



# Corporate Social Responsibility Report 2015 Leumi Group

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# Introduction





# A Word from the Chairman and Chief Executive Officer

We are honored to present the Corporate Social Responsibility Report of Leumi Group for 2015. Leumi is the oldest banking group in Israel, accompanying the Zionist endeavor from its inception, and the Bank considers corporate social responsibility to be a great privilege.

The business world, of which the banking sector is a significant part, is currently in the midst of historic change: a change that is the result of the technological revolution, which affects all walks of life in society, including the way people manage their financial affairs. The rapid development of technology, especially in fintech, is creating rapid changes in the banking world - both globally and locally. As a leader in the Israeli banking sector, Leumi takes care to manage its business with the objective of creating real value for the customer - value based on a combination of leadership, innovation, and thinking outside the box - while preserving financial soundness and organizational stability.

Corporate social responsibility activity rests on a dialogue with our major stakeholders, who come from diverse fields and sectors. This dialogue enables us to understand their needs and to focus on issues that are substantive for them. The products of this dialogue are taken into account in matters such as restructuring, launching new products and services, accessibility, as well as making accessible and adapting services to the needs of disadvantaged groups, the environmental impact of products and services, and increasing value for customers, employees, suppliers, and the community.

Below are some of the significant corporate social responsibility measures that the Group has undertaken this year:

**Leading banking innovation and initiatives for the Group's customers:** In 2015, out of a genuine understanding of customers' needs and with the objective of providing them optimal service, we continued to develop innovative products and services that are useful for our diverse customers, from households, through small businesses, to large corporations. In order to continue creating value for our customers and the Israeli economy, we have expanded our activity in the business sector as well, with an emphasis on small and middle market businesses, based on the perspective that they are a critical growth engine for a healthy Israeli economy.

As part of the view of customer needs from a technological evolution perspective, by the end of 2016, we will launch our Pepper activity - a full digital line of activity, which will provide a holistic, user-friendly, intuitive, and low-cost response for next-generation customers. The activity is wholly mobile-based, and the Leumi Group will be the first to bring this good news to Israel.

**Commitment to promoting responsible conduct :** this year, Leumi Group is continuing to instill its Code of Ethics in all units, providing extensive training on the subject and establishing an anonymous call center for employees seeking advice or wishing to file a complaint on these matters. In 2015, the Group continued its meticulous implementation of the declared money policy, in line with the strictest standards prevailing in global banking. Today, we are proud to state that Leumi has considerably lowered its potential exposure to money laundering and tax evasion by its Israeli and foreign customers.

**Banking services accessibility to people with disabilities:** This year, the Group has continued making its facilities accessible to people with disabilities. We have installed special audio systems for the visually impaired in ATMs, made forms accessible for the visually impaired, and created physical accessibility at branches nationwide. As of the end of 2015, 80% of the company's branches - more than 210 branches in Israel - are accessible, and all branches will be accessible by the end of 2017. In general, our motto of digital banking now enables us - more than ever - to provide accessibility to advanced and convenient services to people with disabilities.

**Commitment to the Group's employees :** Leumi Group employs more than 12,000 people in Israel and overseas and considers them to be a key factor in its success. We attribute great importance to the welfare, satisfaction, and professional and personal development of our employees. We encourage excellence and seek to promote and preserve transparency, fairness, equal opportunity, job diversity, and prevent abusive employment practices.

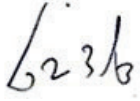
**Continuing the contribution to, and investment in, the community:** In 2015, Leumi Group donated a total of NIS 32 million to, and sponsored, social and community causes, and 230 organizations. More than 5,000 Group employees volunteered and contributed to the community in 2015. This year, strategic cooperation was further deepened with Aharai! - Youth Leading Change, increasing the investment in the NGO and expanding activity in communities in the periphery.

**Reducing the environmental impact :** The Leumi Group supports a cautious approach to environmental challenges, reducing its energy consumption and carbon footprint. The Group encourages the development and installation of environmentally-friendly technologies, providing credit to sustainable environmental projects. Our digital leadership enables the development of paper-saving products, starting with the digital check, which reduces the need to use checkbooks. In 2015, we granted more than NIS 1 billion in loans to advance environmental projects.

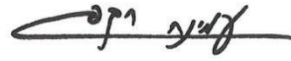
**Commitment to human rights and conduct in accordance with international standards :** For many years, the Leumi Group has supported the UN Global Compact, and is committed to implementing the ten principles of this initiative and to protect human rights wherever the Bank operates. The Leumi Group recognizes the freedom of association of its employees and collective bargaining, the elimination of

forced labor and child labor, and the eradication of discrimination in employment and at work.

We believe that extensive business endeavor is incomplete without contribution and in-depth involvement in the space in which we operate. We are proud to stand at the head of a financial institution that has worked for society, the community, and the environment for 114 years.



**David Brodet**  
Chairman of the Board



**Rakefet Russak-Aminoach**  
CEO

# The Leumi Way: Vision, Core Values and Ethics

“To lead enterprising and innovative banking for the Customer”



At the basis of the vision is the aspiration to devise a dynamic system, which combines the Bank's values with product and technological innovation - a system that will be, for our customers, a place in which they can find the best and most suitable solution for their financial requirements, and, in so doing, derive a fair profit, maintain the Bank's stability and create a balance between the needs of the employees and the expectations of the shareholders. As a financial group, with major influence over the business and public culture in Israel, Leumi considers its commitment to the community to be a social and ethical anchor, which it will continue to nurture.



## The Customers are the Core of our Work

They expect professional, quality, courteous and efficient service, so that at the moment of truth we will be there for them, attentive to their needs, offering suitable and useful value propositions.



“Yes we can” is a perception that allows new ideas to grow and come to fruition. This perception values and respects those facing challenges and is action-driven, but may also involve errors, out of recognition that only he who dares, wins.



We live in a reality that places significant value on **sharing**. To produce a force multiplier, we will enhance inter- and intra-unit collaboration, with each of us thinking “Leumi,” and thus ensuring the achievement of our goals. In addition, we will show openness and courageously share our opinions, thoughts, and ideas.



Each and every one of us is a **role model** for someone. In everything we do, we must aspire to serve as role models to those around us.



The challenges we face and the changing reality obligate us to strive constantly to improve and achieve better results. As employees of the Bank, **excellence**, for us, is knowing that our work has helped our customers and created business value for the organization.

# Business Profile

## Business Description<sup>1</sup>

Leumi is the oldest banking corporation in Israel and one of the leading and largest corporations in Israel and the Middle East. Leumi Group currently operates about 250 branches across Israel, in addition to offices at the world's major financial junctions. The Bank's headquarters and corporate executive offices are located in Tel Aviv.

Leumi Group provides quality banking services to all types of customers – from households and small and medium businesses to corporate giants. These services are provided via dedicated business lines, adapted to each customer segment, and are based on the highest and most uncompromising professional standards. The Group's subsidiaries: Leumi Card – the Bank's credit card company, Leumi Partners – which serves as the Group's investment arm, Leumi Tech – the Group's high-tech arm, alongside the Mortgage department and the Trust Company, allow customers to benefit from an entire range of banking services and products.

The activities of Leumi and the principal subsidiaries reviewed in this report represent more than 98%<sup>2</sup> of the Group's total activity in Israel. The Group owns additional subsidiaries in Israel, as well as Leumi USA, Leumi UK, and Leumi Romania overseas.

In addition, Leumi has holdings through its investments in non-financial corporations, as detailed in the holdings chart below.

## Ownership Structure

Bank Leumi Le-Israel is a limited-liability public company whose shares are listed for trading on the Tel Aviv Stock Exchange.

