information regarding the terms of employment and entitlements granted to employees at each rank and position. The publication of the role book contributes to transparency in wages and allows control over the terms of the wages. The bank will raise the minimum monthly wage for its employees, in one step, to NIS 5,000, beginning in April 2015. This decision, which has been approved by the board of directors, will apply to employees of the bank as well as to external employees who work at the bank.

### **Equal Wages for Men and Women**

Basic wages and related terms are established at the bank according to employees' position and rank, based on the role book, regardless of gender. This method is used to construct the wage system and calculation charts. The bank performed a review of remuneration at all levels of the organization, and found that wages were equal for men and women, at all positions and ranks. Obviously, there are certain differences in total wages paid to employees in specific positions, due to individual characteristics such as seniority, added benefits for parents of children, overtime, etc.

### **Equal Opportunities - Gender and Sector**

Data on the employment of women at the bank indicate that the percentage of female managers at the bank as a whole is on an upward trend. The pool of female employees with management potential (at the first tier of management) is large, and has a positive effect on the growth of talented female managers and on the rising proportion of women in senior management. The bank strives to promote workplace diversity and hires employees from a variety of sectors and population groups, as part of its human-resources management policy.

An officer responsible for the prevention of sexual harassment in the workplace has been appointed at the bank. Channels for communication with her, as well as the bank's regulations on this matter, are posted on a topic page in the organizational portal. This topic is refreshed annually using a specialized tutorial.

<sup>\*</sup> members of Board of Directors are not bank's employees



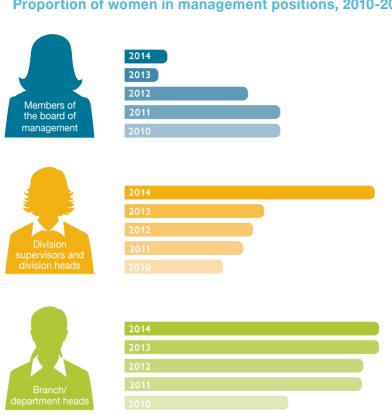
### **Adapting Work and** the Workplace for **Special Needs**

The bank invests the necessary resources and carries out any adjustments that are called for in the work environment when new employees with physical disabilities are hired, or in the event of changes in employees' health. Thus, the bank provides disabled employees with an appropriate work environment that enables them to function to their full potential. In some cases, the bank assigns employees to a position in which their disability is not an obstacle, in order to enable them to continue to work at full capacity.

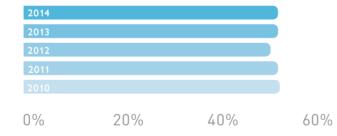
### Working to Include **Population Groups** Underrepresented in the Job Market

The bank is leading a diversity initiative, based on an understanding of the advantages of diversity on the level of the business, its values, and the organization. Within the vision of the bank, it is committed to the inclusion of a range of different population groups in congruence with their representation in society. This is justified both in business terms and in terms of the bank's commitment to the society of Israel. The bank encourages recruitment and absorption of employees

### Proportion of women in management positions, 2010-2014







from population groups underrepresented in the job market, as part of its hiring policy; more than 1,200 employees from these sectors are currently employed at the bank. As part of the long-term work plan formulated by the bank, several processes are being promoted in this area, including focus and adjustments in the recruitment and absorption process, as necessary: activities designed to instill a diversity approach in the bank's management culture as part of its leadership philosophy; and structuring of work processes and collaborations with non-profits specializing in empowerment and integration of underrepresented population groups in the job market.



of the employees of the bank are women, versus approximately 47% in the labor market in Israel



51%

Minority employees constitute 5.1% of the bank's manpower



Hiring of employees from population groups underrepresented in the job market: 57 employees from

underrepresented groups were hired by the bank in 2014 (minorities, ultra-orthodox employees, Ethiopian Israelis, and disabled persons), constituting approximately 17% of the employees hired by the bank in total.

Collaboration with non-profit organizations committed to the promotion of population groups underrepresented in the job market: The bank continues its collaborations with the non-profits Kav Mashve - Employers' Coalition for Equality for Arab University Graduates, Olim Beyahad - Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, Mafteach - Ultra-Orthodox Employment Development Centers, Tevet - Fighting Poverty Through Employment, Tech Careers - Computer Training for Ethiopian Israelis, IT Works - Empowering People, and Be-Atzmi (employment programs).



### **Promoting Workplace Diversity**

As part of the diversity drive, the bank's senior executives attended a forum aimed at inspiring proactive leadership to develop and boost diversity. Dialogue sessions are held from time to time with employees of the bank who represent different sectors of society, in order to gain a better understanding of the unique aspects of the employment of each sector. In 2014, the bank continued to emphasize maximization of the potential inherent in population groups underrepresented in the job market, by reaching out to non-profits and organizations that specialize in these sectors, advertising available positions in a wide range of channels, and guiding candidates through screening and training processes. The bank has adapted its standard screening processes to the unique cultural characteristics of candidates from population groups underrepresented in the job market. Special emphasis has been placed on expansion and growth of the bank's branches serving the Arab-Israeli sector. As part of its collaboration with organizations and foundations that promote diversity, the bank participated in seminars and courses on this subject, and hosted and participated in guiding a class on the development of relationships with employers for organizations specializing in employment of people with disabilities, within the Ze Oved Coalition. Employees of the bank shared their experience in various forums, including professional conferences for organizational consultants.



In 2015 and in the coming years, the work plan for the promotion of diverse human capital at the bank will continue, encompassing several organizational efforts:

Continued implementation of the diversity approach at the bank - The In House Art exhibition for employees and retirees of the bank will focus on this theme; a content page on this subject will be posted to the organizational portal; relevant news items will be published on the organizational portal;

### Promotion, integration, and acceptance -

Incorporating diversity management in courses and training programs; continuing the series of dialogue sessions with workers representing different sectors; forming a mentoring program; publishing information and useful tips on the organizational portal.

### **Examining Achievement of Objectives**

### Objectives 2014

Instilling the ability to accept difference and diversity at the bank - Creation of a plan adapted for each target group within the bank, from senior management to all employees, with goals (according to group) including: understanding and internalization of the added value of diverse human capital; creating motivation to promote this issue at the bank; providing tools to bridge cultural differences and bring together a multicultural team. The plan includes publications on the bank's portal, production of a guide for managers on managing diversity, a senior forum conference on this subject, and dialogue by a member of the board of management with a wide range of employees;

**Formulation of an outline for a mentoring program -** For selected employees, to support their adjustment to the bank and promotion to a range of positions in the long term.

Arab-Israeli and ultra-orthodox colleague teams - Organization of regular group meetings, for Arab-Israeli employees and for ultra-orthodox employees, specialized for each sector, aimed at building a platform for stronger, better relationships between the bank and its employees, between the bank and these communities in general, and among employees, such as through assistance with recruitment in their segment, improvement of work processes, creation of collaborations with figures in each sector, and more.

### Status



Completed.



Postponed to the end of 2015.



In a preliminary process, a series of meetings with the Head of Human Capital, Advising, and Resources has been initiated for workers representing diverse groups.

The Campus is a key partner in a range of strategic processes at the bank, from the initial stage of examining needs, through the development of training tools, to testing their effectiveness after implementation. During process development, the Campus uses all of the tools at its disposal, integrating a range of training methods. The time employees invest in training does not impede business performance; instead, it serves to enhance and hone professional capabilities, on the path towards better business achievements

# Personal Development and Training

The bank cultivates a culture of learning and invests in professional and management training to empower its employees and managers. Most of the bank's professional and management training is conducted through the Poalim Campus. The Campus serves as the central arena for change-generating learning, leading to personal, organizational, and professional growth, with the goal of ensuring professional and managerial excellence for the bank's employees and managers. The Campus consists of the banking school; the management and leadership school; the training planning, development, and evaluation unit; the banking portal; and the intra-organization communication and organizational development unit. The Campus melds employees' desire to learn and develop with the bank's need for high-quality workers, and promotes an organization-wide culture of ongoing learning. This learning-oriented approach emphasizes the ambition to decentralize learning, from Campus classrooms to the training centers at the regional administrations and beyond, to each employee's workstation and branch.

The Campus is a key partner in a range of strategic processes at the bank, from the initial stage of examining needs, through the development of training tools, to testing their effectiveness after implementation. During process development, the Campus uses all of the tools at its disposal, integrating a range of training methods, such as online learning, use of videos and simulations, use of the portal, and frontal instruction. According to this view, the time employees invest in training does not impede business performance; instead, it serves to enhance and hone professional capabilities, on the path towards better business achievements.

The Campus routinely assesses the effectiveness of its courses and development programs, field training programs, and training sessions within systemic projects. The assessments are conducted using questionnaires administered at the midpoint and end of the course, aimed at encouraging and evaluating the effectiveness of learning processes. Key performance indicators (KPIs) established for this process include attainment of objectives, acquisition of knowledge, skills, future implementation, preparedness to perform, relevance, and satisfaction. The average KPI score serves as an index of the general effectiveness of the course. Another measurement is performed some time after the course, to evaluate absorption and implementation of the knowledge and skills learned in training, and the extent of change in the employee's behavior following participation in the program. This post-completion evaluation makes it possible to assess the extent

of support received by the employee in implementing the skills, tools, and processes learned during training, and the main barriers to such implementation and absorption. This feedback enables the Campus to improve the quality and precision of its training programs. The Campus also works to map employees' knowledge gaps, with the aim of identifying the main areas of missing professional knowledge and designing focused training programs to close the gaps. The knowledge gap mapping process is performed on an ongoing basis at the bank, using anonymous sample testing, particularly in areas involving regulatory requirements.

In addition to the activity of the Poalim Campus, several of the bank's units conduct on-the-job training processes and other internal training activities designed to impart specific professional knowledge relevant to the unit and improve employees' capability and performance. These training activities are conducted at the following units:

■ Central back offices - The central back offices conduct basic training for all new employees, to familiarize them with the range of activities performed at the centers and impart basic knowledge. Advanced training for experienced employees is designed to create specialization in specific knowledge areas. In addition, brief professional training sessions are conducted each year for all employees, to

■ Call center - New bankers join the call center following basic training at the Poalim Campus. At the unit, they receive additional internal training aimed at imparting knowledge about business processes and new banking products (mortgages, loans, etc.) and refreshing their existing knowledge. In addition, as part of the process of developing human capital at the call centers, training sessions are conducted to improve employees' individual skills.





190

Course evaluations -Performed in 190 course sessions, with 3,000 employees participating 92%

Participant satisfaction - 92% of participants rated their satisfaction with the training as high or very high;



35%

Achievement of KPIs (effectiveness evaluation) - 85% of participants rated achievement of these objectives as high or very high;

**Mapping individual knowledge gaps in the learning system -** Performed for the first time; individual questionnaires were accessible to employees at their workstations, and matched to their specific positions. The mapping process was a pilot project held with approximately 200 employees at the central back office.

#### **Poalim Campus 2014**

The activities held at the Campus in 2014 included the following:

■ Implementation of the learning system - The learning system introduced at the Retail Banking Area in 2013 was expanded to the entire bank in 2014, including head-office workers. This process has involved the ongoing development of brief, focused computer-based learning modules designed to maintain employees' professional preparedness across the full cycle of service in each position, through the use of modules matched to each position. The system serves as the platform for annual learning mandated by regulations. This project was chosen as one of the 100 leading projects worldwide in the area of

computer-based learning. This project, which also addresses the general culture of learning in the organization, was chosen as one of the 100 leading computer-based learning projects worldwide in the "ELearning!" 100 Awards, a competition held by the "ELearning!" Media Group - one of the leaders in this field in the US. The project was selected based on the parameter of innovation. Towards the end of the year, the learning system was used to begin a process of mapping knowledge gaps in various areas at the bank's operational center;

- Campus in the Field 2014 was marked by the continued transition in which responsibility for learning was transferred to regional administrations. Lesson plans on a range of subjects were created and made available for use by the regions in training their employees, in order to expand their knowledge and eliminate any knowledge gaps;
- Poalim Restructuring training program The Poalim Campus collaborated with the Retail Credit Division in the Retail Banking Area to develop an innovative instruction program, designed to introduce a new organizational process to bankers in private banking at the retail branches. The Poalim Restructuring process is aimed at changing bankers' perspective on debt collection, with the goal of focusing on helping the customer restructure, rather than on collecting the debt. 51 branches joined this effort in 2014, with staff attending professional

training sessions at their branch given by managers from other branches where the new approach had already been implemented. All of the bankers also attended a workshop designed to help them internalize the necessary behavior changes;

- Team Leadership The implementation of this program continued during 2014, with 52 branches participating. The program stresses team management, the empowerment of individuals, and development. A new team leadership program was also developed specifically for department heads at the head office;
- Development as a way of life The bank believes that fulfillment and development are the shared responsibility of employees, managers, and the organization an ongoing process of learning and improvement of individual capabilities, granting the employee knowledge, experience, and added tools. The bank offers employees many opportunities to develop in various directions, according to their ambitions and abilities. The three main development axes, managerial, professional, and personal, are primarily realized through the Poalim Campus. On the organizational level, a Development Index was introduced at the bank in 2014, to examine employees' satisfaction with the training and knowledge they receive and with the mentoring and feedback provided by their direct supervisors. Processes and tools for routine use are available to managers in order to encourage employees' development, such as the annual performance evaluation process; mid-year development talks;

- access to the learning system, which allows managers to track employees' progress; and more;
- Afternoon Campus Another session of financial education workshops for employees of the bank opened in 2014. The workshops consist of six group sessions and two individual coaching sessions, aimed at bringing about changes in financial behavior. A survey conducted for the first time gave bank employees the opportunity to influence the subjects of courses to be offered. In response to the survey, workshops in English, Spanish, and interior decorating opened in early 2015.

Annual training activities, 2014

61,400 Days of learning

Average hours of learning per employee

Poalim Campus activity - average number of learning hours per employee









0 10 20 30 40





Annual training activities, 2014

A20

Number of course sessions at the Campus

Percentage of position-specific

training programs

Percentage of managerial/ behavioral training programs

# LOOKING

The execution of several projects at the Poalim Campus will begin during 2015:

**Poalim Restructuring -** Nationwide expansion of this effort towards behavioral change at 230 branches within six months;

Advising older customers - Based on the board of management's decision to provide more in-depth service to customers of the bank aged 55 or older, the bank plans to reach out to these customers to offer pension and financial advisory sessions focused on planning for retirement. In advance of this process, training days have been planned to strengthen pension advisors, as well as behavioral training days designed to enhance financial advisors' ability to communicate with this customer segment;

Mapping knowledge gaps - The process of mapping knowledge gaps in the Retail Banking Area using the learning system launched during the last quarter of 2014. The goal of this process is to map gaps in various areas among branch workers, and provide an immediate response to close any gaps discovered.

# **Examining Achievement** of Objectives

### **Objectives 2014**

Poalim Restructuring - The Poalim Campus is a participant and leader in the implementation of the Poalim Restructuring project. The project is focused on changing the approach to customers and on a transition "from collection to restructuring." Thirty additional branches will join this project in 2014. The branches will receive guidance on changing behaviors as well as training by managers who have already implemented this process at their branches;

Training needs mapping process - As part of the promotion of training for the bank's employees in the field (at branches, etc.), learning processes are being adapted and specialized content is being created. In this process, the various needs are studied in order to achieve retention and reinforcement of high-quality professional knowledge. Focus groups organized by content areas and performance have been used;

Absorption of the learning system - This system, which enables employees to learn through their personal computers, will be expanded to the business branches, the central back offices, and the head-office units. The development of brief computer-based learning modules will continue, allowing employees to learn focused professional content as part of their workday routine.



**Status** 

Completed to be continued in 2015.



### Promoting Appropriate Work Environments

### Insurance Policies, Funds, and Benefits for Employees

Bank Hapoalim pays wages to its employees in accordance with personal or collective employment contracts signed with each employee. In addition to wages, employees enjoy a wide range of benefits, under agreements with the employee union and pursuant to their personal contracts, as relevant. Employees receive comprehensive insurance coverage, including pension insurance (starting on the first day of employment at the bank), disability insurance, life insurance, personal accident insurance, health insurance, and dental insurance. In addition to the insurance coverage described above, additional safety nets are available to employees during times of crisis:

- The Malki Foundation A voluntary fund, administered as a non-profit foundation financed by employee donations, which provides financial coverage for employees in the event of serious illness or similar occurrences;
- The Mutual Assistance Foundation
- This foundation is financed by management's budget, and is designed to assist employees who encounter financial difficulties and family or financial crises;
- The Management and Employees'

  Shared Foundation Financed by

employee and management funds, and used to finance wellbeing activities and assistance for employees and retirees.

Employees are entitled to discounts on bank-account fees, subsidized loans, spreading of debts into installments, and loans tailored to personal milestones: moving to a new home, buying a vehicle, children's weddings, and more.

### **Performance Rewards**

The bank's remuneration policy is consistent with the directives of Amendment 20 to the Companies Law, 1999 (the "Companies Law") and with Proper Conduct of Banking Business Directive 301A, Compensation Policy at Banking Corporations ("Banking Corporation Compensation Directives"). The remuneration policy reflects the bank's ambition to compensate its employees and managers for their work and for their contribution to the bank, and to retain them over the long term, with appropriate incentives and linkage of their best interests with those of the bank and its stakeholders, in congruence with the bank's long-term goals, work plans, and policies. The remuneration

Mashab queries:

59,000 queries to Mashab were documented in 2014, from 10,000 employees. During the year, Mashab complied with an SLA of responding to 85% of contacts by the end of the following business day. Since the establishment of Mashab in 2010, over 220,000 queries have been made by 16,000 employees

policy is consistent with the Bank's vision, strategy, work plans, and risk appetite. The policy is designed to maximize the bank's value, while emphasizing stability and the interchange between achieving returns and taking risks.

# Objectives of Employees' and Executives' Remuneration Policy

■ To motivate officers and senior executives to work to create long-term economic value for the Bank and its stakeholders, in a manner that strengthens the connection between remuneration and the creation of value for the stakeholders in general and for shareholders of the Bank in particular. In accordance with this objective, wages for officers, executives, and employees are derived from a scale of ranks, which offers the possibility of promotion and reflects the authority and responsibility of each level in the organizational hierarchy. Variable remuneration for senior executives consists of components including an annual bonus contingent on the financial performance of the bank, based on profit adjusted for risk, and the bank's cost of capital; the bonus is also determined based on achievement of quantitative and qualitative measurable personal performance objectives;

- To promote a remuneration structure that prevents damage to labor relations at the bank;
- To adjust remuneration to the nature of activity, responsibilities, and skills of employees and managers, such that remuneration is determined following consideration of the employee's education, skills, expertise, professional experience, and achievements, as well as the employee's position, areas of responsibility, and previous wage agreements. Remuneration for functions of the organization involved in supervision and control is determined based on standards which take the importance and sensitivity of these roles into consideration.





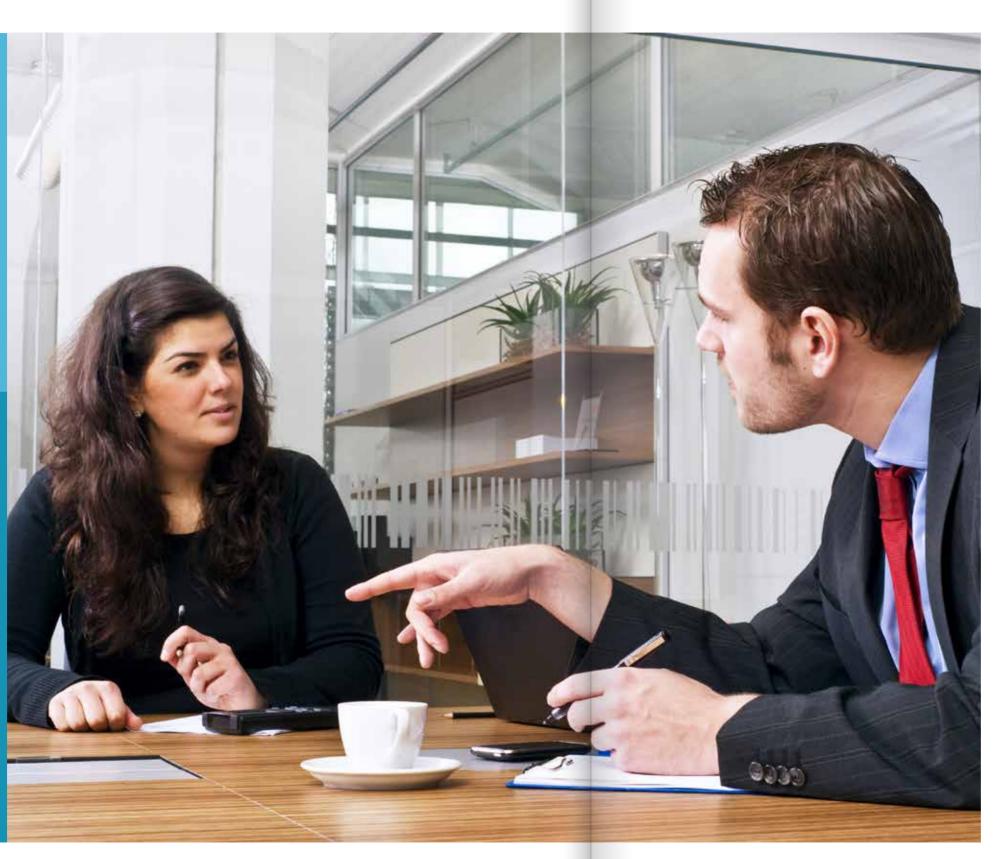
45%

Elah system (self-service loans for employees): 45% of the number and amount of loans taken out by employees of the bank were processed through the Elah system



**Outstanding employees:** 

The selection of outstanding employees expresses management's appreciation for these employees' contribution to the accomplishments of the bank. Outstanding employees are chosen for their skills and for a combination of qualities based on a range of criteria, such as striving for excellence, colleague relationships, teamwork, and more.



### **Excellence in Service to Employees**

The Mashab Personal Service Center serves as the centralized destination for employees' and managers' queries on various matters related to human resources, aimed at improving satisfaction and strengthening connections. Mashab was established with the aim of bringing human-resource services to the next level, and provides service to all employees and managers of the bank. Mashab consists of three functions:

- A service center for online and telephone queries from employees and business partners on matters related to human resources;
- An operational system to support work processes derived from queries on matters related to human resources, in areas such as attendance, maternity leave, unpaid leave, employee loans, monitoring of missing data on employees, employment certifications, visas, eligibility for mobile phones, cafeteria points, daily expense allowances, and more;
- Support center for employees in crisis Assistance, care, and advice; information, mediation, and help exercising rights within the bank or in the community, for personal or family issues such as care for elderly parents, care for children with special needs, parenting guidance, health problems, bereavement and coping with grief, communicating with occupational doctors, work-related crises, preparation for retirement, coping with emergencies, and more.

The Elah (Bank Employees Credit) system, available to employees in recent years, offers loans to eligible employees of the bank through a quick, simple, user-friendly procedure on the bank's website. The hotline for contractor workers employed on the premises of the bank operated routinely (for data on queries by contractor workers, see the "Supply Chain" subsection in the "Community" chapter).

Seven workshops on financial knowledge for employees and their spouses were held free of charge again in 2014. Options for self-service online applications were expanded in various areas of human resources, such as education certifications, assistance for employees caring for children with special needs, and more.



Poalim Health on the portal: The Poalim Health zone of the portal logged over 80,000 visits in its first four months;

# Creating an Organizational Map at the Human Capital Development Center

The bank is committed to providing a setting conducive to its employees' personal and professional development; the HCDC serves this purpose by creating a point of contact between the organization's needs and employees' professional ambitions. To realize this philosophy and foster employee growth, development, and empowerment, the HCDC provides a comprehensive, current operational status snapshot of capabilities and skills, while advancing employees through individual instruction and occupation changes. Hundreds of employees experience mobility each year at Bank Hapoalim, as they are assigned to new positions or promoted. Employee mobility takes place within a supportive, values-driven work environment that encourages workers to enrich their knowledge and experience, in congruence with the business needs of the bank. In addition to mobility processes, the Human



Lectures and workshops on health: Thousands of employees of the bank participated in lectures, including online talks, during the year. 50 employees quit smoking with the help of the workshops;



400

Running groups: About 400 employees of the bank participated in 30 running groups during the year; 1,700 joined gyms and sports clubs;

Capital Development Center (HCDC) handles hiring of new employees, through a range of different hiring tracks.

Several processes were carried out in 2014 at the Human Capital Development Center (HCDC) to improve the process of hiring employees employed through external companies. In the area of recruitment, a continued emphasis was placed on diverse human capital. As part of the hiring process, welcome conferences and orientation days were held for new employees, to strengthen their connection with the organization. In the area of employee retention, professional conferences were held for specific target groups; examples include employees receiving tenure at the bank and graduates of the management training program with one year's experience at the bank.

To facilitate employees' transitions between units and positions at the bank, a computerized tool was developed to allow employees to familiarize themselves with screening tests and experience them before the day of actual testing, in cases of mobility or promotion to a position requiring tests at a testing institute. Employees experiencing mobility were given individual guidance by a staffing coordinator at the HCDC, including face-to-face meetings, individual preparation for professional interviews, interview tracking, support, and advice, until the staffing process was complete, with full absorption at the new unit. Departing employees met face-to-face with a human-resources representative and received an aid package including career advice and job search guidance.

### An Ergonomic Work Environment

One of the many facets of caring for employees is to ensure a healthy, appropriate work environment. This is achieved through ergonomics. Information on ergonomics is accessible to employees on a page dedicated to this subject in the CSR section of the organizational portal. The page contains professional information and rules for working correctly in an office environment, such as how to sit, how to adjust chairs, how to use accessories, etc., as well as instruction on exercises during work, answers to frequently asked questions, and more.



### **Poalim Health**

A joint effort by the Human Resources, Advising, and Resources Area and the employee union, aimed at promoting healthy lifestyles for employees; a significant new step towards expansion of the range of activities at the bank helping to encourage health for employees and their families. In a comprehensive process during 2014, employees were offered tools, tips, and activities in the areas of nutrition, exercise, family health, and preventive medicine. Activities during the year:

■ A dedicated space on the portal – A space dedicated to Poalim Health has been added to the organizational portal, with a wealth of tips, articles, nutritional recommendations, health calculators (BMI, calories, pulse, child development), a presentation on child nutrition, and more;

- both in person and online via the organizational portal during the year on various health-related subjects, such as child nutrition, meatless days, etc. Speakers include Miki Haimovich, Michal Tzafir, and Michal Daliot;
- Promotion of good nutrition In a collaboration with professional nutritionists, articles and tips were written for the Poalim Health project, presentations were prepared for employees' use, and employees were invited to send in recipes and healthy nutrition tips to share on the portal;
- Encouraging exercise The Poalim

  Health project also stresses the importance of physical exercise. 30 running groups for employees and their partners were formed nationwide,

and employees were offered discounts on purchases of sports equipment and health-related products and activities

Part of the drive to encourage good health was an effort to rebrand the stairwells in the Rubinstein Tower head-office building. All of the stairwells in the building were redesigned, beginning with the lobby, using visual motifs from various sports. The design also included elements aimed at inviting employees into the stairwells. The goal of this project is to encourage employees to use the stairs and to exercise, within the creation of a healthy work environment; to create an unconventional atmosphere of innovation and creativity; and to add another component to the Rubinstein Tower as it becomes the showcase for the bank's corporate social responsibility philosophy.



### **Promoting Healthy** Lifestyles

The bank allocates resources to activities that promote healthy lifestyles, such as subsidized medical testing; lectures on healthy lifestyles, good nutrition, and exercise; organizing and coaching a wide variety of sports teams for employees, and participation in sports competitions for workplaces; workshops on quitting smoking; and more. The bank also offers employees and their families assistance with the cost of membership at sports and fitness clubs, comprehensive health insurance, organized walks, and more.

### Caring for Employees during **Organizational Changes**

As a dynamic business organization in a competitive environment, the bank carries out organizational changes and adjustments that sometimes take several months. Such changes are communicated to and coordinated with the various stakeholders. In some cases, not only do units undergo change, but employees are also reassigned to different positions. In these situations, the appropriate training and instruction are provided in order to prepare the employees for their new roles, and support is offered through all stages of the transition and absorption. Under the bank's labor constitution, in all cases of transfer of employees to a different position, the employee must be given at least one month's advance notice. Caring for employees involves ensuring that the conditions of their employment are not impaired as a result of the change.

### **Employee Union**

The Employee Union is first and foremost a strategic partner and a key stakeholder. The work of the management with the Employee Union follows a pattern of ongoing dialogue (updates, feedback, and consultations) and partnership in all key actions and processes in the day-to-day running of the bank. The roles fulfilled by the Employee Union include protecting every employee's rights and obligations; developing cultural, instructional, and social activities; and organizing mutual assistance among employees. The numerous activities of the union for the wellbeing of employees include summer day camps for employees' children across Israel, reduced-price or

subsidized tickets to cultural and entertainment events, discounts on hotels and vacations, holiday gifts and gifts for personal occasions, various types of insurance for employees and their families, medical examinations, aid funds, assistance for families in mourning, assistance during crises, and more. The national union heads the pyramid of local unions, which are organized into regional unions. Branch managers in each region have a regional union as well as representation in the national union. The national union consists of representatives of the regions (including branches and the head office), with representation proportional to the size of the region. The national union operates on the basis of association articles, accessible to all employees in a dedicated section of the organization's web portal.

# LOOKING **AHEAD**

The expansion of the Elah system to additional types of loans available to eligible employees will continue during 2015;

Plans to support employees in need will be constructed, in order to care for employees who suffer prolonged illnesses or work accidents, and for employees in financial distress;

Medical examinations for employees over the age of 30 are planned during 2015;

Workshops on quitting smoking and ergonomic consultations will be offered to employees in 2015;

Employees will receive subsidies for individual consulting sessions on moving towards healthy lifestyles and healthy nutrition;

Frontal and online lectures on various health-related subjects will be offered to employees during the year; articles and tips on health will be added to the dedicated page of the portal.

### **Examining Achievement of Objectives**

### Status

### Elah system phase II - Phase I of the Elah system will be expanded to additional types of loans available to

eligible bank employees; Coaching days for managers – Three coaching days in the area of human resources will be held during 2014 for branch managers and department

heads at the head office, with the aim

of improving their understanding and

Poalim Health - The Poalim Health

drive will be launched in 2014 as a joint

and Resources Area and the employee

union. Activities will be conducted

initiative of the Human Capital, Advising,

throughout the bank on subjects such as

good nutrition, exercise, family health,

and preventive medicine. Information

about this new project is presented in

a dedicated area on the organizational

portal, where employees can keep current

with tips and tools for a healthy lifestyle

and receive information regarding the

various activities.

capabilities in this area;



process started.

To continue in 2015.

**Objectives 2014** 

Completed.



Completed.





Wellbeing services are offered on two levels. Individuals receive improved benefits, guidance and support, and a range of available activities to improve wellbeing, strengthen their sense of belonging, and position the bank as a leading organization and employer. The bank as a whole conducts organization-wide activities, and mobilizes for employees and the community at special events

# Caring for Employees' Whole-Person Wellbeing

### **Wellbeing Services**

Employees of the bank benefit from an extensive array of wellbeing services in many different areas. These services provide appropriate solutions for a broad range of employee needs, from leisure activities and healthy lifestyles to enrichment for employees and their families, professional assistance in times of personal or family crisis, and more. Wellbeing services complement the wages and various benefits given to employees. Services are offered on two levels. Individuals receive improved benefits, guidance and support, and a range of available activities to improve wellbeing, strengthen their sense of belonging, and position the bank as a leading organization and employer. The bank as a whole conducts organization-wide activities, and mobilizes for employees and the community at special events.

A page in the wellbeing services section of the organizational portal, set up in collaboration with the employee union, offers employees of the bank a wide range of special offers and discounts. Employees are also offered discounts and subsidies on leisure activities, such as fitness clubs, swimming pools, subscriptions to cultural institutions, performances, theater, and more.

Another component of wellbeing services is a range of benefits offered through a joint fund of management and the employee union: gifts for holidays and special occasions, insurance plans, financial aid, and tuition aid for employees and their children.

### Support and Assistance for Employees during Operation Protective Edge

During Operation Protective Edge, the bank worked to provide immediate relief and support to employees who live and work in the conflict zone, to employees whose family members were hurt, and to employees called to reserve military service. Activities included:

- Telephone calls to each of the employees of the branches in the Negev and Southern regions and to employees in reserve military service, offering assistance (approximately 700 calls). Issues mentioned in these conversations were referred to wellbeing officers, regional administrations, Mashab, and other parties;
- Day camps opened for children of employees (approximately 500 children attended each day, at several sites);
- Visits to hospitals and employees' homes by wellbeing officers and human-resources representatives;
- Operation of a hotline offering aid and advice to employees;
- Creation of a new emergency consumer loan for employees residing in the conflict zone
- 1,100 employees from conflict-zone towns were invited with their families to spend a weekend at hotels throughout Israel, at the bank's expense;
- Care packages were distributed to employees who live and work in the conflict zone, employees in reserve military service, and soldiers.

### **Occupational Wellbeing**

The bank supports employees in times of need, and offers assistance in response to personal, financial, and health needs, as a reflection of the value of humanity and as a practical expression of the bank's vision. The bank's two wellbeing officers assist employees coping with distress, crisis, or change in their personal, family, or occupational life, and help them resume their routines, in situations such as prolonged illness, disability, financial distress, or bereavement. Intervention and assistance are also offered, as necessary, to employees' family members or to the surviving family of deceased employees. Any employee can request assistance directly; the service is confidential.