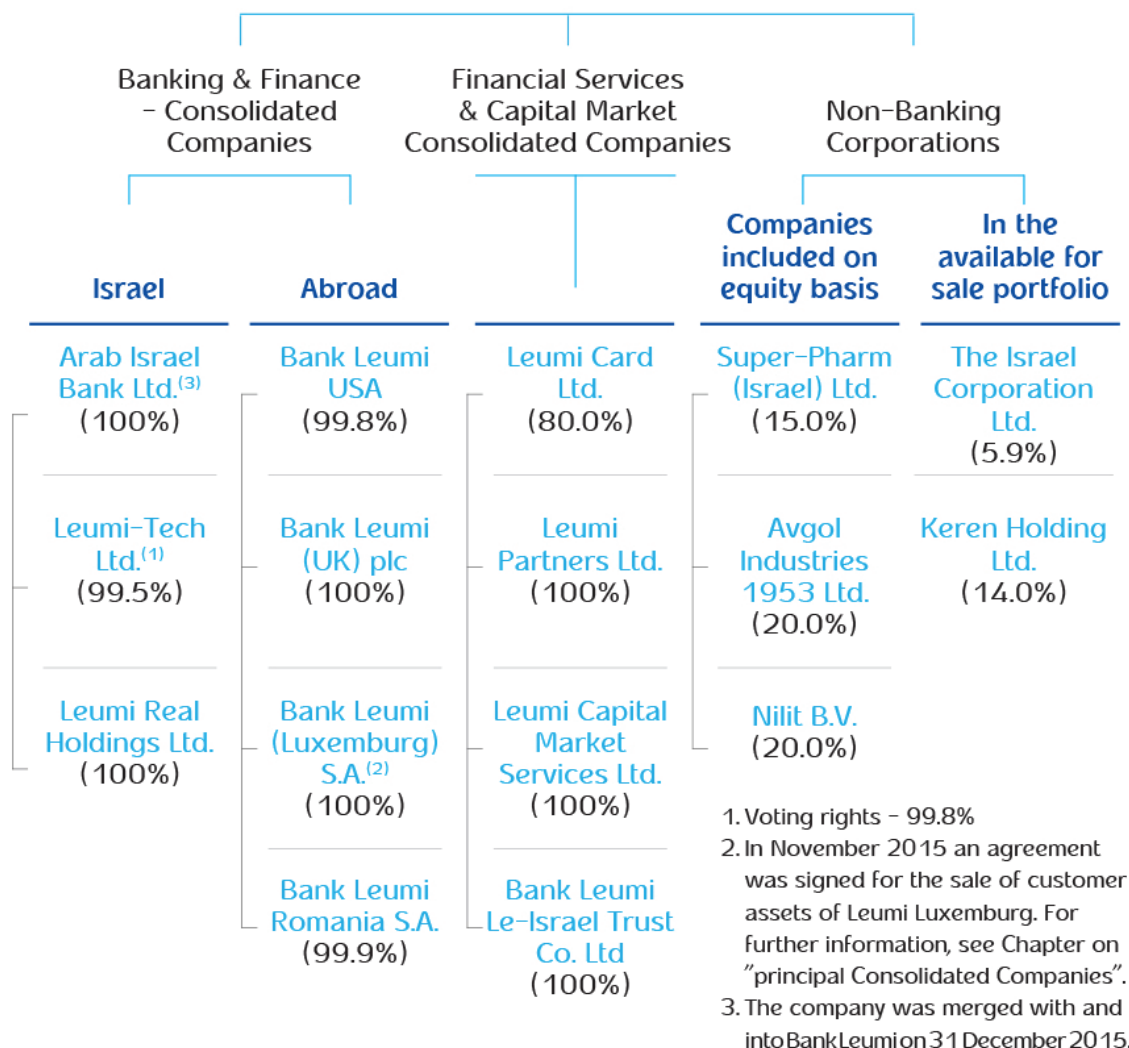
As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

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<sup>1</sup> G4-17

<sup>2</sup> By contribution to the Group's net profit, including the profits of the Arab Israel Bank, prior to its merger with Leumi.

## The Bank



## Bank Leumi's Business Lines

Bank Leumi operates in Israel through dedicated business lines that specialize in providing banking and financial services to all customer segments. This specialization allows the Bank to provide professional service adapted to each customer's needs. Leumi's headquarters units provide support to the core business divisions. The subsidiary companies in Israel and its offices abroad are associated with the relevant business lines, according to the nature of their activities and type of customers.

**Retail Banking:** Retail Banking provides comprehensive banking services to private customers and small

businesses at 222 branches nationwide, including branches of the former Arab Israel Bank. Retail Banking also manages the advanced direct banking services of Leumi Digital: the Bank's website, Leumi Call (call center), the mobile apps, the Total Digital account, and information kiosks at the branches.

**Corporate banking:** The business network handles financing and advice for the large business and multinational customer segment, including developers and contractors involved in large real estate and infrastructure projects. The corporate network, which includes construction and real estate, handles customers with complex businesses, customers with international business and/or whose activity is managed in several of the Bank's overseas offices.

**Commercial banking:** The commercial network specializes in providing banking and financial services to middle market companies through 25 specialized business branches nationwide. The organizational structure of this business line is unique in the banking system, enabling the Bank to provide a comprehensive one-stop-shop to its customers. Alongside the services provided by the branches, commercial customers enjoy service through direct channels and technological means, including the Cash Management services portal, launched in 2015.

**Private banking:** the private banking network coordinates the activity of private customers, either Israeli or foreign residents, who have more than NIS 1.5 million in net assets. The Bank operates through seven unique Private Banking centers nationwide, which are designed to meet the needs and characteristics of this customer segment. The network is also responsible for the activity of foreign resident customers who hold more than \$50,000 at Leumi.

**International banking:** This network provides commercial banking services to private customers and Israeli companies operating in international markets, through the branches of Bank Leumi USA, Bank Leumi UK, Bank Leumi Romania, and the Leumi representative office in Shanghai, China.

**Digital banking:** The new Digital Banking Division was established on January 1, 2016. The division is responsible for establishing digital banking and the continuous upgrading of Leumi Digital's services and the Bank's big data capabilities, so as to enable Leumi to remain at the forefront of digital innovation and overall customer experience across all of the Bank's communications channels.

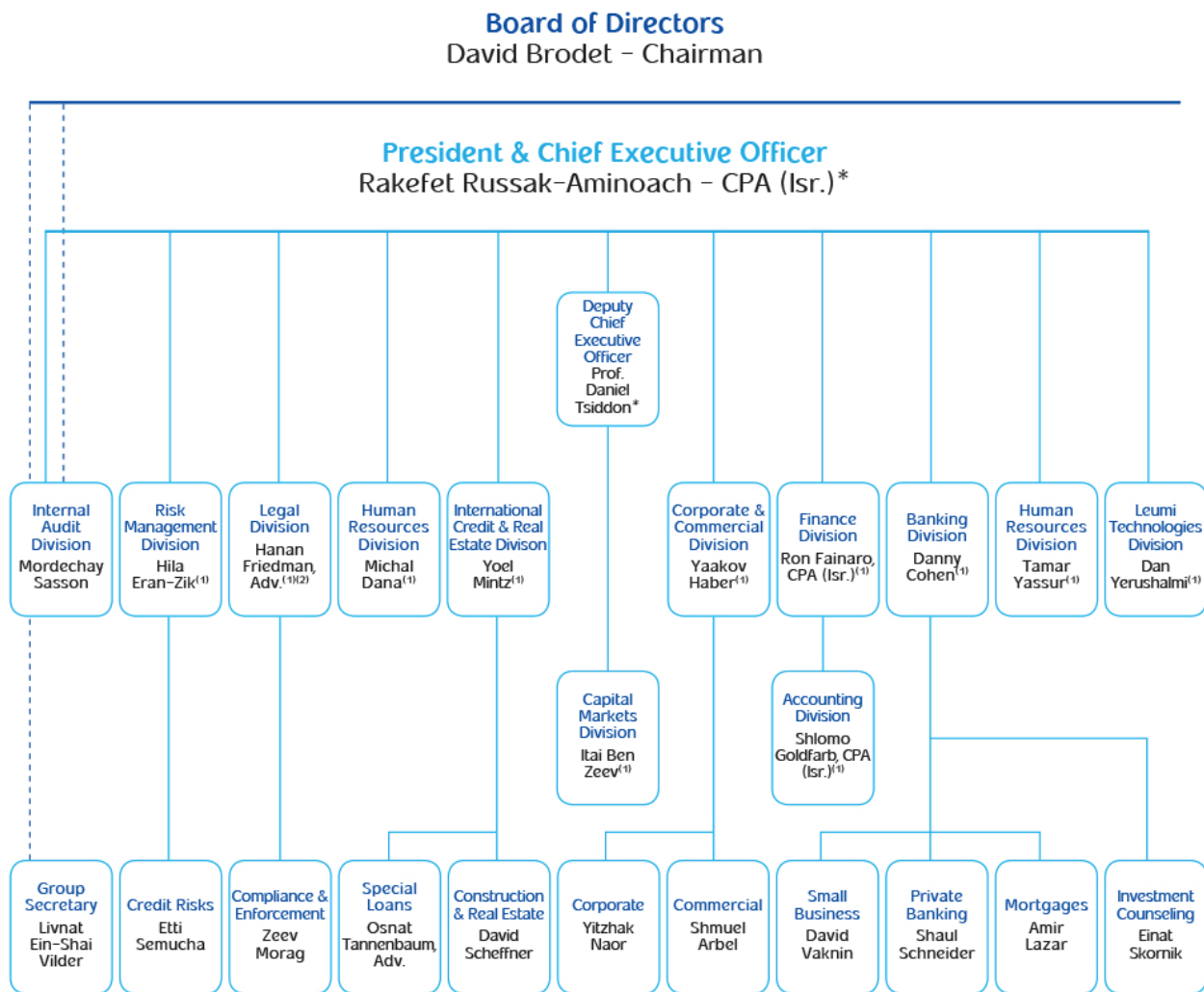
**Capital markets:** The Capital Markets banking and financial management Division manages the activity of financial institutions and foreign banks, providing financial solutions tailored to these customers and the Bank's other business customers, which operate directly with the Leumi trading rooms (Israeli securities, foreign securities, foreign currency, and derivatives). The division is also responsible for all Bank customers' capital market activity.



**Mortgages:** The mortgage activity focuses on three areas: Granting loans for the purchase of housing, all-purpose loans against the pledge of property, and loans to housing purchasing groups. The 108 mortgage representative offices nationwide provide comprehensive services – from planning the mortgage through obtaining it, including refinancing and routine handling of existing loans.

**LeumiTech:** LeumiTech provides comprehensive financial advice to high-tech companies throughout their business cycle. LeumiTech's value proposition meets all the financial needs of technology companies, including bank and non-bank financing, special banking products, a designated investment management platform, a special credit card, and access to venture capital funds, investors, companies, and key industry figures in Israel and overseas. LeumiTech also has a presence in global high-tech centers, such as London, New York, and Silicon Valley.

## Bank Leumi le-Israel B.M. Organizational Structure



(1) Member of Management

(2) Serves also as Legal Counsel to the Board of Directors

## Material changes in the reporting period

- + **Merger with Leumi Finance Company Ltd.:** Completed in January 2015, the merger is intended to achieve significant cost and operational savings.
- + **Sale of Bank Leumi Luxembourg S.A. operation:** On November 24, 2015, a deal to sell the Bank Leumi Luxembourg operation to Safra Bank Luxembourg was signed and was closed on February 2, 2016. The sale concluded Leumi's exit from private banking in Europe.
- + **Arab Israel Bank:** Bank Leumi and Arab Israel Bank merged on December 31, 2015.
- + **Procurement, Construction and Logistics Division:** The Procurement, Construction and Logistics Division was dissolved on June 15, 2015, and responsibility for procurement, construction, maintenance and properties was transferred to the Head of the Finance Division.
- + **Digital Banking Division:** The new Digital Banking Division was established on January 1, 2016, reporting to the President and CEO. The establishment of the division is a further substantial step in the digital revolution that the Leumi Group has been leading in the Israeli banking system. The division is responsible for leading, accelerating, and implementing advanced digital innovation, with an emphasis on leading a digital strategy and incorporating innovative digital products in all digital channels linked with business lines and objectives. The division is also responsible for leading and managing big data activity at the bank level and managing the marketing array, setting marketing strategy, and executing it across the Bank's business lines.
- + **Closing Bank Leumi Switzerland:** In line with the Bank's decision to close its private banking branches and representative offices overseas, it dissolved most of its overseas representative offices. Thus, in 2015, a cooperation agreement was signed with Julius Baer to transfer most of Bank Leumi's Switzerland customers to private banking group, and the Swiss branch is preparing to close down.
- + **Sale of Bank Leumi UK's subsidiaries:** part of the Group's policy to reduce its private banking activity outside Israel, the holding of Bank Leumi Jersey in a Jersey trust company was sold to a third part in April 2016. In June 2016, Bank Leumi Jersey, a subsidiary of Bank Leumi UK, signed an agreement for the sale of its operations. The agreement will come into effect subject to obtaining the necessary regulatory approvals.

## Subsidiary Companies and Deployment of Operations<sup>3</sup>

91.6% of the Leumi Group's activity is concentrated in Israel and 8.4% of its activity is conducted abroad<sup>4</sup>. The Group's headquarters are located in Israel.

Outside Israel, the Leumi Group provides financial services to Israeli business customers, local business customers, international organizations active in Israel and local Jewish communities. The Group's primary target audience overseas is business firms.

The Leumi Group operates in ten countries, including the most important financial centers worldwide: New York and London. Activity is carried out through a network of 41 branches and representative offices.

Below is additional information on the main subsidiaries:

### Leumi Card

[www.leumi-card.co.il](http://www.leumi-card.co.il)

The company is engaged in issuing, clearing and operating credit cards, payment solutions and financial products. As of the end of 2015, Leumi Card had issued more than 2.48 million credit cards under the Visa and MasterCard brands, including bankcards in cooperation with Leumi and non-banking cards for customers of all the banks. Leumi Card provides clearing services to some 40 thousand businesses across Israel, offering them financial solutions such as loans, discounting vouchers, and pre-payments. 80% of the company's shares are held by Bank Leumi, and 20% – by the Azrieli Group. The company ended 2015 with a net profit of NIS 180 million, as compared with NIS 200 million in 2014.

### Leumi Partners Ltd.

[www.leumipartners.com](http://www.leumipartners.com)

The investment banking arm of the Leumi Group, which provides non-banking growth solutions, such as Leumi Group's investments in companies, underwriting, research, mergers and acquisitions, and raising of any type of capital or debt. Leumi Partners integrates its capabilities through a unique merchant banking platform. In 2015, the company reported a profit of NIS 406 million, compared with a profit of NIS 308 million in 2014.

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<sup>3</sup> G4-17

<sup>4</sup> According to the balance sheet as at December 31, 2015.

### Bank Leumi Le-Israel Trust Company Ltd.

The company provides a selection of trust services in three main business areas, allowing all of its customers to enjoy sophisticated customized solutions, for both business and personal needs: Private customer trusts - setting up private trusts, managing public religious trusts, estate management and real estate property management; business customer trusts - investment fund trusts, holding shares in trust, collateral trusteeship and escrow transactions; and trusteeships in the capital market area - trusteeship for bonds and ETNs. In 2015, the company's net profit was NIS 0.3 million, compared with a profit of NIS 0.9 million in 2014.