The bank's management and employee union accord great importance to employees' quality of life and to the balance of work life with family and leisure life, along with employees' enrichment, empowerment, and growth

### Work-Life Balance

The bank's management and employee union accord great importance to employees' quality of life and to the balance of work life with family and leisure life, along with employees' enrichment, empowerment, and growth. Most of the bank's employees are entitled to an annual vacation day quota higher than the amount required by law. The bank also grants additional paid leave on holidays and personal occasions, including Purim, Tisha Be'Av, May 1st, weddings, weddings of sons and daughters, birth of a child, mourning and memorial days, days off to study for examinations, and more. The bank practices a shortened work week of 40.5 hours. In many positions, workday beginning and end times are flexible. Work at the branches ends in the early afternoon three days a week.

Bank employees are offered a wide range of social, cultural, and leisure activities at attractive subsidized prices, including sports-center memberships, fitness clubs, swimming pools, hikes and walks, subscriptions to cultural institutions throughout Israel, theater performances in Tel Aviv, the Good Movie Club, and short vacations.





The In House Art annual exhibition was held for the ninth time, to display a wide range of artwork by employees and retirees of the bank

Bar Mitzvah trips:
Approximately

1,000

children of employees participated in a Bar Mitzvah trip to Jerusalem as part of their Bar Mitzvah year

Parents of children with special needs - As part of the activity of the CSR Division and the Occupational Wellbeing Unit of the bank, the dedicated area of the portal has been updated with comprehensive professional information on all aspects of raising a child with special needs, aimed at providing an initial response to issues faced by parents. New materials have been added to the portal page, such as information regarding treatments and benefits for which children may be eligible, in addition to the extensive information already available on the portal regarding rights and services for families of children with special needs



### Life Cycle Workshops

The bank is committed to being a family-friendly employer, and therefore offers employees support in their family roles and duties as parents of children, children of aging parents, spouses, and more. In this context, the bank offers life-cycle workshops, such as a parental authority workshop, defensive driving classes, couples' workshops, language courses, courses on Israeli heritage, coaching workshops, mediation workshops, Adler method classes for parents of adolescents, and more.

### **Promotion of Financial Freedom for Employees**

The drive to instill the bank's financial freedom philosophy among its stakeholders and the concern for employees across the life cycle encompass the promotion of financial freedom for employees of the bank as well. This endeavor includes:

- Coaching days on sensible financial behavior for employees of the bank The coaching days were introduced in 2014, with the aim of raising awareness of this issue and of its importance, providing knowledge and tools to improve financial conduct, and expanding the circle of employees who participate in activities aimed at promoting financial freedom at the bank. The coaching sessions focus on misguided financial habits, procrastination, responsible family communication, budget management, and the development of personal responsibility and engagement;
- Financial planning workshops A financial planning workshop designed for employees of the bank was launched in late 2013. The workshop consists of six sessions, including two individual guidance sessions and instructional meetings, as well as a lecture on pensions by the bank's pension advisors. The goal of the workshops is to spark behavioral and financial changes while imparting knowledge and tools for better financial management. The workshops covered content including examination of the existing financial situation and issues to resolve, budget and expense management, identifying and addressing financial threats with the potential to disrupt the process, and more. Over 200 employees of the bank have participated in the workshops. Participants' feedback indicate high levels of satisfaction with the content, the coaches, and the behavioral changes achieved;
- Financial Freedom Week campaign on the organizational portal The Marketing Administration, in collaboration

- with the Poalim Campus, held a week-long campaign to encourage financial freedom in December 2014, during which extensive information was provided, daily tips were posted, and a behavioral survey was conducted each day. A different topic was selected as a focus for each day of the week, including the need to change behavior on the path towards financial freedom, budget management, financial conduct in families and with children, smart consumerism, savings, and pensions. Employees were invited to participate actively by suggesting tips and responding to surveys. A virtual discussion with Alon Gal was held in the middle of the week. The level of response to the campaign was high;
- Poalim Campus introduced a one-hour learning module on financial freedom for bank employees. The Learning Hour presents a series of everyday events that raise questions for discussion and shared thinking about optimal financial conduct. This activity is supported by a targeted content area on the portal, where learning experiences can be shared;
- Freedom Newsletter has been distributed on a quarterly basis since the beginning of 2014, in two versions: one for the members of the bank's internal Financial Freedom Forum and the senior management tier of the bank, and a corresponding slightly abridged format for stakeholders in the public, social, and business arenas involved in the bank's efforts to promote financial literacy in Israel. The newsletter provides a venue to communicate the extensive activities conducted by the bank's partners and to transmit important information regarding developments in this field in Israel and worldwide.

### **Poalim Service Center**

The Poalim Service Center offers a unique package of services to bank employees and their families, 24 hours a day. Among other matters, the center helps employees contact the police in cases of home burglaries, tows cars after accidents, and provides initial assistance and references to the appropriate professionals for malfunctions of household systems.

# Preparing for Retirement and Keeping in Touch with Retirees

The bank's obligations in respect of retirement plans, compensation, and pensions are fully covered by pension plan assets. The bank cares for employees and employees' spouses approaching retirement age by offering preparatory courses and workshops regarding retirement, and maintains continuous contact with retirees. This includes support, financing, and cooperation with the retiree union, which organizes trips and leisure activities and arranges monetary assistance in times of need.



### **Budget management tips enclosed with pay slips**

- The bank is promoting an initiative in which several tips on sensible financial conduct in various areas will be enclosed with employees' pay slips. For example, employees could receive practical advice on savings, pensions, imparting good financial habits to children, budget management, and more;

Continued efforts to raise awareness, make knowledge more accessible, and provide employees with guidance, as the first step in improving individual financial conduct and spreading this approach to wider circles.

### **Examining Achievement of Objectives**

### Status

**Objectives 2014** 

Val.

Completed.

illness - In view of the importance accorded by the bank to the wellbeing of employees and their families, an aid package has been created for employees suffering from prolonged illnesses. This package will be offered when special difficulties arise as a result of a prolonged illness, in order to assist the employee with the economic, legal, bureaucratic, and emotional aspects of their condition, according to their needs.

**Assistance for employees** 



**Poalim Service Center:** 

4,000

Approximately 4,000 employees received assistance during the year from the Security Department's center, open 7/24

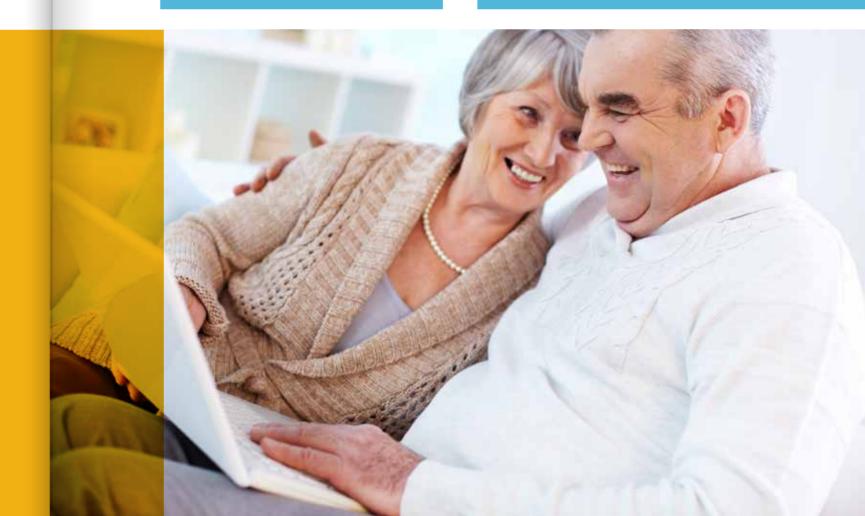




**Preparation for retirement:** 

430

retiring employees registered for a course on preparing for a new life stage



# Work environment: Dialogue

How is the unique work environment in bank is created?

The first step in creating a proper work environment is direct employing and ensuring workers right to union

Aprox.



in recent years



of employees receive an annual performance evaluation and feedback talk



At the same time, the bank recognizes the importance of empowerment and development of human capital



Promoting healthy lifestyle activities

A wide range of social services and professional assistance in times of crisis Personal service center and a hotline for employees and managers inquiries



# and Openness with employees

The bank also promotes equal opportunities and diversity through recruitment processes and in its daily activities



More than

sub-employed populations. The bank has won the Dov Lautman award for diversity in business.

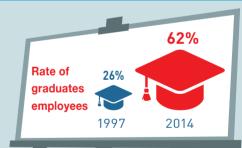


And promotes dialogue between employees and managers

> Internal communication in various channels







And takes care of employees' quality of life during and after working hours Employee Benefits includes: Gifts at holidays and special events, insurances,

financial aid, and support for employees' and employees' children education.







# LIVING WITH THE ENVIRONMENT





The bank involves its employees in this process both through internal changes in environmental practices and through the attempt to maximize the impact of its overall environmental activities, in the hope that its employees will become agents for change in their own right. In addition, the bank seeks to extend its influence on environmental conduct to employees' communities; with their families, the bank's employees are a force for change numbering in the tens of thousands.



## Setting Environmental Policy

In recognition of the bank's social responsibility and the importance of sustainable environmental policies, Bank Hapoalim has formulated a comprehensive, formalized policy in this area. The policy was delineated by professional bodies and constitutes an integral part of the bank's strategy:

- The bank views environmental protection as a social value, managed as an integral component of its social responsibility;
- The bank recognizes that natural resources are an asset belonging to the public, the community, and future generations, in accordance with the principle of sustainable development;
- The bank seeks to achieve the proper balance between economic development and environmental protection in its business decisions;
- The bank complies with environmental regulations and laws, and adheres to the directives of environmental protection organizations;
- The bank diligently endeavors to prevent environmental damage;

- The bank will continually measure its impact on the environment, and will strive to understand ecological consequences and make decisions accordingly;
- The bank will collaborate with other companies and public entities to promote environmental causes;
- The bank will work to assimilate environmental education among its employees, and will initiate and participate in community projects.
- The bank is committed to managing its environmental impact in a manner that ensures continual improvement, by setting measurable targets and monitoring the achievement of its objectives;

The bank recognizes the added value associated with the implementation of this environmental policy, on two main levels:

- The integration of environmental values with the economic values of efficient use of logistical resources creates shared value for the profit line of the bank's financial statements and for the environment;
- A policy of environmental responsibility makes it possible to improve the work environment, contributing to better quality of life for employees at work and higher workplace satisfaction.

The bank's environmental policy is presented on its website.

### Obeying the Law

The bank is aware of its legal duties in connection with environmental protection and prevention of environmental damage, and acts accordingly. No substantial fines or sanctions have been imposed upon the bank for violations of environmental laws or regulations.

# From Consumption Management to Resource Management

The bank views consumable materials as resources to be managed from an environmental and business perspective, rather than as an inevitable but undesirable component of its routine expenses. Consequently, key environmental resources consumed by the bank are managed according to the following parameters:

- Creation of a measurement infrastructure allowing monitoring of trends and identification of areas needing improvement;
- Establishment of a multi-year comprehensive work plan;
- Validation of forecasts from the planning stage and analyses of variance in performance for learning purposes;
- Implementation of initiatives aimed at increasing efficiency;
- Partnership with employees, internal professional functions, and external stakeholders in the implementation of localized initiatives and formal work plans;
- Examination of environmental effects throughout the life cycle of the resource, taking all types of impact into consideration (pollution, global warming, resource scarcity, etc.).

The bank involves its employees in this process through internal changes in environmental practices, as well as through the attempt to maximize the impact of all of its environmental efforts in the hope that its employees, who with their families number in the tens of thousands, will become agents of change in their own communities. Towards that end, the bank strives to supply its employees and their families with information and tools designed to able more environment friendly behavior, in driving, recycling, saving energy, and more. This effort expands the bank's sphere of influence, so that its environmental impact expands from the internal environment of the bank to the external public arena.

This section extensively reviews the bank's material environmental impacts (energy consumption and paper use), as well as the reduction of its additional environmental impacts by various means. This approach is implemented through the bank's environmental management system, which was certified under the international management standard ISO 14001 during 2012. The bank is the first financial institution in Israel to attain organization-wide certification under this standard. Bank Hapoalim also takes responsibility for the indirect environmental impact of banking products. The Clients chapter discusses these environmental effects with an emphasis on services and products that promote sustainable development and generate environmental value for the economy and the general public, while also maximizing financial value for the bank's customers

During 2014, the bank began to receive electricity from Dorad, a supplier of power produced using natural gas. Dorad supplies electricity to the bank's head-office buildings and large branches. A total of about one-third of the bank's annual power consumption was supplied by Dorad. The transition to Dorad has lowered the bank's energy costs and reduced the environmental impact of its power consumption.

> Data on the bank's total power consumption in 2014 indicate a 4.5% decrease compared with 2013

# Power Consumption Management and Energy Efficiency

Electrical power is a key resource used at the bank. The basic assumption is that in enterprises that operate in an office setting, just as in industrial operations, electricity should not be seen as an uncontrollable expense or as a necessary evil. Electricity should be managed as a resource, with rigorous analysis of power consumption over the course of the day, week, and year, and with comparisons among buildings.

The central principle in efficient management of electricity consumption by offices is coordinated timing of air conditioning and lighting systems and of computer operation, according to employee presence, to the extent possible. The collection and analysis of as much data as possible allows organizations to identify excessive consumption and find the optimal solution. Virtually all of the energy consumed at Bank Hapoalim comes in the form of electricity (with the exception of fuel consumption) which is supplied by the Israel Electric Corporation. There are no additional suppliers of energy for the bank which produce energy from renewable sources.

During 2014, the bank began to receive electricity from Dorad, a supplier of power produced using natural gas. Dorad supplies electricity to the bank's head-office buildings and large branches. A total of about one-third of the bank's annual power consumption was supplied by Dorad. The transition to Dorad has lowered the bank's energy costs and reduced the environmental impact of its power consumption.

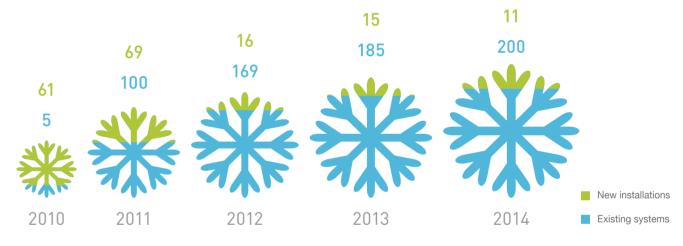
# decrease by O in power consumption compared with 2013



New air-conditioning systems: The bank continued to install more power-efficient systems to replace older airconditioning systems in its buildings during 2014.



### Installation of VRF air-conditioning systems



### **Energy Efficiency**

### **Command and Control Systems**

The bank uses computerized command and control systems to monitor and control all of its energy consumption; these systems provide alerts of significant problems, and controls consumption of air conditioning and lighting based on the presence of employees and customers in each building. The systems have been installed at all of the bank's facilities, and are operated based on a fixed regime according to work hours at each branch or building. The systems were installed at all new branches opened during 2014.

### **Installation of Efficient Air Conditioning Systems**

The bank is installing new chillers with a higher COP (coefficient of performance), as well as VRF (variable refrigerant flow) air-conditioning systems, which leads to savings of about 38% on energy and maintenance costs (20% of the savings are in power consumption), relative to other systems, for replacements and installations;. The process of replacing the air-conditioning systems (chillers) at the bank's head-office buildings and the VRF systems at the branches continued during 2014.



### **Transition to Energy-Efficient Lighting**

As part of an ongoing long-term process of installing efficient lighting in the bank's buildings, all lighting fixtures in the fourstory parking garage at the Rubinstein Tower head-office building were replaced, in a move from fluorescent lighting to efficient LED lights. This process followed tests demonstrating a worthwhile return on the investment involved. Work has also begun on the installation of lighting sensors at the garage. The system will operate beginning in the afternoon hours in the different parking areas of the garage, turning on lights only in response to vehicles entering or exiting. LED lighting installation is planned to expand to the parking garage of another head-office building during 2015.

### Green IT

The bank also works to achieve energy saving and efficiency by thoroughly examining IP telephony-The bank is gradually the possibilities for green information technologies at its branches and offices. Energy efficiency is one of the parameters in the procurement tenders for IT equipment. Equipment with more efficient power usage earn added points in IT tenders, motivating bidders to supply more advanced equipment. In addition, the hardware and communications division does not rely on manufacturers' information only regarding the performance of the various components, and runs the necessary tests on server hardware and software, printers, and peripheral equipment at a laboratory set up for that purpose. The tests allow for products to be examined in greater depth, and serve as a preliminary stage to pilots in the field to generate more reliable forecasts. In 2013, the bank completed the project of converting physical servers to servers based on virtual consolidation technology. The servers allow savings on power consumption for cooling, optimal utilization of server resources, reduced maintenance, and savings on physical space. Main activities carried out during 2014 in the area of green IT:

■ Transition to printing centers and double-sided printers - The bank is gradually replacing desktop and department printers, fax machines, scanners, and photocopiers with integrated devices, operated using an employee card reader, with doublesided printing capabilities. Printing centers lead to savings of about 40% on paper consumption at the bank's headquarters units, and reduce toner consumption. The installation will progress over the course of 2014-2015, and is expected to lead to annual savings of approximately 11 million pages (about 40% of current consumption) as well as significant financial savings;

transitioning its landline communications to an IPT system. The transition enhances landline communications management by allowing digital management through a centralized computer system. This connection eliminates the need for local switchboards at each branch and allows internal calls between system users to be performed free of charge, without using the Bezeg network. In addition, the phones allow users to dial through their computers and to access a directory of all telephone numbers in the organization. The transition to an IP switchboard improves the bank's control over its communication system and saves power consumption due to the elimination of local switchboards;

Additional savings on power consumption in computer use are achieved at the bank through a system that turns off personal computers at the end of the workday and through the use of a fax-to-mail / mail-to-fax application.