### Leumi-Tech Ltd. (previously Leumi Leasing and Investments Ltd.) [www.leumitech.com](http://www.leumitech.com)

The company works to promote Leumi Group's activity in the high-tech industry. Within this framework, the company is engaged in, among other things, professional support for all Group companies in Israel and abroad, deepening ties with industry, building and expanding banking services and creating infrastructure for knowledge. In 2015, the company's net profit was NIS 0.6 million, compared with a profit of NIS 9.3 million in 2014.

## Offices overseas<sup>5</sup>

### Bank Leumi US [www.leumiusa.com](http://www.leumiusa.com) (BLUSA)

Bank Leumi's largest office abroad, engaged mainly in commercial banking. Its main activity is financing of local mid-sized companies and Israeli companies operating in the United States, as well as providing private banking services to US and foreign residents. The Bank operates branches in four states: New York, Illinois, Florida and California. Bank Leumi USA ended 2015 with a profit of \$61.4 million, as compared with a loss of \$50 million in 2014 (a profit of \$15 million, excluding expenses related to arrangements with authorities abroad).

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5 G4-17

### Bank Leumi UK (BLUK)

[www.bankleumi.uk](http://www.bankleumi.uk)

Operating in the UK since 1902, Bank Leumi UK is the largest bank in Britain under Israeli ownership. The bank is engaged in commercial and private banking, specializing in real estate, the hotel industry, commodities, media and commerce. Among the bank's customers are, of course, Israeli customers and/or subsidiaries of Israeli companies, but the bank provides services to all customers operating in its areas of expertise. The center of the Bank's activity is in London, but it supports its customers' activities throughout western Europe. The office has a subsidiary – Leumi ABL, the main focus of which is discounting receivables. Bank Leumi UK's net profit in 2015 amounted to £13 million compared with £7.5 million in 2014.

### Bank Leumi Romania (BLROM)

[www.leumi.rom](http://www.leumi.rom)

The only Bank in Romania under Israeli ownership, operating 15 branches across the country. The Bank's main activity is commercial and includes real estate financing, providing financing for Israeli customers operating in Romania as well as for local small and medium businesses. Bank Leumi Romania ended 2015 with a loss of Ron 24 million, compared with a profit of Ron 54 million in 2014.

For more information on the activities of the additional subsidiaries and investee companies, branches, agencies and representative offices of the Leumi Group worldwide, please visit the Group's website:

[www.leumi.co.il](http://www.leumi.co.il)

## Membership in Organizations and Associations

Bank Leumi is a member of the Association of Banks; thus, Leumi's Chief Executive Officer and Chairman are members of the Association's Executive Committee.

In addition, the Bank is a member of the Public Companies Authority.

**The Trust Company** is a member of the Board of Trustees of the Israeli Capital Market.

**Bank Leumi Romania** is a member of Romania's Association of Banks, which is part of the European Banking Federation. **Bank Leumi UK** is a member of the British Bankers' Association and has a representative in the Operating Committee of the Association of Foreign Banks.

# About The Report<sup>6</sup>

This is the seventh Corporate Social Responsibility Report of the Leumi Group, written in accordance with the fourth generation guidelines of the Global Reporting Initiative (GRI) organization at the Comprehensive option of reporting. The report contains all the items in the appendix for companies from the financial sector, and includes a report in accordance with the principles of the UN Global Compact (UNGC) Initiative. A list of the principles with references to the appropriate pages appears on pp. 105–133.

The Leumi Group maintains reporting continuity for its stakeholders and publishes a Corporate Social Responsibility Report each year.

## Contents of the Report<sup>7</sup>

This Report focuses on the Leumi Group's activity in the areas of corporate governance, the economy, society and the environment in 2015.

Except where noted otherwise, this Report refers to the Leumi Group's activity in Israel and overseas. In Israel: Bank Leumi (including the Arab Israel Bank), Leumi Card, Leumi Partners and the Trust Company; overseas: Bank Leumi UK (excluding its subsidiaries), and Bank Leumi Romania.

Except where noted otherwise, the data in this Report refer to the period from January 1, 2015 to December 31, 2015. The data are in complete agreement with other reports issued by the Group, and do not contradict information presented by the Group in past years.

The data in the chapter on "Creating Value for the Environment" refer to the environmental performance of Leumi, Arab Israel Bank and Leumi Card, which account for about 90% of all employees in the Group (as defined in this Report) and are a source of 84.1% of its revenues.

## Terms

We use the term "Leumi Group" or "the Group" when describing the activities of the entire Group, as defined in this Report. We use the term "Leumi" when describing the activities of Bank Leumi Ltd. only. We mention the names of subsidiaries and offices abroad when describing the activities taking place in these companies only.

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6 G4-22 .G4-23

7 G4-18



This report is a Corporate Social Responsibility Report for 2015 prepared in accordance with the GRI guidelines. The report is not part of the Group's financial statements, nor of the immediate reports or periodic reports of Bank Leumi and the Group. In case of any discrepancy between that stated in this report and these reports and financial statements, the version in the financial statements is binding. This report is also published on the Leumi Group's Corporate Social Responsibility website - **Leumi Plus** - [plus.leumi.co.il](https://plus.leumi.co.il)

## Ensuring reporting reliability

The Leumi Group takes care in ensuring the reliability of its reporting in the corporate social responsibility reports issued in accordance with the GRI guidelines, and has done so since 2009. The Group attaches great importance and value to this process, which it considers as highly educative and helpful in constantly improving information gathering and reporting, so as to meet the requirements of stakeholders for transparent and credible reporting.

Within this framework, three types of assurances were used for the current Report:

- + **Process assurance:** to ensure proper implementation of the process – was conducted by the Corporate Social Responsibility and Sustainability Group at accounting firm BDO Ziv Haft. The assurance included full support of the program to implement corporate social responsibility in the Bank and working on this report.
- + **Assurance regarding the location of material aspects:** The GRI organization reviewed this report and examined how the material aspects were incorporated into the report (GRI Materiality Disclosures Service). (For more information, please see page 189).
- + **External assurance and Quality assurance of the report** – was carried out by the Corporate Social Responsibility Institute. (For more information, please see page 183).

## For more information, please contact:

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[Hadas.Eytan@bankleumi.co.il](mailto:Hadas.Eytan@bankleumi.co.il)

Corporate Social Responsibility website: [plus.leumi.co.il](https://plus.leumi.co.il).

## Acknowledgements

We would like to thank all the parties in Leumi and the subsidiaries engaged with the management and promotion of Corporate Social Responsibility content, who helped in the collection of data and preparation of materials for the report. Published in July 2016

**Professional consulting:** The Corporate Social Responsibility and Sustainability Group at accounting firm BDO Ziv Haft

**Quality assurance:** The Corporate Social Responsibility Institute

**Graphic Design:** Studio Einhar

# Identifying Material Issues for Reporting<sup>8</sup>

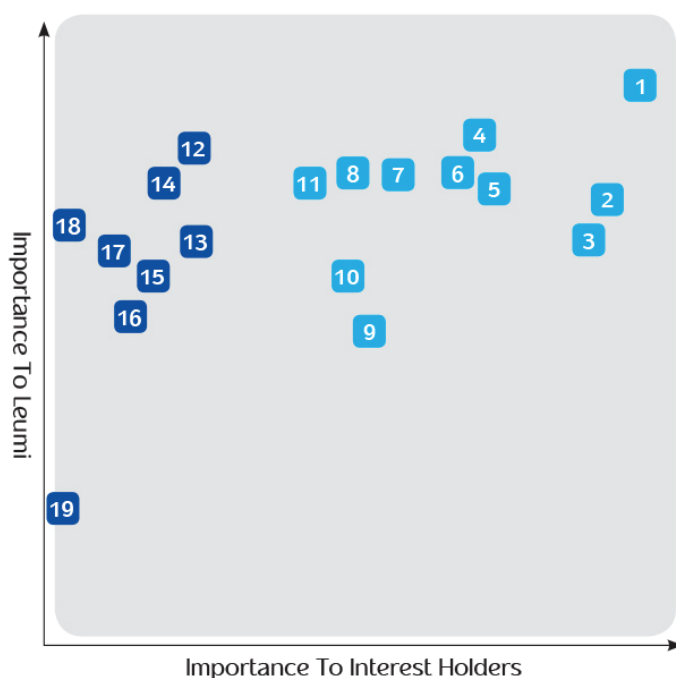
Most corporate social responsibility reports published by Bank Leumi were prepared in accordance with the GRI guidelines of the Global Reporting Initiative organization, which define the guiding framework for reporting on this subject. In 2015, the Bank continued to report in accordance with reporting standard GRI:G4. This standard requires Leumi to report in-depth only on issues identified as material to its operations (compared with the previous standard, which required reporting on a wider range of issues).

The issues identification process allows Leumi to focus its activities in the field of social corporate responsibility on 11 issues it has identified as material. The Bank will work to increase its commitment to the advancement of improvement processes in accordance with the objectives it had set.

Ahead of preparing the 2014 Corporate Social Responsibility Report, a materiality matrix was defined, which serves as a basis for this report as well. During 2016, the Group will review and update the material reporting issues, based on dialogue with stakeholders. We invite you to contact us and present us with topics relevant to this report.

## The Materiality Matrix and Issues for Reporting in 2014–2015

For more information about the process of defining the Materiality Matrix, [please see page 16 of the 2014 Corporate Social Responsibility Report](#).



Two main groups can be identified in the Materiality Matrix for 2014–2015:

High importance  
issues (Reported)

- 1) Ethics and anti-corruption
- 2) Dialogue with stakeholders and reporting on corporate responsibility
- 3) Integrating environmental and social considerations in granting credit and financing
- 4) Accessibility of services to disadvantaged and handicapped populations
- 5) Health, training and welfare of employees
- 6) Employment diversity and equal employment opportunities
- 7) Community involvement
- 8) Making financial knowledge available
- 9) Energy consumption and carbon footprint
- 10) Economic performance
- 11) Integrating environmental and social considerations in procurement processes

Issues not of high  
importance (not  
reported)

- 12) Customer privacy and security
- 13) Conducting business fairly
- 14) Maintaining fair employment conditions for all employees
- 15) Consumption of natural resources
- 16) Organization-wide management of environmental issues
- 17) Integrating environmental and social considerations in investments
- 18) Protection of human rights within the framework of the organization's activities
- 19) Maintaining biodiversity in areas of operation

## Structuring the Report according to the material issues and reporting boundaries<sup>9</sup>

In accordance with the G4 Comprehensive option, the GRI reporting guidelines require the implementation of a process that will result in reporting on the material issues identified by the organization alone. According to the guidelines, the reporting organization should present an organized management approach, work processes that show the organization's commitment, and objectives for the coming years, alongside a report on the organization's syndicators under each specific aspect (specific standard disclosures).

The process for identifying material issues resulted in 11 issues identified as material (out of the 19 issues presented). The 11 issues include (as described below) 24 aspects in accordance with the definitions of the GRI:G4 Comprehensive option. According to the standard, as soon as the Bank has identified 24 material aspects for reporting, it is required, by definition, to report on them.

Chapter	Materiality	Issue	GRI Aspect	Reporting boundaries
Economic impact and responsible management	10	Economic performance	Economic performance	Within the organization
			Indirect economic impacts	Within the organization
	1	Ethics and anti-corruption	Anti-corruption	Within the organization

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<sup>9</sup> G4-18, G4-19, G4-20, G4-21

Creating value for customers	8	Making financial information accessible	Product and service labeling	Within the organization
			Marketing communications	Within the organization
			Compliance	Within the organization
	4	Making services accessible to disadvantaged and handicapped populations	Non-discrimination	Within and outside the organization
	3	Integrating socio-environmental considerations in granting credit	Product portfolio (sector specific aspects)	Within and outside the organization
			Products and services	Within and outside the organization
			Audit (sector specific aspects)	Within the organization
	2	Dialogue with stakeholders and reporting on CSR issues	Grievance Mechanisms for Impacts on Society	Outside the organization
Creating employee value	6	Diversity and equal opportunities in employment	Diversity and equal opportunity	Within the organization
			Equal remuneration for women and men	Within the organization
			Market presence	Within the organization
	5	Health, training and welfare of employees	Training and education	Within the organization
			Occupational health and safety	Within the organization
Creating community value	7	Involvement in the community	Local communities	Within and outside the organization

Integrating social and environmental considerations in procurement processes	11	Integrating social and environmental considerations in procurement processes	Procurement practices	Within and outside the organization
			Supplier environmental assessment	Outside the organization
			Supplier human rights assessment	Outside the organization
			Supplier assessment for labor practices	Outside the organization
			Supplier assessment for impacts on society	Outside the organization
Creating environmental value	9	Energy consumption and carbon footprint	Energy	Within the organization
			Emissions	Within the organization

This structure reflects the material issues for Leumi and its stakeholders. This framework includes a full response to 58 specific performance indicators (specific standard disclosures) that fall under these 24 aspects, alongside 58 organizational profile indicators (general standard disclosures). In addition to these issues, the report provides more information on three additional issues that were not identified as material in the materiality process but which Leumi has found necessary to report and elaborate on in order to maintain reporting continuity and transparency on the issues of: responsible employment (including details and breakdown of the Bank's employee populations); maintaining customer privacy (including bank secrecy and details on complaints); and reporting on consumption of materials (paper consumption and electronic waste volumes).

The full reporting index appears on pages 189–208 of this report. In addition, Leumi defined, in relation to each aspect, the reporting boundaries, and whether their impact is within the organization (in which case the Bank will focus on managing the issue, methodical measurement of performance, improving performance, and periodic monitoring while setting objectives) or is outside the organization (in which case Leumi will focus on dialogue with outside parties, periodic monitoring of performance, and encouraging responsible conduct). Some of the issues have been defined as material both within the organization and outside it<sup>10</sup>.

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<sup>10</sup> G4-18, G4-19, G4-20, G4-21



# Corporate Social Responsibility Management in the Group

Corporate social responsibility in the Group is managed based on a comprehensive policy, led by the Leumi Board of Directors. The Resources Committee of the Board of Directors also serves as the Corporate Social Responsibility Committee. It is in this capacity that the committee discusses, every two years, the corporate responsibility management strategy of Leumi and the Group, and its suitability to the Bank's overall strategy. In addition, each year, the committee discusses the corporate social responsibility report and the corporate social responsibility objectives of the Bank and the Group for the coming years. Each year, the committee discusses the report – planning vs. performance of the corporate social responsibility objectives of the Bank and of the Group.

The area of corporate social responsibility is managed by the Training Sub-Division of the Human Resources Division. The person responsible for corporate responsibility is the Head of the Human Resources Division. The Group's Corporate Responsibility Manager is a full-time manager. In this capacity, she is responsible for integrating the work of all those involved in the field. The Corporate Responsibility Manager works in full cooperation with the managers of the units that have a professional interface with the field and with those responsible for corporate social responsibility at the subsidiaries and Leumi offices worldwide.