### **Energy consumption at Bank Hapoalim**

	2011	2012	2013	2014	Change vs. 2013
Total (KwH)	94,058,465	93,600,417	90,616,904	86,567,004	-4.5%
Total (GJ)	338,610	336,962	326,221	311,641	-4.5%
Consumption per employee (KwH)	8,299.5	8,367.6	8,493.5	8113.2	-4.5%
Bank area in sq. m.	312,787	312,316	308,909	304,184	-1.5%
Consumption per square meter (KwH)	300.71	299.7	294.1	284.6	-3.2%



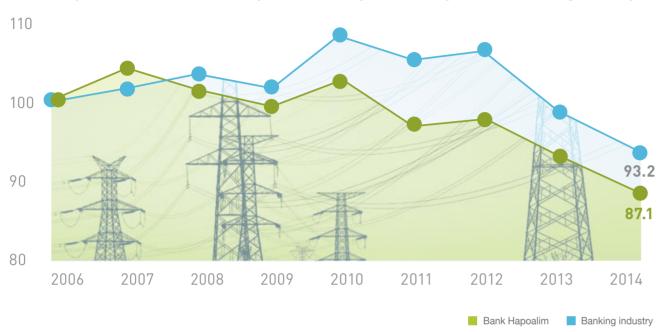
IPT switches: Installed at 168 branches and sites to manage telephony through a centralized computer system, saving employee travel. 10,000 telephones are currently covered by the new technology



the year. A total of 100 printing centers with efficient paper and toner consumption have been installed at the bank so far

# LIVING WITH THE ENVIRONMENT 186-187

### Bank Hapoalim is more efficient in power consumption in comparison to banking industry\*



decrease by

3.2%

Average consumption per square meter compared with 2013

### **Management and Measurement of Power Consumption**

The bank maintains a power consumption database, which is routinely updated to reflect structural changes in the bank's properties as a result of addition, closure, rental, or change in designation. The database enables the bank to examine the monthly and annual consumption patterns of each property, compare it to buildings of similar size and designation at the bank, and compare multi-year trends in consumption per square meter and per employee. The database also makes it possible to identify trends of improvement and increased efficiency, and to locate properties with a risk of inefficiency or malfunction.

Data on the bank's total power consumption in 2014 indicate a 4.5% decrease compared with 2013. Average consumption per square meter decreased by 3.2% compared with 2013. The decrease in 2014 mainly resulted from the ongoing energy efficiency processes undertaken by the bank. In addition to the contribution to the environment, the downward trend in electricity consumption has financial implications in the form of cost savings.



Outdated fluorescent bulbs in the parking garage of the headoffice building on Yehuda Halevi Street will be replaced by LED lighting in 2015 Fluorescent bulbs
will be replaced
by LED lighting on
several floors used
by workers at the
Rubinstein Tower
head-office building

The bank will continue to install efficient air-conditioning systems in its facilities.

### **Examining Achievement of Objectives**

### **2014 Objectives**

The bank will begin the installation of approximately 150 printing centers in its head-office buildings in 2014. The printers and systems will be connected to a central server, allowing precise monitoring of the quantity printed by each unit as well as the application of uniform print settings, such as secure and double-sided printing, color restrictions, and deletion of unneeded print jobs. The installation will progress over the course of 2014-2015, and is expected to lead to annual savings of approximately 11 million pages (about 40% of current consumption) as well as significant financial savings.

In 2014, the bank will continue the installation of VRF systems at its new branches and the replacement of old systems with these systems during renovations and refurbishments of branches.

Outdated fluorescent bulbs in the parking garage of the Rubinstein Tower head-office building will be replaced by LED lighting in 2014.

**√** 

Completed.

The process will

continue during

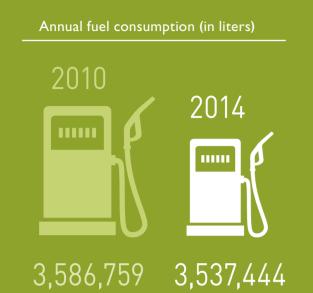
Status

Completed.



<sup>\*</sup> Gadir Engineering Ltd. analyzes power consumption at business firms, among other activities. Starting in 2006, the company has issued an index of power consumption in the banking sector. The index presents the relative multi-year change in power consumption at Bank Hapoalim and at other banks; the reference point (100%) is the volume of consumption in 2006. As shown in the diagram, power consumption at the bank has grown more efficient over the last eight years. The index does not factor in changes in the area of the banks' properties or power consumption in buildings shared by the banks with other entities (branches located in shopping malls, or premises shared by banks and government agencies, other businesses, etc.).





The bank is working to reduce its fuel consumption, and consequently to cut back air pollution, by various means

	2010	2011	2012	2013	
Number of vehicles in leasing fleet	1,324	1,329	1,288	1,238	

Mileage in kilometers per liter 10.1 10.1 10.5 11 11.8 based on manufacturer data)

Number of hybrid vehicles in the fleet 110 23 27 22 19

### **Reduction of Energy Consumption in Transportation**

The direct and indirect environmental impact of Bank Hapoalim in the area of transportation, primarily fuel consumption and emissions resulting from fuel burning, derive from the bank's vehicle fleet and the internal system for transportation between branches and facilities of the bank. The bank is working to reduce its fuel consumption, and consequently to cut back air pollution, by various means. These include:

- Limiting the vehicles chosen for the vehicle fleet to those with a pollution rating of 8. most of the vehicles at the bank, have lower pollution ratings;
- Conducting a dialogue with employees through the organizational portal publication of articles and recommendations concerning safe, efficient, careful driving;
- Encouraging employees to commute by bicycle The bank encourages employees at the head office to ride bicycles to work, by providing showers and bicycle parking spots.

In addition, a large proportion of banking services are consumed digitally or over the telephone, eliminating the need for customers to visit a branch, which leads to reduced travel and air pollution.

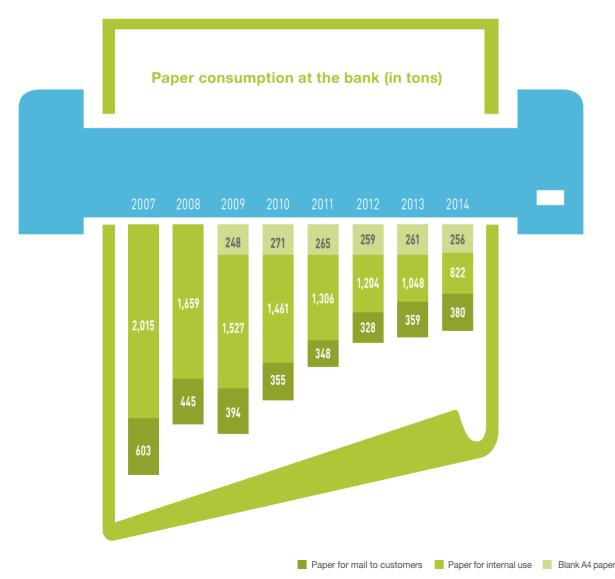


**Data on Bank Happalim vehicles** 

The project "Paperless
Branch" entails
analysis of the bank's
paper consumption
and of the possibilities
for reduction or
elimination of forms
and reports, both for
internal needs and in
mail to customers.

## Management of Paper Resources

Paper is one of the main raw materials consumed during the routine operations of the bank; as such, this resource is managed in an effort to cut back consumption and increase recycling. The drive to reduce paper consumption at the bank continued during 2014. Special attention has been devoted to fully maximizing the potential for automation of formerly paper-consuming processes. This important achievement has primarily been made possible by the Paperless Branch strategic project. The project, which has been led by the LEAN Unit at the Corporate Strategy Area since 2009, entails analysis of the bank's paper consumption and of the possibilities for reduction or elimination of forms and reports, both for internal needs and in mail to customers.





### Paperless Branch

The main activities conducted within the Paperless Branch project in 2014 are reviewed below:

■ Digital signatures and customer service via touch screen – Digital signatures for teller transactions were implemented at most of the bank's branches during 2014; the process will be completed at the end of the second quarter of 2015. Transactions include cash deposits and withdrawals, check deposits and withdrawals, addition and withdrawal of deposits, bank transfers, payment of bills, and checkbook orders and pickups. Customers who receive face-to-face service from bankers are shown details of the transaction on a touch screen, and they sign the form digitally. When the transaction is complete, the customer receives a printed confirmation and the documents are saved digitally on the bank's computer system, instead of the previous practice of retaining physical documents. This transition saves time on document filing, allows rapid retrieval of documents, and contributes to savings of some 15 million pages per year. The rapid retrieval capabilities will also make it possible to respond more promptly to customers' queries requiring a search for documents;

Digital signatures for teller transactions were implemented at most of the bank's branches during 2014. This transition saves time on document filing, allows rapid retrieval of documents, and contributes to savings of some 15 million pages per year.





decrease by

1260/0
of paper consumption in 2014

Consumption at the bank decreased by 210 tons in 2014 relative to 2013, an annual decrease of 12.6%

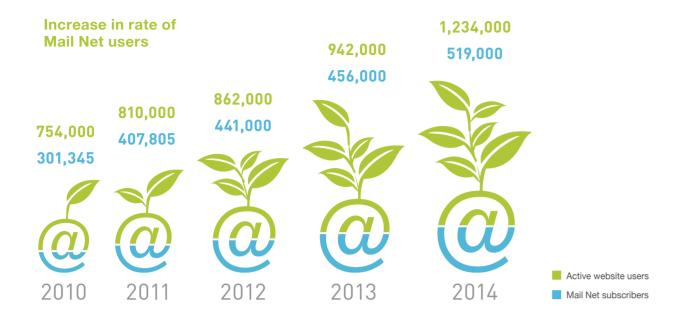
Cumulative savings in paper consumption, measured since 2007 (the baseline year), reached 6,690 tons. This figure is equivalent to preventing approximately 102,000 trees from being cut down for the paper industry.

- For loans and guarantees in New Israeli Shekels- customers will be offered the option of receiving an amortization schedule by the direct means of their choice Mail-Net, fax, or paper mail. The bank has moved from retention of paper copies of the amortization table to saving on its computer systems; the table can be retrieved instantly for customer inquiries. Paper savings come to 1.5 million pages per year;
- Green accounts The bank has completed the process allowing customers to receive a copy of any instructions transmitted by fax or telephone through the direct channels (Mail-Net, fax, or automatic mail); a copy of the transaction is retained on the bank's systems. This makes it possible to use a range of distribution channels, according to customers' needs, leading to savings of approximately 1.5 million pages annually;
- Letters to customers A system has been developed to allow letters to be sent to groups of customers simultaneously, such as invitations to branches, holiday greetings, etc. This significantly shortens the time needed to distribute the letter to customers, allows distribution to a wider group of customers, and provides documentation of the messages on the bank's systems at the level of the customer;

■ Encouraging customers to register for Mail-Net – In order to increase the efficiency of the process of sending messages to customers who are active users of the bank's website and direct channels, a proactive effort is being conducted to register customers for the electronic mail service, in a quick and simple procedure, as a substitute for paper mail. The result has been almost double the number of new registrations for the service each month.

### **Collection of paper for recycling (in tons)**





### **Mail Net**

Bank Hapoalim aims to streamline and reduce mailings to customers. Under various regulatory consumer protection directives, the bank is required to send mail to its customers, at specified times, containing the details specified by law. Within this requirement, the bank is working to reduce its paper consumption. This effort includes consolidation of messages, reduction of mailings where possible, and environmental mail initiatives such as Mail Net. The Mail Net service enables registered customers to receive account notifications through the bank's website, in a mailbox linked to their online account. Every customer registered for this service contributes to average savings of 45 mailed pages annually.

### **Paper and Cardboard Recycling**

The bank collects and transfers paper waste for recycling: paper no longer in use (documents, forms, etc.) is regularly and systematically collected and transferred for recycling by a specialist external company. As part of this effort, each employee has a bin designated for paper collection. Cardboard containers are also collected at the head-office buildings (Rubinstein, Yehuda Halevy, and Rothschild). Cardboard is collected and compressed, and then transferred for recycling.



Paper consumption for internal use at the bank was down by 59% in 2014 as compared to 2007 (the baseline year); paper consumption for mail to customers decreased by 37% in the same comparison



were collected by the bank and transferred for recycling in 2014



### **Transition to Recycled Paper**

At the beginning of 2011, the bank made the transition to "green" A4 paper for its printers and copiers. The "green" paper is made in Israel, using a combination of 50% recycled fibers and 50% ordinary fibers (original cellulose).



Establishment of a paperless digital branch, allowing customers to sign all documents using touch screens

Sending a copy of a transaction performed with a banker to the customer's personal e-mail address (instead of handing them a hard copy)

Completion of the installation of printing centers at all headquarters units of the bank.



### **Examining Achievement of Objectives**

### **2014 Objectives**

**Digital signatures – The use of digital** signatures on touch screens at teller stations will be expanded to most of the bank's branches during 2014. This transition eliminates the practice of printing a physical copy of forms 2015. to retain at the bank, which will lead to savings on document filing time, allow rapid retrieval of documents, and contribute to reduced paper consumption and use as well as to financial savings of millions of NIS annually on paper and storage costs.

### Status



# Completed.

The process will continue during

## Reducing Additional Environmental Impact

Production and service processes in banking have a minor direct environmental impact, as the bank's activity is essentially administrative and the service it provides to its customers is digital by nature. Nonetheless, Bank Hapoalim strives to minimize the additional environmental impact of its activity. The bank manages environmental issues systemically, based on the international standard ISO 14001. The system formalizes organized work processes in the various interfaces used at the bank for environmental management, addressing all milestones and the completion of processes. Controls are applied to ensure compliance with the requirements of the law as well as with norms in this area.

The bank involves its employees in this process both through internal changes in environmental practices and through the attempt to maximize the impact of its overall environmental activities, in the hope that its employees will become agents for change in their own right. In accordance with this worldview, the bank aspires to rigorously manage its direct environmental impact, with employee involvement whenever necessary, after the infrastructure for appropriate environmental conduct has been established. The bank engages employees in these processes, based on the philosophy that their participation is essential for success. In addition, the bank seeks to extend its influence on environmental conduct to employees' communities; with their families, the bank's employees are a force for change numbering in the tens of thousands. Towards that end, the bank strives to supply its employees and their families with information and tools to enable them to be greener, in driving, recycling, saving energy, and more.

### **Promoting Green Construction**

The bank has adjusted all of the purchasing specifications used for the construction of its office buildings and branches to align with green construction principles. It is important to note that a significant number of branches are located in shopping malls and commercial centers not owned by the bank, where the bank cannot alter the infrastructures of the buildings. However, the bank intends to bring as many as possible of the elements of green construction to these sites, although the properties involved may not meet accepted green construction standards. As part of this process, the bank has started to install environment-friendly carpets in several buildings. The carpets are manufactured in compliance with international environmental standards. The bank has made a decision to use environment friendly carpets in all future installations at its properties.



The bank manages environmental issues systemically, based on the international standard ISO 14001. The system formalizes organized work processes in the various interfaces used at the bank for environmental management, addressing all milestones and the completion of processes.

# Turning Waste into a Resource and Preventing Pollution

Environmental trends of recent years have highlighted the fact that one person's waste is another's resource. Population growth creates pressure on ecological systems, making it difficult to meet demands for natural resources such as metals, wood, water, fossil fuels, and more. In addition, without proper treatment, waste pollutes the environment and damages soil, water, and the air, while contributing to global warming. These and other insights highlight the importance of a methodical approach to the future of the materials and products that we consume, after they have been used. Bank Hapoalim mapped the types of waste generated by its operations, and subsequently examined the most environmentally beneficial methods of treating such waste:

- Reuse of a resource or of its components;
- Recycling of the resource by external parties, who convert it into raw material and then reinsert it into the production process;
- Responsible disposal through collection and transfer to a licensed site (prevention of environmental pollution).



### **Electronic waste:**

Tons

collected and removed from the recycling receptacles at the bank, a high figure relative to previous years, due to the removal of outdated IT equipment from all parts of the bank.