## Corporate social responsibility training for managers

- + At the end of 2014 and early 2015, special training was held for the first time for 25 managers who serve as corporate social responsibility leaders in Leumi units and subsidiaries. During the training, discussions were held on the concept of corporate responsibility and trends in this field. Emphasis was placed on integrating corporate social responsibility in the business world, using innovative tools, and additional tools for measurement and systematic reporting in various areas were taught.
- + During 2015, three managers from the Group attended a course for social corporate responsibility managers and on reporting in accordance with GRI guidelines.
- + As part of their work, and where relevant, managers in the Group dealing with issues of corporate social responsibility participate, on a regular basis, in professional conferences and external training sessions on social corporate responsibility.

## Involvement in corporate social responsibility initiatives and rankings

Leumi and its subsidiaries have adopted leading standards in the area of sustainability and corporate social responsibility in Israel and abroad:



Leumi and Leumi Card are members of Maala, and appear in the organization's annual ranking. In 2015, the companies received the highest possible ranking: Platinum Plus

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In 2008, Leumi signed the principles of the UN Global Compact Charter, a UN initiative to promote socio-environmental responsibility. Since then, Leumi reports to the initiative and renews its support for its statement of principles each year.

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FTSE4Good

FTSE confirms that Bank Leumi has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice.

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In 2013, Leumi joined the Carbon Disclosure Project (CDP) Initiative. Leumi reports to the Initiative with the aim of measuring and disclosing to the public the Bank's direct and indirect impacts on climate change.

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In 2010, Leumi joined the Ministry for Environmental Protection's voluntary registry for reporting greenhouse gas emissions in Israel.

## Diamond Badge

In 2015, Bank Leumi won the Diamond Badge from the Israel Standards Institute for the fourth consecutive year. The badge is awarded to organizations that have at least seven quality standards, and which met all the stringent criteria and scrutiny of the Israel Standards Institute. The seven standards for which the badge was received are IS18001 (Occupational Safety and Health), IS14001 (Environmental Management), IS50001 (Energy Management), IS20000-1 (IT Services Management), IS22301 (Business Continuity Management), IS27001 (Information Security Management) and IS9001 (Quality Management).

## Cooperation and dialogue with stakeholders

Leumi attaches great importance to maintaining an ongoing dialogue with its various stakeholders, and devotes many resources to the continuous expansion of communication channels with them. The existence of a transparent, open and mutual dialogue allows the Bank to understand the needs and desires of stakeholder groups and enables it to improve itself for them and to offer them targeted and accurate solutions.

Dialogue with the stakeholders takes place through digital tools, conferences, individual meetings and telephone calls with customers, employees, suppliers, social and environmental organizations, regulators and investors. The manner of identifying stakeholders and the issues arising in the framework of the dialogue with them are detailed in the relevant chapters, as described in the table below.

At the beginning of 2016, the Corporate Social Responsibility and Sustainability Group at accounting firm BDO Ziv Haft held a process of clarifying the positions of stakeholders on corporate social responsibility reporting by banks, to examine the material issues and how to report them, and to learn about other issues relevant to corporate social responsibility reporting by banks. Following the conclusions of the process, more information was provided on relevant issues in the present report. The stakeholders' positions, as presented in the process, will be taken into account when defining the material issues for the Group's next report.

## Main Channels of Dialogue with Stakeholders<sup>11</sup>

Customers	<ul style="list-style-type: none"> <li>• Personal meetings with customers in general, and specifically with customers whose debt is in legal proceedings</li> <li>• Customer satisfaction surveys</li> <li>• "Leumi Blog" and Group Facebook pages</li> <li>• Public Enquiries Bureau</li> <li>• Customer conferences</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Leumi Share - in-house portal for employees</li> <li>• Mid-year review and dialogue meetings</li> <li>• Meetings between management and the employees' representative body</li> <li>• Employee attitude surveys</li> <li>• Meetings of the CEO and Division heads with employees</li> <li>• "Open Line" to Human Resources Division management</li> <li>• Tours and meetings of the President and CEO and management in branches and regional offices</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Suppliers portal</li> <li>• Personal meetings with suppliers</li> <li>• Suppliers and contractors conferences</li> </ul>
Social organizations	<ul style="list-style-type: none"> <li>• Personal meetings with representatives of social organizations</li> <li>• Participation in forums and round tables</li> <li>• Ongoing dialogue with community partners on employee volunteering - NGOs, social organizations and welfare departments in local authorities</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Investor relations website</li> <li>• Conferences, group and individual meetings, personal conversations and quarterly earning calls.</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>• Ongoing dialogue with the Association of Banks as the representative body of Israel's banking corporations before the regulators</li> <li>• Attending Knesset Committee meetings, conferences and meetings with the regulators</li> </ul>

<sup>11</sup> G4-24, G4-25, G4-26, G4-27

## Meeting Objectives

Corporate Responsibility Management at the Group			
Company	Objective as at end of 2015	Status	Explanation
Leumi	Initiate and advise on projects in cooperation with the business lines and headquarter units.	Done	<ul style="list-style-type: none"> <li>Measures were implemented to advance corporate social responsibility in the supply chain (see Integrating socio-environmental considerations in procurement).</li> <li>Another pilot experiment of the job placement plan for customers in debt took place, in cooperation with the Banking Division.</li> </ul>
	Lead processes to promote and instill corporate social responsibility.	Done	<ul style="list-style-type: none"> <li>Activity on issues identified as material was expanded – see the previous section.</li> <li>Annual reporting processes were instilled, with improved infrastructures and streamlined procedures.</li> <li>The initial training of corporate social responsibility leaders at the relevant units was completed in 2015.</li> </ul>
Arab Israel Bank	Retaining the Platinum Plus rating in 2015.	Done	

Leumi Card	Promoting aspects of corporate social responsibility in procurement processes.	Done	The procurement procedure was updated and procurement managers and the Head of Procurement were briefed (see Integrating environmental and social considerations in procurement processes).
	Instilling the company's vision and values.	Done	The launch and instilling of the new vision and values was carried out in 2015, including the in-house campaign, Values and Dilemmas activities, and an online tutorial. A new process for performance evaluation, drawn from the new values, was drawn up.

## Objectives for 2016

Target to be achieved by the end of 2016		Main actions planned
Leumi	Annual training for corporate responsibility leaders at the units.	Providing tools and knowledge relevant to the CSR leaders in the different units.
	Initiate and assist units to instill corporate responsibility procedures in line with expectations of major stakeholders.	Work jointly with the various units, including the Procurement Sub-division, Sustainability Unit, and the Banking Division.
	Review the materiality matrix.	Update the materiality matrix based on dialogue with major stakeholders .
Leumi Card	Promote aspects of corporate social responsibility in procurement processes.	<ul style="list-style-type: none"> <li>Review the wording of the Suppliers' Code as an appendix.</li> <li>Instill with procurement coordinators and managers (see Integrating social and environmental considerations in procurement processes).</li> </ul>



# Economic Value and Responsible Management



# Economic Impact on Israeli Society

As one of Israel's largest banking groups, the Leumi Group has extensive economic impact on the Israeli economy and its stability. This impact is both direct or indirect.

**Direct impact on the economy and society in Israel:** the impact stems from the Group being a leading financial entity in the economy, providing services to millions of customers, whose business success is related to the social and economic strength of the community in Israel. In addition, as one of Israel's largest employers, the Group has impact on employees and their families - on their terms of employment, their health and safety and their professional and personal development, as well as on promoting employment in various sectors. The Group's impact is also reflected in the scope of its engagement with local and international suppliers.

**Indirect impact on the economy and society in Israel:** The impact stems from the payment of taxes to the State treasury, financing of infrastructure projects, support of growth sectors (such as small businesses and the conversion of plants to natural gas), involvement in the capital market, services with social and environmental value, local procurement, hiring employees and financial contribution to the community.

As an organization that works within the community, the Leumi Group understands its responsibilities as an entity which can empower Israeli society, directly address weaknesses in society, and strengthen entities that can develop and implement appropriate solutions. The Leumi Group is deployed throughout the country to provide the full range of its services and products to all its customers, wherever they are.

## Arab Israel Bank merger

During 2015, all necessary preparations were made to merge the Arab Israel Bank into Bank Leumi Le-Israel. This process has a significant effect on a major population group in Israel. As part of the merger, which began on January 1, 2016 and ended in late April, branches of the Arab Israel Bank were converted to Leumi branches. The branches and employees continue to serve the same customers, at the same locations. Customers enjoy a wide range of advanced products and services provided by Leumi. The Bank plans to expand and increase its activities in the Arab sector. The synergy created by the merger allows the Bank to continue enhancing its operations and support of the business sector, with a focus on small businesses.

## The Economic Value created by the Bank in 2011–2015

Below is a table showing the economic performance of the Leumi Group in 2011–2015.

Economic performance					
	2011	2012	2013 (A)	2014 (A)	2015
Net profit for the shareholders of the banking corporation (in NIS millions)	1,891	922	1,988	1,413	2,835
Basic net profit per share (NIS)	1.28	0.63	1.35	0.96	1.92
Return on equity (%)	8.3%	3.8%	8.0%	5.4%	10.3%
Dividend	0	0	0	0	0
Profit and loss					
Total Group revenue (in NIS millions)	11,282	12,182	12,788	12,504	13,415
Total operating expenses (in NIS millions)	8,341	9,120	8,817	9,371	8,836
Total provision for credit losses (in NIS millions)	734	1,236	268	472	199
Earnings before taxes (in NIS millions)	2,207	1,826	3,703	2,661	4,380
Provision for taxes on income – consolidated (in NIS millions)	418	800	1,380	1,278	1,691
Net profit attributable to shareholders of the Bank (in NIS millions)	1,891	922	1,988	1,413	2,835
Operating efficiency ratio (the ratio of operating expenses to total income) (%)	73.9%	74.9%	68.9%	74.9%	65.9%

Capital adequacy ratio (Tier 1) (%) – Basel 3 (until 2013 – Basel 2)	8.07%	8.55%	9.19%	9.09%	9.58%
<b>Assets</b>					
Total assets (in NIS billions)	366	376	375	397	416
<b>Operations</b>					
Total no. of branches in Israel	269	278	274	268	252.
Salaries (including pension contributions) (in NIS millions)	5,061	5,310	5,070	5,151	5,448
Average annual salary including bonus, per employee (in NIS thousands)	217.2	220.2	248.5*	227.8	279.3
Chairman's annual salary cost (in NIS millions)	3.12	3.30	5.24	3.08	5.8
CEO's annual salary cost (in NIS millions)	6.04	5.16	6.28	4.13	8.1

(a) Restated due to the retroactive application of US GAAP on employee benefits and retroactive application of the Supervisor of Banks' directives on capitalization of costs of in-house software development. For more information, please see the 2015 Financial Statements, Note 1 d.

\*The figures for 2013 include the effect of the cost of Leumi Mortgage Bank employees' salaries. Leumi Mortgage Bank merged with Leumi Bank.

## The Economic Value for the Stakeholders

Below is a table showing the economic value created for the stakeholders of the Leumi Group in 2013–2015:

Value created for stakeholders	In NIS million		
Customers	2013	2014	2015
Total credit	283,793	311,551	319,247

Private customers	Household credit	106,698	116,578	124,178
	Of which: mortgages	69,422	75,125	81,008
Businesses (small, medium and large)	Credit	133,575	132,628	134,579
Participation as distributor or underwriter of issues through subsidiary Leumi Partners Underwriters	Value of issues	About 16,500	About 14,000	About 32,000

Credit provided to various sectors of society in Israel and abroad

		2013	2014 (a)	2015
Infrastructure *	Credit	25,178	28,241	28,083
Industry	Credit	23,603	22,571	19,688
Commerce	Credit	23,005	26,747	26,269
Agriculture	Credit	1,825	1,857	1,805
Public and community services **	Credit	7,848	6,260	6,851
Employees		2013 (b)	2014 (b)	2015
Salary expenses (including provisions for pension)		5,070	5,151	5,448
Shareholders		2013 (b)	2014 (b)	2015
Net profit attributable to shareholders of the Bank		1,988	1,413	2,835
Dividends distributed		0	0	0
Society and community		2013 (b)	2014 (b)	2015

Provision for income taxes	1,380	1,278	1,691
Percentage of tax provision from the profit before taxes	37.3%	48.0%	38.6%
Donations to the community	25.6	29.4	32.6

(a) Comparative figures have been reclassified following the Bank of Israel's circular of April 2014 regarding the adoption of provisions of the Israel Central Bureau of Statistics regarding Uniform (b) (b) Classification of Economic Sectors - 2011, which replaces the classification set out in 1993.

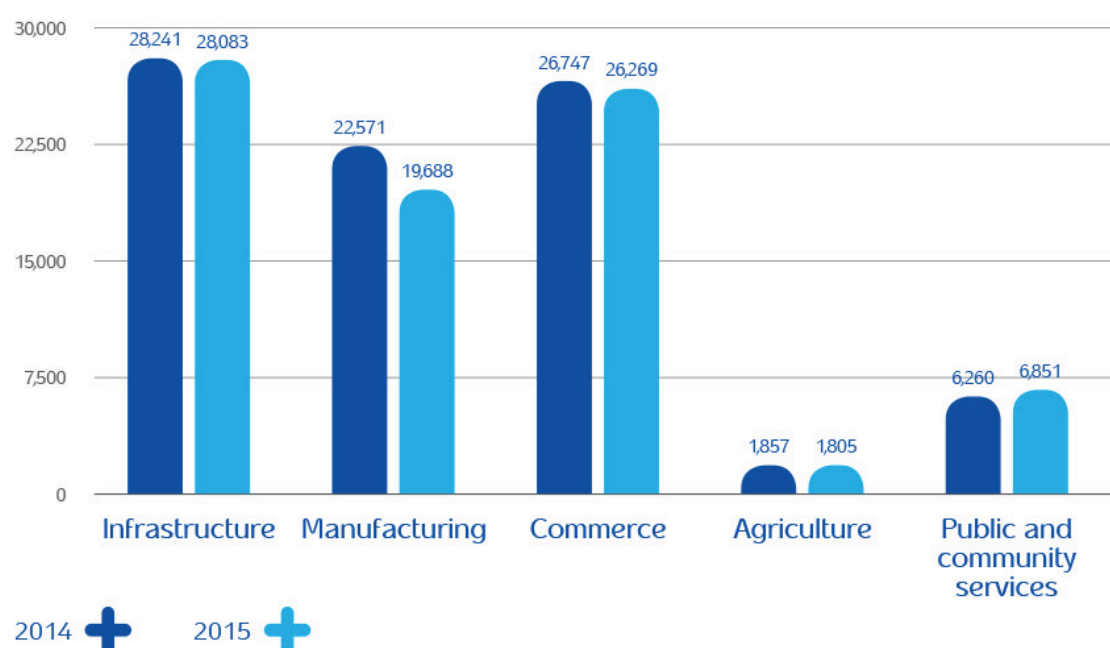
Restated due to the retroactive application of US GAAP on employee benefits and retroactive application of the Supervisor of Banks' directives on capitalization of costs of in-house software development. For more information, please see the 2015 Financial Statements, Note 1 d.

\* Construction, electricity, and water infrastructure.

\*\* Public and community services - hospitals, health services, social services, educational institutions and universities, community centers, sports bodies, museums and more.