2,618

**Construction waste:** 2,618 cubic meters of waste were removed from construction sites



6,470

Fluorescent bulbs: 6,470 bulbs were collected and responsively removed



21,370

Ink and toner cartridges:

The bank's printers and fax machines used 21,370 ink and toner cartridges



280

**Batteries:** 280 kg were collected and removed from the bank's buildings for safe burial



Beverage bottles and cans: 108,000 bottles and cans were collected at the bank for recycling



sacks

Medications: 17 sacks of expired medications were collected from the receptacles at the bank for proper disposal

# The bank promotes the collection and responsible disposal of waste through the following activities, among others:

Collection of electronic waste- Bank Hapoalim strictly maintains responsible, orderly disposal of disused computer equipment. Computer equipment not suitable for donation is transferred for responsible recycling and disposal each year. All mobile devices no longer in use are returned to the supplier for responsible disposal. All other disused electronic equipment is transferred to Ecommunity, which specializes in electronic waste recycling and employs workers with disabilities. Head-office employees can bring electronic waste from their homes to the collection center at Rubinstein Towers in Tel Aviv;

Responsible disposal of construction waste— The bank includes a contract clause in its agreements with construction and renovation contractors working at its branches and buildings requiring the responsible removal of waste to a licensed facility. The aim is to fully prevent construction waste originating with the organization from reaching unlicensed sites or open fields;

Collection of bottles and cans – Systematic recycling in collaboration with the ELA recycling corporation. Refunded deposits are transferred to the unit's employee union and used to finance various social activities, donations, etc.

### Instilling the Habit of Recycling at the Bank

The bank has developed a series of receptacles for waste collection and recycling at its buildings, with an emphasis on high quality and design. This effort is based on the concept of turning waste into a resource, and on the idea that design sells. The process is being conveyed to employees through intra-organizational communication, in which the bank encourages its employees to collect and recycle waste. The receptacles offer a convenient, accessible destination for removal of waste in the workplace, contributing to manufacturing and reuse processes, in addition to the reduction of environmental damage. Recycling receptacles are available for paper, electronic waste, fluorescent bulbs, bottles and cans, batteries, used clothes, and medication. The waste is collected and treated by licensed operators.

### Responsible disposal of electronic waste (in units)

	2010	2011	2012	2013	2014
Computers	258	714	273	496	246
Monitors	354	284	150	168	48
Printers	324	170	151	243	73
Servers	77	104	197	142	85
Keyboards		174	120	-	218
Telephones		120	-	1,100	3,100
Fax machines		30	18	-	31
Routers		26	9		20
Hard drives				540	1,520
32-46 LCD monitors				50	110
Scanners				21	_
Other		28	16	18	68
Total	1,013	1,650	934	2,278	5,519

In addition, the bank removed 10 crates of electronic components waste: electric cables, electronic cards, plastic parts, and electronic parts.

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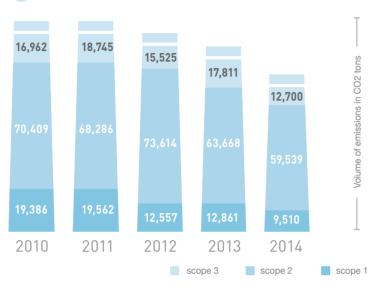
23.4%

81,749 tons CO2eq., decrease

of 13.3% from 2013

Multi-year reduction of carbon footprint: From 2010 to 2014, the bank reduced its carbon footprint by 23.4%

### **Measuring the Carbon Footprint**



# Measuring the Carbon Footprint

Bank Hapoalim recognizes the phenomenon of global climate change, and therefore monitors the key elements that contribute to greenhouse-gas emissions. In 2010, Bank Hapoalim joined the voluntary greenhouse-gas reporting system of the Ministry of Environmental Protection. Since that time the bank has reported to the recording system in accordance with the established methodology. In addition to energy consumption (electricity and transportation), the bank monitors indirect sources of emissions, such as paper production, branch construction, waste treatment, air travel by employees, and more. For a control report on annual carbon footprint data, see page 232.

### **Emission of Substances that Damage the Ozone Layer**

The bank uses five main types of air-conditioning systems: split air conditioners, central air conditioners, VRF systems, cooling towers, and chillers. The older systems use Freon gas, which is permitted by law, but may be harmful to the ozone layer. The bank is working to replace these existing air conditioning systems with systems that use only environment-friendly gases. The air-conditioning systems of all of the bank's properties in aggregate contain about 24 tons of coolant gas, of which more than 70% is the environment friendly R-410a. During leak repairs and routine maintenance in 2014, the coolant gas in the air-conditioning systems was supplemented by approximately 2.35 tons.

### Carbon footprint data (in tons of CO2eq)

	2011	2012	2013	2014	Change vs. 2013
Total	106,593	101,696	94,342	81,749	-13.3%
Per employee	10.44	10.05	9.68	8.81	-9.1%
Per square meter	0.34	0.33	0.31	0.26	-16.1%

### **Examining Achievement of Objectives**

### **2014 Objectives**

**Status** 

1% reduction of greenhouse-gas emissions at the bank



Completed

## Carbon footprint and relative contribution of elements to the total value



LOOKING

The Bank aims to reduce greenhouse gas emission intensity of its operations, and set a goal of reducing emissions intensity on a scale of 1% each year during the next four years. Moreover, in the future, the Bank aims to keep an 0% increase in GHG emissions intensity of its operations.

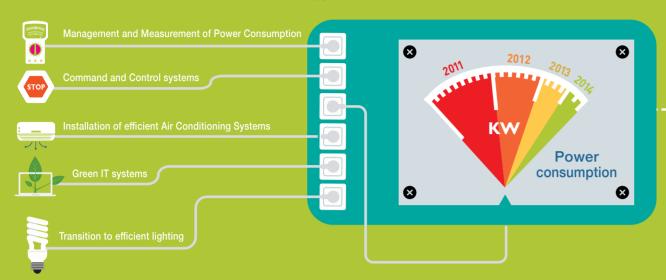


 $coolant\ gases\ 1.48\%\ |\ air\ flights\ 1.31\%\ |\ water\ 0.14\%\ |\ ink\ 0.13\%\ |\ hotel\ stays\ oversea\ 0.05\%\ |\ generators\ 0.04\%\ |\ oversea\ 0.05\%\ |\ generators\ 0.04\%\ |\ oversea\ 0.05\%\ |\ over$ 

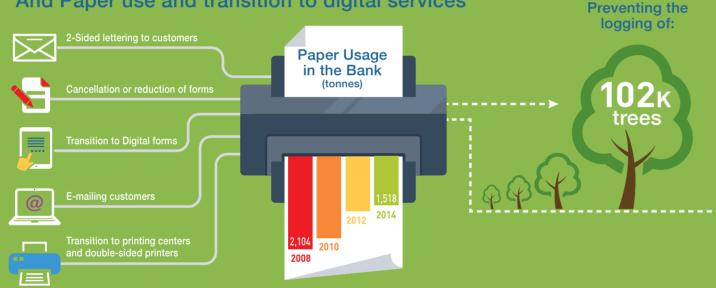
# The bank manages environmental

creating additive value to the bank

### Initiatives for reduction of energy consumption



### And Paper use and transition to digital services



As well as for the reduction of additional environmental impacts, in cooperation with our employees























# issues in multiple channels,

as well as to the environment

The result: about reduction in electricity consumption,

compared to 2013

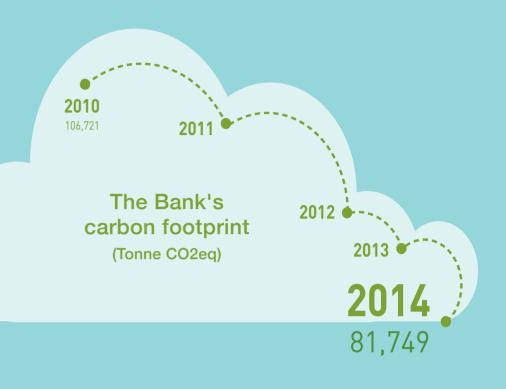
The result:

reduction in paper

consumption during 2014

The result:





The result:

reduction of the bank's carbon footprint between 2010 and 2014

The bank's actions led to an environmental efficiency, substantial monetary savings and a reduction of its environmental impacts.

CORPORATE
GOVERNANCE,
ETHICS AND
COMPLIANCE

### Instilling the Ethical Conduct Code

In 2004, Bank Hapoalim assimilated an ethical code that addresses the values of accountability, trust, integrity, and respect. The code defines the relationship between employees and their environment - the bank, other employees, customers, and the community. The ethical guidelines stress employees' respectful behavior towards their environment and the bank's commitment to treat employees fairly and respectfully. In 2009, the bank updated the code, with renewed phrasing and expanded content, and the code became a global ethical code. In 2010, the code was officially launched for employees. The process of assimilating the code was conducted on three organizational levels: the individual level, the level of leading forums, and the organizational level. The process aimed to reinforce the status of the code as a significant element of the bank's organizational culture. The ethical behavior code is divided into four sections:

- My work at the bank Defines the relationship between the bank and its employees;
- Customer relationships Defines the relationship between the bank and its customers of the bank;
- Relationships with external parties, suppliers, and competitors Defines the relationship between the bank and external parties, suppliers, and competitors;
- Promoting the environment, society and community in Israel Deals with the bank's social involvement, environmental responsibility, employee quality of life and welfare services and its customers' wellbeing.

An organizational structure has been established with the aim of promoting a culture of conduct congruent with the ethical code. The structure encompasses work processes and reporting channels in this area. Within the new structure, the head of the Human Capital, Advising, and Resources Division was appointed as the bank's ethics officer. The role includes:

- Management of learning and guidance processes;
- Creation of various reporting channels for employees disposal;
- Discussing ethical issues raised by employees through the various channels at their disposal:
- Discussing cases of violation of the code.

A discussion of ethical issues and the proper course of action was integrated into various banking courses

Following a general survey on conflicts of interest throughout the Bank, the procedure for receiving gifts was updated

Employee inquiries regarding ethics were responded to and addressed routinely. During 2014, 4 queries by employees and managers regarding suspected conflicts of interest were addressed; all of the gueries were handled in accordance with the bank's procedures and the ethical code;

In addition, a head of ethics was appointed at the Poalim Campus, from the Leadership and Organizational Development Unit. The responsibilities of the head of ethics include helping to instill the code. The channels for reporting on ethical issues were changed in 2013. Responsibility for this area was transferred to the chief risk officer of the bank, in order to allow a single independent function to oversee all of the reports. Bank employees who suspect any violation of the bank's values and norms by any other employee can use several methods to discuss and report their thoughts: telephone, e-mail, written letters, or the anonymous channel on the organizational portal, which is available

In order to increase the effectiveness of the response to any ethical issues that arise during the course of the bank's operations, a shared interface is routinely operated during the year for audit staff, risk management staff, and the head of the ethical code. The interface is aimed at learning and applying lessons learned, and optimizing the response to various issues, the relevant procedures at the Bank, and the content of the code

during all hours of activity. To ensure that employees who submit reports are protected and do not suffer any harm as a result of the report, a process and procedure have been developed and approved by the board of directors in order to safeguard these employees and maintain their anonymity.

In order to increase the effectiveness of the response to any ethical issues that arise during the course of the bank's operations, a shared interface is routinely operated during the year for audit staff, risk management staff, and the head of the ethical code. The interface is aimed at learning and applying lessons learned, and optimizing the response to various issues, the relevant procedures at the Bank, and the content of the code, and is maintained in addition to routine audit activities and the lines of defense at the Bank.

### **Anti-Bribery and Anti-Corruption**

As a banking organization at the heart of Israel's business and economic community and as a player in the international business arena, Bank Hapoalim is committed to an active role in the international fight against corruption.

Bank Hapoalim recognizes that corruption and bribery are a harmful threat. The bank strongly rejects corruption and bribery. The bank is committed to implementing its policy in this area, from the level of its board of directors and management to the level of each individual employee, including the adjustment of existing mechanisms and work processes.

# LOOKING **AHEAD**

All employees of the bank will study the updated tutorial on the ethical code in 2015, as part of a month-long campaign to raise awareness in this area;

The content of the ethical code will be incorporated into the various banking courses, and a module will be developed for management courses.

# of the bank's employees experienced a training module on ethical dilemmas and possible responses;

The bank has been proactive in preventing corruption and bribery for many years, in a variety of contexts. The bank has a system comprising content, processes, controls, and procedures designed to prevent corruption and bribery. Key sections on this subject have been added to the bank's ethical code, reflecting its position on the prohibition of corruption and bribery and on receiving or giving gifts or benefits, with the aim of making a clear and unequivocal statement to all of the bank's internal and external stakeholders regarding its policy in this area. A minute number of immaterial events involving the impairment of moral standards were addressed at the Bank in 2014, in accordance with the procedures of the bank and of the Bank of Israel.

### **Examining Achievement** of Objectives

### 2014 **Objectives**

All employees of the bank will study the updated tutorial on the Completed ethical code in 2014.



**Status** 

The content of the ethical code will be integrated into the various courses on banking.



### The Bank's Profile

The Bank
Hapoalim Group
operates in all
areas of banking in
Israel through two
main units. The
Corporate Banking
Area serves most
business clients.
The Retail Banking
Area serves
households,
private-banking
clients, and small
businesses

Bank Hapoalim was founded in 1921 by the central institutions of the Jewish Settlement ("the Yishuv") at the time - the Zionist Histadrut and the Histadrut General Federation of Hebrew Workers in Eretz Yisrael - and incorporated as a limited company under the Companies Ordinance. The Bank is a "banking corporation" and holds a "bank" license under the directives of the Banking Law. In 1983, within an arrangement formulated between the Israeli government and the banks, the shares of the Bank were brought under state control, and it was fully privatized in 1997, with the controlling interest transferred to the current controlling shareholders and others.

### Bank Hapoalim Group Activity in Israel

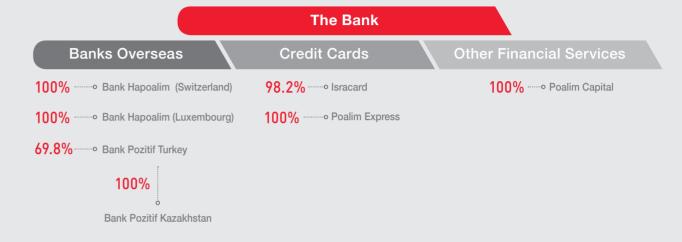
The Bank Hapoalim Group operates in all areas of banking in Israel through two main units. The Corporate Banking Area serves most business clients: large corporations are served by head-office sections specializing in each sector; middle-market firms are served by seven business centers located throughout Israel. All clients of the Corporate Banking Area receive operational banking services through a network of 22 business branches. The Retail Banking Area serves households, private-banking clients, and small businesses, through the branch network; operates services through the direct channels (Internet, telephone, and mobile), and oversees consumer credit and mortgages. The Retail Banking Area operates through 255 branches, providing the full range of banking services. In addition to its banking business, the Bank Group also engages in related activities, mainly in the areas of credit cards and the capital market.

### **Organizational and Operational Structure**





### Chart of the Bank's main holdings\*



The chart includes the principal companies held directly by the Bank or indirectly through private subsidiaries under the full ownership of the Bank. The wholly-owned subsidiaries through which the companies in the above chart are held do not appear In the chart. For the purposes of this chart, a principal company Is a company engaged in business operations which in the opinion of the Board of Management of the Bank is a principal company In the Group, and In which the Bank's investment is at least 1% of the shareholders' equity of the Bank, or the Bank's share of whose net operating profit (loss) attributed to shareholders of the Bank exceeds 5% of the net operating profit (or loss) attributed to shareholders of the Bank (similar to the criterion established in Public Reporting Directive No. 662 of the Supervisor of Banks regarding the statement of data on principal subsidiaries in financial statements of banking corporations).

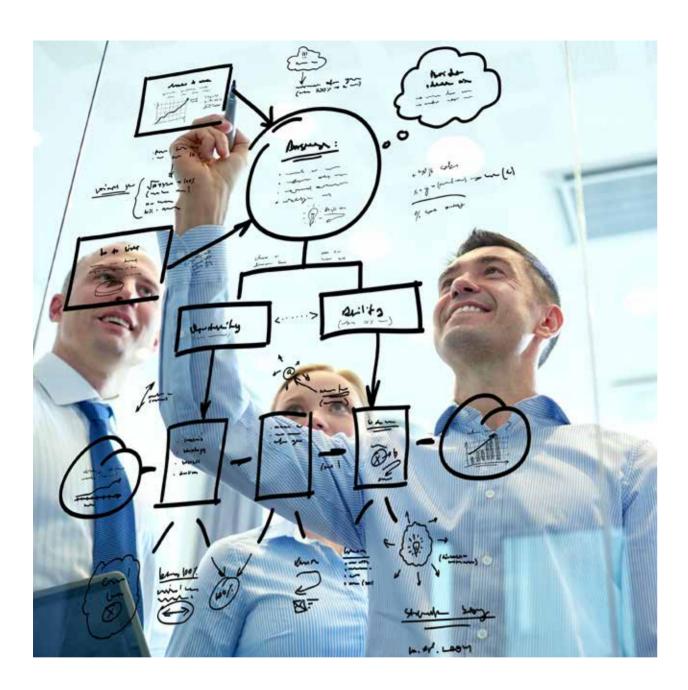
In the credit card sector, the Bank Group - through a subsidiary (the "Isracard Group") - issues, operates, and markets credit cards, within and outside the Bank, for use in Israel and overseas, and clears transactions executed using its credit cards as well as externally-issued cards. The Bank Group's capital-market activity includes providing services for the execution of trading transactions in securities (brokerage), securities custody services, research and consulting, services for financial asset managers, investment portfolio management, and issuance underwriting and management.

### **Bank Hapoalim Group Activity Overseas**

In addition to its activities in Israel, the bank group operates overseas in the private-banking and corporate sectors, in Europe, the United States, Canada, Latin America, and Asia. Overseas activities are conducted through the bank's branches, representative offices, banking subsidiaries, and asset-management subsidiaries. The bank group also operates in the households sector and in the commercial sector in Turkey and Kazakhstan. In its private-banking business, the bank group provides high-networth clients overseas with advanced, professional products and services, including

investment products and global asset management. Corporate banking overseas encompasses credit for local and foreign borrowers, including participation in credit organized by leading foreign banks; credit for borrowers with an affinity to Israel and investments in bonds. Within its international operations, the bank maintains relationships with foreign banks around the world. The key focus of the bank's strategy is the development and expansion of its international activity, in the area of global private banking as well as commercial banking in New York. The bank aims to continue to expand its service offering and improve its capabilities in the areas of products, marketing, and customer service





### **Ownership Structure and Legal Organization**

The holder of the permit for control of the bank, near the date of publication of the financial statements, is Ms. Shari Arison. Her stake in the bank is held through several trusts that have holdings in the Israeli companies noted below, which own shares of the bank: Arison Holdings (1998) Ltd. (hereinafter: "Arison Holdings") holds shares comprising approximately %20.20 of the bank's share capital, near the date of publication of the financial statements, which constitute the "controlling interest" of the bank (as defined in the control permit issued by the Governor of the Bank of Israel); Arison Investments Ltd. (a sister company of Arison Holdings) (hereinafter: "Arison Investments"), through a wholly-owned subsidiary, holds the entire share capital of Salt of the Earth Ltd., which holds shares comprising approximately %0.63 of the share capital of the bank. Total holdings of the Arison Group (through Arison Holdings and Arison Investments) in the share capital of the bank, near the date of publication of the financial statements, are approximately %20.63) %20.83 fully diluted).

# The Functions of the Board of Directors and the Board Committees

### Governance

As a part of the banking system in Israel, Bank Hapoalim operates in a broad legislative environment including primary legislation, standards, and regulations with which the bank is obligated to comply: the Banking Ordinance, the Bank of Israel Law, the banking laws concerning licensing and customer service, the rules of the governor of the Bank of Israel, the Companies Law, The Securities Law, directives of the Supervisor of Banks, and more. These factors regulate the bank's activities on various levels, including requirements with respect to its capital and ways of managing capital, exercise of internal and external auditing, and the areas in which the bank is permitted to engage. According to the Companies Act, shareholders can suggest discussion issues for the next general meeting. Employees are able to appeal to the board according to the bank's procedures and legal requirements.

# The Board of Directors: Composition, Activity, and Committees

The Bank Hapoalim Board of Directors operates in accordance with corporate governance guidelines established by law, including the Proper Conduct of Banking Business Directives of the Bank of Israel and the SOX Act. The bank implements all of the directives set forth in the legislation, standards, and regulations with regard to preventing conflicts of interest within the board. As part of the separation of duties required between management in practice and the formulation of policy and supervision, the board's chairperson does not serve as an executive at the bank. Directors are selected pursuant to the directives of Israeli law - the Companies Law, 1999, and the derived regulations; the Securities Law, 1968; and the Proper Conduct of Banking Business Directives of the Bank of Israel - as well as the bank's codex. The directors' duties under the law are uniform for all types of directors; the basic duty is to act in the best interest of the company. These duties include: duties of care, fiduciary duties, corporate governance duties, avoiding conflicts of interest, and other duties applicable to boards of directors, by law and pursuant to the directives of the Bank of Israel.

The Bank Hapoalim Board of Directors operates in accordance with corporate governance guidelines established by law, including the Proper Conduct of Banking Business Directives of the Bank of Israel and the SOX Act. The bank implements all of the directives set forth in the legislation, standards, and regulations with regard to preventing conflicts of interest within the board

Directors of Bank Hapoalim are appointed pursuant to the provisions of the law, including the following:

- The Companies Law (section 57) states that the appointment of external directors shall be approved by the general meeting;
- As described in Article 24 of the Periodic Report of the bank for 2012, its controlling shareholders have received a control permit from the governor of the Bank of Israel. Details regarding the appointment of directors pursuant to the control permit are provided in the Periodic Report of the bank for 2007;
- Article 16 of the Articles of the Bank (which were approved by the general meeting of the shareholders of the bank (the "Articles of the Bank") establishes the procedure for the appointment of directors. Pursuant to Article 16B of the Articles of the Bank directors shall be appointed by a resolution of the general meeting; however, notwithstanding this article, the board of directors may appoint an additional director or additional directors from time to time, provided that any such appointment is performed in accordance with the directives of the voting agreement between the shareholders of the company who are entitled to appoint directors, etc. (Article 16C of the Articles of the Bank). The composition of the board of directors is subject to the provisions of the Companies Law, Directive 301, the Articles of the Bank, and the Board of Directors Procedures.

The financial expertise and professional qualification of directors are evaluated by the board of directors. The range of considerations include the director's education, experience, and knowledge in areas and issues related to the activity of the bank, as detailed in the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and Directors with Professional Qualification). 2005. Applications to appoint a director, with a declaration filled out by the director, pursuant to Proper Conduct of Banking Business Directive No. 301, are sent to the Supervisor of Banks for review: the appointment of the director is subject to advance approval by the Supervisor of Banks.

The performance of the board of directors is evaluated in accordance with section 59 of Directive 301 and section 9 of the Board of Directors Procedures. The effectiveness of the work of the board of directors is evaluated every two years, for the board of directors' internal needs. The board of directors has appointed an external attorney to work with the secretary of the bank in overseeing this process and analyzing the findings, in order to evaluate the effectiveness of the work of the board of directors. The board of directors discusses the findings that emerge from the evaluation process.

# The Functions of the Board of Directors and the Board Committees

During 2014, the board of directors of the bank continued its work of formulating strategy, policy, and fundamental principles for the activity of the bank in Israel and overseas, while establishing guidelines on various matters, in accordance with the requirements of updates in legislation and in accordance with the new Directive 301 of the Bank of Israel. As part of this process, the board of directors set forth policy for the activities of subsidiaries in Israel and abroad, limits for exposure to various risks, bond issuance, share capital issuance, execution and realization of fixed investments, and the execution of buyout offers and mergers. The board of directors addressed the approval of the quarterly and annual financial statements; dividend distribution policy; the organizational structure of the bank; establishment of policy on manpower, salaries, retirement terms, and the remuneration system for employees and senior executives; and supervision and control over ongoing business operations executed by the board of management and the congruence of these operations with the policies of the bank.

The plenum of the Board of Directors receives and discusses routine reports regarding execution plans in the area of sustainability and corporate social responsibility at the bank, These include banking products that promote sustainability, clients service, responsible employment, community investment and mitigation of environmental impacts of the bank, including those that influence climate change and all activities described in this report. The chairperson of the bank's Board of Directors serves as the director responsible for sustainability and CSR, and is charged with promoting this area on the strategic level. The bank has a chief CSR officer who is the operational manager in this area, and who interfaces with all of the relevant functions within the organization and reports to the board of management and the board of directors.

The board of directors receive regular updates and discuss CSR working plans, performances and future activities. These include banking products that promote sustainability, clients service, responsible employment, community investment and mitigation of environmental impacts of the bank, including those that influence climate change

The reports and discussions include both status reports on the bank's progress in this area, under its CSR plan, and discussion and approval of future work plans. In addition to the discussions by the plenum of the board of directors, the activity of the members of the board of directors of the bank is conducted through the committees. The bank examines and evaluates the quality of risk management on an annual basis, within the ICAAP. As part of the ICAAP, the bank also works to continually improve the absorption and quality of the risk management process. The risk management and control committee of the board of directors receives annual and quarterly reports that are adequate in order to monitor, control, and assess risks, as required by the Proper Conduct of Banking Business Directives. Selected Indicators from the field of corporate responsibility are part of the bank's risk management perception. This is reflected in their inclusion in audits and regular reports, such as BSC, SOX and more. The risk

management and control committee if the board of directors receives annual and quarterly reports that are adequate in order to monitor, control, and asses risks, as required by Proper Conduct of Banking business Directives.

Among the board members of the bank there are directors with expertise in risk management, including a director who served in the past as the bank's risk manager, an expert in credit risks and other experts. The bank's board of directors has decided on 19.7.2007 to establish a board of directors committee for risk management and control. The committee is comprised of 6 members, who received trainings and acquired extensive experience as part of the committee's work. The board members receive from time to time trainings in the field of risk management. In addition, the directors are free to address the appointed management member, if they seek to broaden their knowledge in a certain field. governance processes within the bank group. Concurrently, the bank is working to improve and instill corporate governance processes within the bank group.

The board of directors usually meets twice a month. The committees of the board of directors usually convene between these meetings; some committees meet every week. Thus, any urgent matter can be discussed at any time. In particularly urgent cases, the board of directors is convened to discuss the issue that has arisen. Urgent meetings are sometimes held remotely, in order to conduct an immediate discussion of an issue. Pursuant to sections 98-99 of the Companies Law, 1999, directors are entitled to demand a discussion of a specific urgent or critical matter. Pursuant to section 99 of the Companies Law, such issues are added to the board of directors' agenda. Section 44 of Proper Conduct of Banking Business Directive 301 states that the board of directors' agenda should include, among other matters, any subject that a director or the CEO has asked the chairperson of the board to include in the agenda a reasonable amount of time before the meeting convenes. Similar directives are set forth in Article 19A of the Articles of the Bank.

Pursuant to section 2.14 of the Board of Directors Procedures, the board of directors shall hold a discussion at the earliest possible time of the exceptional events listed therein (outside the regular scheduled reports). Sections 6.3.2, 6.3.5, 6.3.6., and 6.3.7 of the Board of Directors Procedures establish the way to convene a meeting of the board of directors in exceptional and urgent cases. Section 6.6.6 of the Board of Directors Procedures establishes directives for transmitting materials regarding an issue added to the agenda in an urgent meeting. Urgent matters are raised as necessary and/or at the request of the chairperson of the board of directors / directors / CEO, according to need and the importance of the issue. As important and urgent matters are raised routinely, as described above, such occurrences are not counted separately.

Directors' rights to receive information and to consult with various parties in the course of the fulfillment of their duties have been established in accordance with the law, including the Companies Law, 1999 (the "Companies Law"); Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks, Board of Directors ("Directive 301"); and the procedures on the work of the board of directors, approved by the board of directors of the bank on November 26,

2013 (the "Board of Directors Procedures"). This refers to all materials related to the activity of the bank or the assets of the bank, and to all documents of the bank that the directors require in order to fulfill their duties.

With regard to business matters, directors are entitled to request clarification or additional information in meetings of the board of directors or its committees (section 57 of Directive 301). Directors who wish to exercise their right to receive information required for the fulfillment of their duties as directors shall submit the request in writing through the chairperson of the board of directors. Directors interested in receiving clarification or materials regarding matters discussed, or scheduled for discussion, by the board of directors or any of its committees may contact the CEO or the relevant member of the board of management at the bank, provided that the query does not concern a business venture or business matters of specific customers, or certain investments of the bank.

Directors also have the right, in special cases, to receive external professional counsel and/ or external professional assistance, at the expense of the bank, if the coverage of the expense is approved by the board of directors (section 266 of the Companies Law and section 53 of Directive 301). The plenum of the board of directors, or the appropriate board committee, shall discuss and decide upon the need to engage an external consultant in order to receive professional assistance. Such a discussion shall address the questions of whether the counsel can be provided by internal parties within the bank, the purpose of the consultation, the extent of the work, and the schedule.

# 205 meetings

of the board committees were held in 2014

On February 11, 2014, the general meeting of shareholders of the bank assimilated the bank's remuneration policy for officers, in accordance with Amendment 20 to the Companies Law, 1999, and in accordance with Proper Conduct of Banking Business Directive 301A of the Supervisor of Banks of November 19, 2013. On June 22, the bank approved another section of its remuneration policy, concerning its other employees, as well as remuneration plans based on its remuneration policy ("Remuneration Policy" and "Remuneration Plans," respectively, and as amended from time to time). Main objectives of the remuneration policy:

- To motivate officers to work for creating long-term economic value for the bank and its stakeholders, in a manner that strengthens the connection between remuneration and the creation of value for the stakeholders in general and for shareholders of the bank in particular. In accordance with this objective, employees' pay is derived from a scale of ranks, which offers the possibility of promotion and reflects the authority and responsibility of each level in the organizational hierarchy. Variable remuneration shall consist, among other elements, of an annual bonus contingent upon the financial performance of the bank, based on risk-adjusted profit and the cost of capital of the bank; the bonus shall also be determined according to the achievement of measurable quantitative and qualitative individual performance targets. 50% of the annual bonus shall be spread over three years, in order to compensate for unsatisfactory performance during that period, if any, and paid in share-based instruments;
- To adjust the remuneration to the bank's vision, to the overall strategic plan of the bank and of its secondary units, and to the work plan derived from the strategic plans. Accordingly, remuneration incentives shall also be matched to the long-term objectives formulated in the strategic plan and in periodic work plans;
- To adjust total remuneration to the risk appetite of the bank. The annual and multi-annual work plans are constructed, among other matters, with reference to the volume and types of the risks that the bank is willing to undertake. The achievement of objectives of the work plan, including capital adequacy targets, and the achievement of a surplus return over the required cost of capital, set the threshold for the distribution of bonuses. This objective is also achieved through a ceiling on variable remuneration, and through postponement of the payment of part of the annual bonus, which is contingent on the bank's performance in future years, so that executives are exposed to the consequences of materialization of the risks that they take, and their remuneration decreases if or when risks materialize.

In accordance with the new remuneration policy of the bank, the total cost of remuneration of the CEO shall exceed the median total cost of remuneration of other employees of the bank by a factor of no more than 33.5 (this calculation was performed in accordance with the principles of the remuneration policy, based on the return on equity for 2012 and data on employees of the bank for 2012). For further information regarding the remuneration of the bank's senior officers, see the financial statements, pp. 247-256,393.

42 meetings

of the plenum of the board of directors and 205 meetings of the board committees were held in 2014 (for further information regarding the activity of the board of directors and the change in the structure of the committees, see the financial statements, pp. 228-221)

 $15_{\text{member}}$ 

As of the end of 2014, the board of directors of Bank Hapoalim consisted of fifteen members, including five external directors, as defined in Proper Conduct of Banking Business Directive 301 of the Bank of Israel, and two additional external directors, as defined in Section 240 of the Companies Law

As of the end of 2014, the number of directors with "accounting and financial expertise" and "professional qualification," based on their education, skills, and experience, in accordance with the requirements of the Companies Regulations, is fourteen and one of the directors is a "director with professional qualification". Six directors with 'accounting and financial expertise" and 'professional qualification" are members of the audit committee of the board of directors, in accordance with the requirements of the Companies Law, 1999, and the regulations. Five women and ten men are on the board of directors (for further information about the members of the board of directors, see the financial statements, pp.237-229).



## Compliance and Prevention of Money Laundering and Terrorist Activities

The responsibilities of Bank Hapoalim's chief compliance officer are derived from Proper Conduct of Banking Business Directive No. 308, the Prohibition of Money Laundering and Terrorism Financing Law, and Proper Conduct of Banking Business Directive No. 411. The chief compliance officer unit encompasses the compliance department and the anti-money laundering department, as well as two additional units. The first is the international compliance unit, which is responsible for ensuring compliance and the prohibition of money laundering at the bank's offices outside Israel. Compliance staff at the bank's overseas branches report directly to this unit, on both the professional and the managerial level. The second unit is an administrative unit (operations, coordination, and control), which assists the chief compliance officer with the execution of systemic and operational assignments.

The Chief Compliance Officer Unit's activity is supervised through three channels:

- The Board of Directors' committee on risk management and control and Basel II implementation;
- The Board of Management committee on compliance, headed by the CEO;
- Quarterly and annual reports to the bank's Board of Directors of the bank, the CEO, and the heads of the areas. The reports include updates on the main exposures and risk areas in the group; progress on work plans and activities executed, including controls, mapping of knowledge gaps, organizational learning, technological and other projects in this field, reports submitted to the Israel Money Laundering Prohibition Authority, violations, and reports of exceptional events.

The Chief Compliance Officer Unit held visits and training activities at 29 branches (10.5% of the branches of the bank) and at relevant bank units in 2014. During the visits, the chief compliance officer reviewed activities relevant to these branches that pose a risk in the area of compliance. The visits also emphasized customers of the branches who pose a high risk of money laundering

No substantial fines or substantial nonmonetary sanctions were imposed on the bank for noncompliance with laws and regulations in the area of products and services (consumer protection directives) during 2014 (for details of material legal proceedings to which the bank is a party, see note 19D on pp. 439-422 of the financial statements for 2014) In an annual learning process using tutorials on the prohibition of money laundering, in accordance with the amendments required by law, 96% of the bank's managers and employees completed the tutorial and quiz. In addition, 99% of managers and employees completed an annual learning process using tutorials on compliance;

Upon the establishment of the Chief Compliance Officer Unit, the bank's Board of Directors established a new group-level compliance policy for the bank. The new policy sets forth rules regarding all of the component areas of the prohibition of money laundering and compliance with consumer protection directives. The policy emphasizes corporate control and the interaction with subsidiaries and branches outside Israel, based on Proper Conduct of Banking Business Directive No. 308, the Money Laundering Prohibition Law, the Terrorism Financing Prohibition Law, and Proper Conduct of Banking Business Directive No. 411. This policy took effect at the end of December 2010, and was updated in January 2015.

In order to comply with the directives of the law and with the group-level compliance policy, the Chief Compliance Officer Unit conducts activities including identification of main exposures and risk areas; procedural, qualitative, and quantitative controls applied to compliance with directives that regulate the relationship between the bank and its customers and to the prohibition of money laundering and financing of terrorism; operation of a structured system of controls applied to compliance with securities law; development of training and knowledge management systems on the organizational portal; infrastructure surveys; analysis of new products and services; and system development.

## Monitoring and Control Processes

The control system at the bank group consists of three lines of defense, some of which encompass more than one component of control, as detailed below:

- The first line of defense consists of the controls applied by the units themselves. These controls are applied on two levels:
- A. Controls by business functions, according to the relevant issue and process. Other controls executed by the units are controls of processes related to existing customers and these customers' activity, as well as internal processes at the bank;
- B. Controls by compliance officers and enforcement trustees at the business units;
- The second line of defense consists of controls applied by regional, divisional, and area compliance officers and enforcement trustees at the business areas;
- The third line of defense consists of controls applied by the Chief Compliance Officer and Securities Enforcement Unit, and controls applied by the Control Unit in the Advising Division.

The following resources are available to employees who wish to consult or report on relevant matters:

- The network of branch/regional/ divisional/area compliance officers;
- The Subjective Reporting System;
- The compliance site on the banking portal;
- A call center for American clients and foreign residents;
- A regulatory issues support center;
- A system for queries and feedback on the banking portal;
- Communication with the professional units by e-mail or telephone;
- A system for anonymous queries.

#### **Compliance Training**

An internalized understanding of the need for fair business conduct and the need to identify any unusual activity by customers is critical to compliance risk; a range of measures are therefore used to promote this awareness, including instructional content and tools integrated into bankers' training and work processes (for a summary of the main activities of the Chief Compliance Officer Unit in 2014, see the financial statements, p. 198).

## Bank Hapoalim CSR performance

Field	Metric	2010	2011	2012	2013	2014
General data						
Bank profile	Total revenues (NIS M.)	12,827	13,088	13,637	13,664	14,022
	Number of employees of the bank	9,983	10,206	10,124	9,745	9,283
	Number of branches of the bank	288	298	298	286	277
Best interests	of the customer					
Credit	Total credit for small businesses (NIS B.)	21.3	22.8	24.3	26.2	29.3
granted for promotion	Additional credit earmarked for small businesses beyond the ordinary course of business (NIS B.)	-	-	2	2.15	3.5
of social/ environmental causes	Cumulative credit for environmental projects and products (NIS B.)	-	-	-	8.15	6.66
Promotion of small	Number of businesses participating in Small Business Day	-	-	-	35,000	37,000
businesses	Number of businesses in the CashBack Club	-	-	1,000	5,000	7,000
Financial freedom	Number of users of budget management application (cumulative)	200,000	240,000	260,000	400,000	500,000
	Funds under management – Dan the Saver – cumulative (NIS B)	0.7	1.2	1.5	2.7	3.1
Service in a	Number of active online accounts	-	1,000,000	1,000,000	1,200,000	1,200,000
multi-channel	Number of users of mobile banking services	49,300	600,000	600,000	650,000	650,000
world	Number of users of the bank's applications	-	-	-	500,000	610,000
	Number of active accounts at the call center	-	700,000	700,000	750,000	700,000
Processing customer	General percentage of justified queries – Bank of Israel data (%)	25.7%	23%	26.6%	27.3%	14.4%
queries	Percentage of justified queries concerning privacy and banking confidentiality (%)	15%	12%	13%	10%	0%
Accessibility	Number of branches serving the Arab-Israeli sector	35	37	36	36	38
of service to a diverse	Number of branches in towns with extensive religious and ultra-orthodox populations	20	22	22	23	23
range of customers	Number of accessible branches (*Branches with an Accessibility Seal from the Access Israel organization)	112*	110*	107	116	155
	Number of ATMs accessible to blind users	-	70	65	316	316
	Percentage of branches outside central Israel (beyond the area from Gedera to Hadera; in %)	-	45%	45%	45%	40%
Empowerment	t of society and the community					
Direct economic value for stakeholders	Economic value distributed by the bank group to stakeholders (operational expenses, salaries and related expenses, donations and sponsorships, provision for taxes, dividends; in NIS M)	8,918	8,689	9,310	9,800	10,231
Promotion of	Percentage of purchasing from Israeli sources				98%	98%
responsible purchasing	Percentage of purchasing from small and	-	-	-	30%	21%
<del>-</del>	micro-businesses		47			47
Investment in the	Community donations and investments (NIS M)	44	47	48	46	47
community	Donations of computer systems (NIS M)  Number of participants in activities of organizations supported by the bank in the area of education	1.1 -	0.92	0.5	0.83 At least	0.32 At least



Field	Metric	2010	2011	2012	2013	2014
Investment in the	Number of participants in activities of organizations supported by the bank in the area of culture and the arts	-	_	_	At least 35,000	At least 40,000
community	Number of recipients of treatment and assistance through the activities of organizations supported by the bank in the area of health care and welfare	-	-	-	At least 420,000	At least 410,000
	Number of participants in activities of organizations supported by the bank in other social areas	-	-	-	At least 75,000	At least 58,000
Employee	Number of employees of the bank who volunteer	-	2,700	3,000	3,200	3,000
olunteering	Annual volunteering hours	-	160,000	110,000	125,000	124,000
Employees' qu	uality of life and well-being					
Employment profile	Employees under a collective agreement (%)	95.4%	93.5%	93.2%	93.1%	91.7%
Diverse	Percentage of women at the bank (%)	64.8%	64.6%	64.6%	65%	65%
employment	Percentage of female executives at the bank (%)	48.3%	49.6%	50.7%	51.7%	51.5%
	Percentage of women on the board of directors of the bank (%)	43%	33%	33%	33%	33%
	Percentage of minorities at the bank (%)	5.7%	5.9%	5.2%	5.3%	5.1%
	Percentage of hires from under-employed sectors, of total annual hiring	-	-	17%	20%	17%
Training and	Percentage of academic degree holders at the bank (%)	54.4%	56.6%	57.6%	59.5%	62.4%
development	Number of learning days at the bank	64,000	74,300	68,000	56,200	61,400
of human capital	Average hours of learning per employee	51.2	54.6	54.1	46.1	43
Channels for dialogue for	Dialogue sessions for employees with the CEO and members of management of the bank	74	57	45	44	43
employees	Percentage of employees who received feedback (%)	99%	99%	99%	99%	99%
Living with the	e environment					
Energy	Total electricity consumption (kWh)	96,982,405	94,058,465	93,600,417	90,616,904	86,567,00
consumption and	Electricity consumption per m² (kWh)	318.6	300.7	299.7	294.1	284.6
efficiency	Percent annual change in electricity consumption (year on year, %)	-	-3.0%	-0.49%	-3.2%	-4.5%
	Diesel fuel consumption (L)	4,750	3,516	15,000	11,752	10,840
	Gasoline consumption (L)	3,586,759	3,574,235	3,440,152	3,448,047	3,537,444
Consumption	Paper consumption (tons)	2,087	1,919	1,791	1,668	1,458
of materials	Annual savings in paper consumption (tons)	82	168	128	123	210
	Consumption of ink and toner cartridges	19,724	23,399	28,003	21,700	21,370
Recycling	Paper recycling (tons)	2,017	1,067	1,380	987	1,352
and	Cardboard recycling (tons)	2.6	14	20	18	40
esponsible emoval of	Recycling of electronic waste at the bank (tons)	-	-	17	15.8	44
vaste	Recycling of bottles and beverage containers (units)	-	130,000	150,000	110,000	108,000
	Collection of construction waste (m³)	3,564	3,820	3,298	2,526	2,168
	Collection of batteries (kg)	1,520	470	800	960	280
	Collection of fluorescent bulbs (units)	10,320	8,000	14,000	18,560	6,740
Carbon	Total emission of greenhouse gases (tons CO2eq)	106,757	106,593	101,696	94,342	81,747
footprint	Percent annual change in greenhouse-gas emissions (year on year, %)	-	-0.2%	-4.6%	-7.2%	-13.3%

## GRI-G4 Content Index and Global Compact COP Report

#### UNGC1:

The UN Global Compact initiative anchors international and corporate partnerships, therefore promoting developing markets, commerce, technology and finance in a beneficiary way for economies, communities and future generations around the world. Joining the initiative is a statement of commitment to promote and implement the ten principles of the UN universal act on human rights, labor, environment and anti-corruption. Below is a list of the 10 principles:

#### **Human Rights**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: Make sure that they are not complicit in human rights abuses.

#### 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.

#### **Environment**

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

#### **Anti-Corruption**

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery An organization which joins the initiative, agrees to act in accordance to the above principles. So far, business organizations from more than 130 countries around the world have joined the initiative. Participating companies are required to report annually on the progress made in promoting the universal principles in its operations.





#### Materiality Disclosures Bank Hapoalim



General Standard Disclosures	Description	Page	External Assurance	GC Principle
Strategy and	analysis			
G4-1	Statement from the most senior decision-maker of the organization	4	Done see page 230	NR*
G4-2	Description of key impacts, risks, and opportunities	4,20	Done	NR
Organization	al profile			
G4-3	Name of the organization.	208	Done	NR
G4-4	Primary brands, products, and/or services.	208	Done	
G4-5	Location of organization's headquarters.	208	Done	
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	209	Done	
G4-7	Nature of ownership and legal form.	210	Done	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	209	Done	
G4-9	Scale of the reporting organization.	52,97,140	Done	
G4-10	Total workforce by employment type	143,150	Done	
G4-11	Percentage of employees covered by collective bargaining agreements.	140	Done	1,2,6
G4-12	Describe the main elements of the supply chain in relation to the organization's primary activities, products, and services.	99	Done	NR
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain	There is no Significant changes	Done	NR
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	180-181	Done	7
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	26	Done	1-10
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	26	Done	1-10
Identified ma	terial aspects and boundaries			
G4-17	List all entities included in the consolidated financial statements or equivalent documents.	6	Done see page 230	NR
G4-18	Explain the process for defining the report content and the Aspect Boundaries	18	Done see page 230	
G4-19	List all the material Aspects identified in the process for defining report content.	20	Done see page 230	
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	21	Done see page 230	

<sup>1.</sup> http://www.unglobalcompact.org

General Standard Disclosures	Description	Page	External Assurance	GC Principle
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	21	Done see page 230	NR
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	97	Done see page 230	
G4-23	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	19	Done see page 230	
Stakeholders	engagement			
G4-24	List of stakeholder groups engaged by the organization.	16	Done see page 230	NR
G4-25	Basis for identification and selection of stakeholders with whom to engage.	14	Done see page 230	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	16	Done see page 230	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	16	Done see page 230	
Report profile				
G4-28	Reporting period (e.g., fiscal/calendar year) for information provided.	6	Done	NR
G4-29	Date of most recent previous report (if any).	Q3,2014	Done	
G4-30	Reporting cycle (annual, biennial, etc.).	annual	Done	
G4-31	Contact point for questions regarding the report or its contents.	6	Done	
G4-32	Report the 'in accordance' option the organization has chosen Report the GRI Content Index for the chosen option.	In accordance- Comprehensive	Done	
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Board of directors and executive managers are not involved in this process	Done	
Governance				
G4-34	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	211	Done	NR
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	212	Done	
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	212	Done	
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	213	Done	
G4-38	Report the composition of the highest governance body and its committees	215	Done	
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer.	211	Done	
G4-40	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	211	Done	
G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	211	Done	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	212	Done	



General Standard Disclosures	Description	Page	External Assurance	GC Principle
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	212	Done	
G4-44	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	212	Done	_
G4-45	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	212	Done	_
G4-46	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	212	Done	_
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	212	Done	_
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	4	Done	
G4-49	Report the process for communicating critical concerns to the highest governance body.	213	Done	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	213	Done	_
G4-51	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	214	Done	_
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	214	Done	_
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	214	Done	_
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	214	Done	_
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest- paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	214	Done	
Ethics and int	egrity			
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	25,206	Done	1-10
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	206,217	Done	NR
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	206,217	Done	_
Economic Per	formance			
G4-DMA		97	Done	NR
G4-EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	97	Done	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	86.90	Done	7
G4-EC3	Coverage of the organization's defined benefit plan obligations.	174	Done	NR
G4-EC4	Significant financial assistance received from government.	98	Done	

General Standard Disclosures	Description	Page	External Assurance	GC Principle
Indirect Econo	omic Impacts			
G4-DMA		98	Done	NR
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	108,112,130	Done	
G4-EC8	Understanding and describing significant indirect economic impacts, including the extent of impacts.	46,53,98	Done	
Procurement I	Practices			
G4-DMA		99	Done	NR
G4-EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	99	Done	
Materials				
G4-DMA		180	Done	7,8
G4-EN1	Materials used by weight or volume.	190,198	Done	7,8
G4-EN2	Percentage of materials used that are recycled input materials.	195	Done	8,9
Energy				
G4-DMA		182	Done	7,8,9
G4-EN3	Energy consumption within the organization	184	Done	7,8,9
G4-EN4	Energy consumption outside the organization	Energy consumption outside is not material	Done	7,8,9
G4-EN5	Energy intensity	184	Done	7,8,9
G4-EN6	Reduction of energy consumption	184	Done	7,8,9
G4-EN7	Reductions in energy requirements of products and services	35	Done	7,8,9
Emissions				
G4-DMA		200	Done	7,8
G4-EN15	Direct greenhouse gas emissions (scope 1)	20	Done	7,8
G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	200	Done	7,8
G4-EN17	Other indirect greenhouse gas emissions (scope 3)	200	Done	7,8
G4-EN18	Greenhouse gas emissions intensity	201	Done	7,8
G4-EN19	Reduction of greenhouse gas emissions	201	Done	7,8,9
G4-EN20	Emissions of ozone-depleting substances (ODS)	200	Done	7,8
G4-EN21	NOx, SOx, and other significant air emissions by type and weight	Those emissions are not relevant	Done	7,8



General Standard Disclosures	Description	Page	External Assurance	GC Principle
Employment				
G4-DMA		138,162	Done	1,2,6
G4-LA1	Total number and rate of new employee hires and employee turnover by age group	143	Done	6
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	162	Done	NR
G4-LA3	Return to work and retention rates after parental leave	142	Done	1,2,6
Labor/Manage	ement Relations			
G4-DMA		144,168	Done	2,3
G4-LA4	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	168	Done	2,3
Training and E	ducation			
G4-DMA		156	Done	6
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	160	Done	6
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	158	Done	6
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender.	146	Done	6
Diversity and I	Equal Opportunity			
G4-DMA		150	Done	1,6
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	140,150	Done	1,6
Equal Remune	eration for Women and Men			
G4-DMA		151	Done	1,6
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	151	Done	1,6
Supplier Asse	ssment for Labor Practices			
G4-DMA		106	Done	1,2,6
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	107	Done	1,2,6
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	106	Done	1,2,6
Non-discrimin	ation			
G4-DMA		150	Done	1,2,6
G4-HR3	Total number of incidents of discrimination and corrective actions taken	150	Done	1,2,6
Freedom of As	ssociation and Collective Bargaining			
G4-DMA		168	Done	1,2,3
G4-HR4	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	168	Done	1,2,3

General Standard Disclosures	Description	Page	External Assurance	GC Principle
Local Commu	nities			
G4-DMA		108,112,130	Done	NR
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	108,112,130	Done	
G4-SO2	Operations with significant potential or actual negative impacts on local communities.	86	Done	_
G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	52,54,98	Done	_
G4-FS14	Initiatives to improve access to financial services for disadvantaged people.	52,54	Done	_
Anti-corruptio	n			
G4-DMA		207	Done	10
G4-SO3	Percentage and total number of business units analyzed for risks related to corruption.	216	Done	10
G4-SO4	Communication and training on anti- corruption policies and procedures	206,217	Done	10
G4-SO5	Confirmed incidents of corruption and actions taken	207	Done	10
Compliance				
G4-DMA		216	Done	1
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	216	Done	1
Product and S	Service Labeling			
G4-DMA		22,52,66	Done	8
G4-PR3	Type of product and service information required by procedures	66	Done	8
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	66	Done	8
G4-PR5	Practices related to customer satisfaction	56	Done	8
Compliance				
G4-DMA		216	Done	1
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	216	Done	1
Compliance				
G4-DMA		22,36,46,86,90	Done	NR
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	52	Done	
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	47	Done	
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	86	Done	

## Process Audit for Implementation of the CSR Plan at Bank Hapoalim

An external assurance process allows readers of this report to verify the bank's self-reporting, based on independent opinions from professionals. The bank has decided to expand the control process with regard to the fairness of the report on sustainability and CSR. The expansion of these processes and the involvement of additional sources of assurance enable the bank to learn from the feedback received from those conducting the process and provide validation of the reliability of the report for stakeholders. The current report underwent four assurance processes, each focusing on a different aspect of the report:

- The CSR and Sustainability Group at BDO Ziv Haft performed routine process controls and examined the CSR implementation process at the bank;
- The firm Adalya performed a due-diligence examination of the report, in accordance with GRI and AccountAbility directives;
- The Good Energy Initiative examined the quality of the report on the bank's carbon footprint;
- The report was submitted for the GRI Materiality Disclosures Service, and GRI confirmed the correctness of the locations of the G4 materiality disclosures (G4-17 G4-27). The report is 'In Accordance' with the GRI G4 Guidelines Comprehensive option.

Consultants in the group collected the data processed for this report. This opinion therefore focuses on the work process at the bank. In order to maintain independence, the examination for the purposes of assurance of the report in compliance with GRI requirements was performed by an independent third party, Adalya.

<sup>\*</sup> Not specifically required

## BDO Ziv Haft: Process Control for CSR Plan Implementation at Bank Hapoalim

This is the ninth year in which the Corporate Social Responsibility and Sustainability Department of the BDO Consulting and Management Group has accompanied Bank Hapoalim in implementing its sustainability and CSR program. The group's activities focus on monitoring the process and progress of the program for sustainability and social, economic, and environmental responsibility. BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the processes performed by the bank throughout 2014 and up to the end of the first guarter of 2015. During this period, the bank continued the implementation and absorption of sustainability and CSR values. The results achieved by the activities reflect this progress. Our examination of processes and outcomes demonstrates that progress has been made in several key areas: developing data infrastructures and reporting; learning and instilling processes; and examining the results of activities.

#### **Description of the Process**

The group performed process controls with regard to the areas of activity of the bank, designed to ascertain that progress is being made in the implementation of the CSR and sustainability plan. As part of these controls, the bank's progress in three strata of activity was examined, as the basis for feedback on the implementation of the plan:

- (A) Update and optimization of the information infrastructure and metrics for corporate social responsibility management
- Consultants in the department examined the CSR management system at the bank, as an area in which integrative management is essential. We examined the feedback and learning of the CSR Administration in connection with the activity of the various units, the summarization of results, collection of information, and process optimization. In addition, we reviewed the processes of deriving information and processing the information into current metrics for the examination of the bank's performance in the various areas and in comparison to the goals and objectives set by the bank.

- (B) Instilling CSR and sustainability values in core activities and in the various units We examined the process of organizational change emerging as part of the implementation of CSR at the bank. In this context, we examined the relevance and added value of the various issues for the activity of the units. We also examined the manner in which these issues were being absorbed into the activity of the units of the bank, and whether an ongoing learning process was occurring as a result. The control process also encompassed an examination of the method of development and implementation of new issues arising from reports by the various units.
- (C) Examination of the results of implementation of the program (effectiveness of absorption) In this stage, we examined the ways in which the bank had improved its performance on the various metrics, led new initiatives at the various units for activity in this area, developed new banking products, and created dialogue with stakeholders, while broadening its influence to the Israeli public. The examination we conducted at this stage enables us to complete the circle of process controls, in that it examined the relevance of the information and metrics generated during the CSR program for each of the issues implemented at the units of the bank, and the effectiveness of the implementation relative to the goals set in advance.

#### Findings, Conclusion, and Recommendations

The assurance process encompassed an examination of the bank's conduct in the implementation and absorption of its sustainability and CSR plan. The process controls allow the bank to receive feedback and evaluation of its practices, and to delineate future objectives accordingly. The results measured in these activities reflect this progress. However, we would suggest four areas to be maintained and reinforced:

Achieving shared value - The planning and development of banking products and services involving social or environmental elements expanded during 2014. In 2014, the bank planned a first-of-its-kind strategic initiative to offer financial guidance and advice to the peri-retirement population; continued to expand business processes supporting the growth and stability of small businesses; and further extended its reach in serving the Arab-Israeli community. Concurrently, activities continued within the lateral Financial Freedom drive, described extensively in this report. This effort was expanded in 2014 in order to benefit the bank's employees, as Bank Hapoalim stakeholders. Through these actions, and others described in this report, the bank achieves shared value for itself and its stakeholders.

- Promotion of implementation of aspects of corporate responsibility in additional core activities Within the core banking activity, we recommend an in-depth examination of the integration of ESG elements with the bank's investment activity, as an additional investment channel for customers and as part of risk optimization in the management of the bank's proprietary portfolio.
- Learning and absorption Outcomes of learning have been absorbed in some units, on a long-term level, as part of their core business operations. In 2014, the implementation of the plan for inclusion of social and environmental criteria in the purchasing system was expanded significantly; substantial improvements were introduced in the bank's service system, as part of a long-term plan; implementation of the long-term diverse employment plan continued; systemic promotion of the process of making the bank's services accessible to people with disabilities continued; outcomes of community investments were examined; and more. In view of the learning and improved performance achieved, the promotion of learning

#### Dr. Jonathan Menuhin

Director of the Corporate Social Responsibility Department BDO Consulting Group

should continue, with implementation in additional units and areas. At the same time, we recommend working towards systematic, extensive study and knowledge of the content areas of corporate responsibility by employees of the bank.

■ Strengthening dialogue with stakeholders - During 2014, the bank continued its dialogue with stakeholders. For example, additional innovative developments were introduced in the direct banking channels, in order to improve the ability of retail and business clients to control their accounts: ethical rules. which suppliers of the bank are expected to uphold in their dealings with the bank, were distributed to all of the suppliers; and the bank was involved in a wide range of activities in the community, including special assistance to businesses and residents in southern Israel during Operation Protective Edge. The bank also conducts continuous dialogue with Israeli and international analysts with regard to corporate responsibility. We recommend continuing this trajectory, which promotes the bank and improves its performance in this field. We also recommend considering the establishment of a function at the bank to coordinate and monitor dialogue and expectations with external stakeholders.

In conclusion, additional progress is evident in the new initiatives by the bank to embed corporate responsibility principles in its interaction with customers, and with additional stakeholders as well: suppliers, the community, and employees. The measurement, reporting, and presentation of processes and data on an annual basis over the last eight years, in the CSR report, is commendable. The foregoing review contains several points which in our opinion should be maintained and reinforced in order to improve the implementation of the plan and preserve the bank's leadership in this area.



## Report Assurance

#### Introduction

ADALYA is a business and financial consulting company. Its team of advisors is experienced in a wide range of areas of expertise, including corporate social responsibility. In June 2015, ADALYA was asked by Bank Hapoalim to perform a due-diligence test of the bank's CSR report for 2014. ADALYA has no relationship with or dependence on Bank Hapoalim in its business. The process is independent.

#### Methodology

The examination of the report was performed based on due-diligence principles in accordance with the AccountAbility standard AA1000AS (2008), at the Type 2 (High) testing level. The goal of this examination was to verify the reliability of the data provided in the report through an inspection of the systems, processes, and fundamental data presented therein, and through a test of the alignment of the content with the declared reporting level and with the most advanced level of transparency according to the Global Reporting Initiative, GRI:G4 (In Accordance - Comprehensive).

The external test examines the degree of compliance of the report with the principles of the reporting standard: inclusivity, materiality, and responsiveness. The process examines both information and the processes used to collect and process information, as well as the manner of presentation and transparency of the information.

The three principles of the AccountAbility quality assurance standard AA1000AS are:

- 1. **Inclusivity** The extent to which the report reflects the participation of the organization's stakeholders in the development and application of responses to strategic sustainability goals.
- 2. **Materiality -** The extent to which the information reported regarding the company's activity constitutes the most material and relevant information for the organization's operations and for its stakeholders. A material topic is defined as one that affects the decisions, performance, and actions of the bank and of its stakeholders.
- 3. **Responsiveness -** The extent to which the reported activity of the organization provides a response to topics raised by stakeholders as influential to the organization's performance in the area of sustainability.



The report was also examined for compliance with the quality assurance standard AA1000AS (2008) Type 2 - High. This examination covered the reliability, clarity, and accuracy of the reported information, the comparability of the information, and timetables related to the reported information.

As part of this process, the report was read by the ADALYA team; work meetings were held with consultants of the bank, in which the various findings of the examination were described; feedback was received, and in certain cases the report was amended according to the recommendations.



#### **Findings**

This is the eighth report from Bank Hapoalim, continuing its tradition of reporting comprehensively and voluntarily at the most advanced reporting level available within the Global Reporting Initiative, GRI G4 ('In Accordance – Comprehensive'). This advanced reporting structure emphasizes the identification of and reporting on the most material topics within the activity of the reporting organization, with details of its actions in these areas and their impact on all of its stakeholders. These topics were identified through the use of local and international research on the organization's field of activity, intra-organizational processes, and dialogue with its various stakeholders. Bank Hapoalim successfully identified and reported on these topics, as required by the various reporting and control standards.

The following matters emerged from the external quality assurance performed by the ADALYA team:

- Scope of the report The report is comprehensive, and contains extensive information regarding the bank's activities in a wide range of areas of social responsibility. The report continues to follow the trajectory of the highest level of reporting, G4, while adding innovations such as a presentation of the achievement of objectives, and summaries of the information in the report, in the introduction, in infographics at the end of each section and at the end of the report, and in a centralized table covering all of the content areas. In addition, the content areas have been expanded, and long-term trends and changes are examined. At the same time, the report contains a large amount of data and text, and occasionally provides excessive details of various activities, which may overburden the reader with information. We suggest considering a reduction of the volume of the report, in order to focus primarily on the information most relevant to the bank, reflecting its core activities, and specifically on innovations during the reported year.
- Response to public criticism Over the last few years, the Israeli banking sector has been exposed to a great deal of public criticism. The bank's CSR report is one of its key means of coping with such criticism. In our opinion, a more extensive response to this criticism could have been included in the report, in order to allow readers to receive answers to questions that have arisen in the public debate on these issues, such as bank fee rates, competition among banks, etc. Further, as part of the report's credibility, we recommend including information that is not necessarily positive, and providing explanations, to the extent possible both in order to transparently set and present goals, and in order to provide a balanced picture of the complex reality faced by the organization.
- Expansion of the application of ESG (environment, society, and governance) considerations in granting credit and managing risks This report addresses the partial integration of environmental and social considerations into credit granting, in principle. This is a welcome announcement indicating a worthwhile direction; however, as a leader in corporate responsibility in Israel, we believe the bank could provide more details regarding the various criteria examined, the rating of different transactions, and the quantity and volume of credit transactions considered from an ESG perspective, including those rejected within this process.

Sincerely,

#### Sefi Kedmi

Corporate Responsibility Department Manager ADALYA Consulting & Management July 2015





### Carbon Footprint

The Good Energy Initiative (Registered Non-Profit Association) is a social initiative devoted to climate change. The organization works towards minimization of greenhouse-gas emissions, which accelerate climate change, while raising public awareness of this issue. The initiative plans and operates projects aimed at saving energy and integrating renewable-energy technologies, with a community orientation. In addition, it assists public and business organizations in reducing greenhouse-gas emissions by gaining an understanding of their carbon footprint, providing guidance regarding measures to reduce this footprint at source, and performing carbon offsets. The initiative was founded with the assistance of the Heschel Center for Environmental Learning and Leadership, motivated by the ongoing escalation of climate and energy crises.

#### **Work Method**

Our work is based on prevalent principles for carbon calculation and marking, developed by the technical work group of the British government. The data were adapted to Israel based on the Israel Greenhouse Gas Emission Recording System -Operating Rules and Reporting Guidelines, issued by the Samuel Neaman Institute and the Ministry of Environmental Protection in April 2015. Emission coefficients used for these calculations are national figures published by professional entities such as the Public Utility Authority - Electricity, the Central Bureau of Statistics, and the Samuel Neaman Institute, which is linked to the Technion. Emission coefficients for imported products or products not specific to Israel are congruent with the directives of the World Resources Institute and the Department for the Environment in the UK, through the professional organization appointed on its behalf. Consumption data were supplied by the bank, and under its responsibility.

## Calculation and Reporting of the Carbon Footprint of Bank Hapoalim

In 2014, the bank continued to improve its carbon monitoring and reporting, further to the transition to analysis of its carbon footprint

according to the prevalent international standards, effected during 2008-2013, and the reports to the Israel Greenhouse Gas Emission Recording System beginning in 2010. Bank Hapoalim was one of the first organizations in Israel to report its carbon footprint.

The total carbon footprint of Bank Hapoalim amounted to 81,747 tons CO2eq in 2014. Greenhouse-gas emissions from the bank's routine operations mainly derive from electricity consumption at the head-office buildings and branches (72.9%), the vehicle fleet (10%), construction work, and paper consumption (5% each). The carbon footprint decreased by 12,595 tons CO2eq between 2013 and 2014. The reduction of greenhouse-gas emissions in the bank's activity continued for a third consecutive year, with an impressive decrease of an additional 13.3% in 2014.

#### **Summary of Findings**

Certain emission sources were reduced, in absolute terms. Some emission sources showed a decrease due to a change in the emission coefficient, while greenhouse-gas emissions from other sources increased in 2014. Significant changes in the composition of the emissions:

- Electricity consumption Decreased by 4.5% for the year, in addition to a 2.1% decrease in the emission coefficient, due to the increasing use of natural gas.
- Refrigerant gases A 73% decrease in emissions, mainly due to a change in the method of calculation of the emission coefficient for the coolant 410; a few percentage points are attributed to the continued gradual transition from the more harmful coolant 22 to the coolant 410.
- Gasoline consumption A negligible increase of 2.5%
- New construction An absolute decrease of 50% resulting from construction work.
- Sewage The responsibility for emissions resulting from the treatment of sewage for the bank's employees was transferred to the purification plants this year, in accordance with the directives of the Emissions Reporting System.

It should be noted that of the total carbon footprint data of the bank for 2014, 12,700 tons are classified as non-mandatory reporting in scope 3. Excluding this figure, the carbon footprint would total 69,047 tons.

#### Components in the Calculation of the Carbon Footprint of the Bank

- The bank monitors and calculates greenhouse-gas emissions caused by electricity consumption, use of the vehicle fleet, consumption of paper and ink, emission of coolant gases, purchases of electronic equipment, new construction and renovations, employee flights and hotel stays, and water consumption.
- The bank monitors and measures the reduction of greenhouse-gas emissions at source achieved by recycling paper, cardboard, ink, electronic waste, and soft-drink bottles.
- The preceding reports of the bank presented the reduction of greenhouse-gas emissions at source as a result of direct banking; however, a decision was made not to include this information in the presentation of the bank's carbon footprint in this report. This component is difficult to quantify, due to the lack of thorough research on this subject and the inability to measure and assess the true savings in paper consumption, transporting of paper through the entire supply chain to the online-banking customer, emissions resulting from customers' use of the Internet, and in particular the reduced number of visits to the bank using private vehicles. Furthermore, emission cutbacks are based on the principle of additionality i.e., an addition relative to the ordinary business scenario. Given that the use of electronic banking today is a "business as usual" scenario, it does not have the property of additionality.
- It should be noted that extensive activities with environmental and social significance described in this report are not reflected in quantitative terms in the calculation of the reduction of the bank's carbon footprint. The collection of fluorescent light bulbs, including mercury removal and safe disposal, as well as the separate collection and disposal of batteries, contribute to the reduction of various pollutants and toxins in employees' environment, in waste-disposal facilities, and in the environment in general, but do not reduce the emission of greenhouse gases.
- The bank does not measure greenhouse-gas emissions from employees' travel in private vehicles, production of solid waste, advertising, travel by suppliers and customers, consumption of disposable plastic, gardening services, and cleaning services.
- Beyond the activities within the bank, a noteworthy effort is the significant expansion of the project for separation of electronic waste, initiated and operated by the bank, to additional Israeli towns; there is no doubt that this worthwhile project contributed to higher public awareness and more accessible recycling in this area.