In 2015, the Group received no government support, except for the tax credit in respect of donations to the community.

### Credit Granted to Various Industries (in NIS millions)



## The Leumi Group's Economic Impacts by Selected Segments

Leumi: Best Bank in Israel by **World Finance Magazine**, for the fifth consecutive year

Leumi: "Best Bank in Israel in the Field of Forex Trading" – **Global Finance magazine**,  
for the fourth consecutive year

Leumi: "Best Bank in Israel in the Field of International Trade" – **Global Finance magazine**,  
for the fifth consecutive year

### Strengthening Households and Individuals

The Leumi Group provides services to households and individuals through the Banking Division at Leumi, through Leumi Card and Leumi Private Banking. The Group offers customers advanced banking services tailored to their needs, while creating a multi-channel customer experience – in branches, call centers, internet, mobile, Leumi information kiosks, and ATMs. Retail Banking works at continually improving the level of service and at tailoring value propositions to customer needs according to their life stages. The main products and services provided to this population segment involve checking accounts, deposits and savings, consumer credit, credit cards, mortgages, investment advice and pension counseling. As part of the value propositions and services to its customers, the Leumi Group offers preferential credit tracks for specialized sectors such as students, young adults, and more.

The total credit granted to households and individuals as at the end of 2015 was NIS 124.2 billion, of which housing loans totaled NIS 81.0 billion.

Deposits by households and private customers with the Leumi Group as at the end of 2015 totaled approximately NIS 158.8 billion.

### Strengthening Small and Medium Businesses

99.3% of businesses in Israel (532,612 businesses)<sup>12</sup> belong to the micro, small, and medium business sector, which is one of the Israeli economy's growth engines. This sector provides work for 1.59 million people in Israel and is responsible for 52% of the GDP.<sup>13</sup> Enhancing the survivability of small and

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<sup>12</sup> Data for 2014, Central Bureau of Statistics, Annual Statistical Report 2015, Table 18.3

<sup>13</sup> As of 2014. [From the Periodic Status Report on Small and Medium Businesses in Israel](#), Israel Small and Medium Enterprises Authority, January 2016.



medium businesses is important to strengthening the economy and supporting the younger population, the weaker sectors, and the periphery.

Small and medium businesses are sometimes burdened by bureaucratic difficulties, lack of managerial knowledge and limited access to credit. Many small and medium businesses find it difficult to cope with conventional credit tracks due to lack of capital or appropriate financial collateral.

In 2015, the Leumi Group continued to focus on this sector and initiated several measures in its favor, including “Leumi right to your Doorstep”. For more information, please see page 74.

Alongside the range of services and credit tracks, the Leumi Group also offers unique tracks and benefits for small business entities operating in peripheral areas and organizations engaging in social activities.

Total credit provided to small businesses as at the end of 2015 was approximately NIS 26.2 billion and the total credit extended to the mid-sized (commercial) business sector as at the end of 2015 was approximately NIS 53.3 billion, for a total of NIS 79.5 billion<sup>14</sup>.

Deposits of small and medium businesses in the Leumi Group at the end of 2015 amounted to NIS 81.8 billion.

## Strengthening Large Businesses

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

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

Total credit provided to the large business segment as at the end of 2015 was NIS 55.1 billion.<sup>15</sup> Deposits of large businesses in the Leumi Group as at the end of 2015 amounted to NIS 27.5 billion.

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<sup>14</sup> This credit does not include off-balance sheet credit and derivatives

<sup>15</sup> This credit does not include off-balance sheet credit and derivatives.



## Strengthening the Israeli High-Tech Industry

Leumi regards the Israel high-tech industry as the economy's growth engine, and has therefore decided to expand its activity in the industry as part of the Group's strategy. For this purpose, it established

LeumiTech – a wholly owned subsidiary of Bank Leumi Le-Israel, whose sole purpose is to promote the financing and development of the high-tech industry in Israel and abroad. The Company focuses on providing large-scale credit, for development of products and software tailored to the industry and to establish it as a focal point, and for the support and adoption of new technologies.

LeumiTech offers companies a solutions package adapted to their needs; global support in high-tech centers worldwide – in Silicon Valley (Palo Alto), New York and London; dedicated teams that are well-acquainted with the industry and the financial needs of companies of various types and stages. These teams help companies address the challenges facing them. In addition to financial tools, LeumiTech has partnered with the main players in the industry to maximize the benefits it can provide to companies.

Thus, for example, LeumiTech collaborates with, and sponsors, organizations that encourage the establishment of start-ups in specific communities, investment in which is of social importance, such as Kamatech – the first accelerator for the ultra-orthodox community, which promotes start-up companies of entrepreneurs, both men and women, from the ultra-orthodox community; and Tech for Good – an accelerator for startups developing products which benefit the community either financially or socially. In addition to supporting the accelerators, LeumiTech supports their start-up companies and advises them on financial issues.

## Strengthening the Capital Market

The Group's activity in the capital market includes investment consulting and pension consulting for retail customers; investment counseling for customers of the Corporate and Commercial Division; securities brokerage – including activities carried out through the Israeli and foreign securities trading rooms; customers' forex and derivatives activity and market-making in the foreign currency and derivatives trading rooms; banking and financial services for entities active in the capital market; as well as brokerage and custody services.

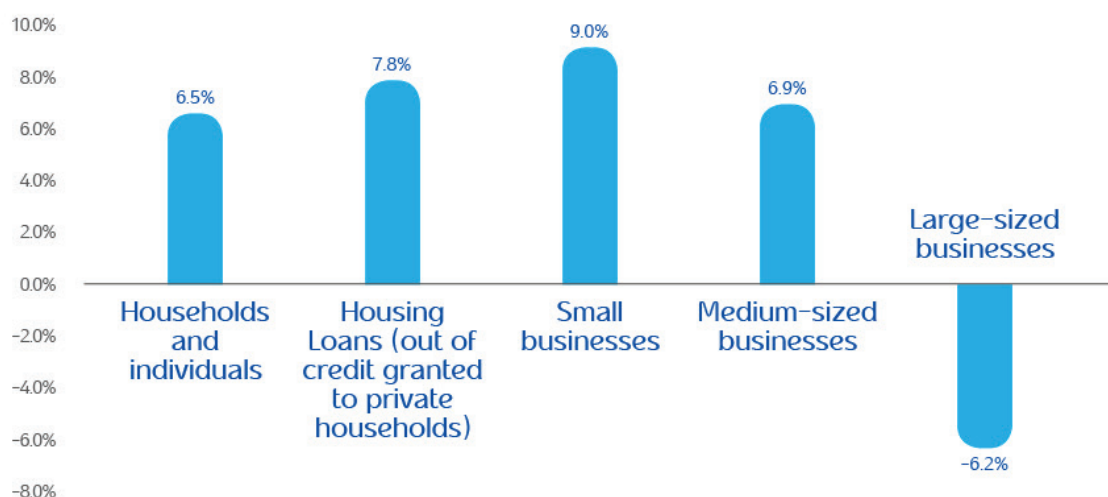
Through the activities of the Capital Markets Division and Leumi Partners, the non-financial investment arm of the Leumi Group, the Leumi Group helps its customers manage risk and plan their activity, creates growth opportunities for companies in various stages of the business and supports mergers and acquisitions. In addition, Leumi Partners is engaged in the management and underwriting of offerings (private and public) of securities in the Israeli capital market.

In 2015, Leumi Partners Underwriters, a subsidiary of Leumi Partners, participated in public offerings totalling about NIS 32 billion, and led 22 public offerings totalling about NIS 8.6 billion. In the 2015 ranking of underwriting companies by Globes and DUN'S 100, Leumi Partners Underwriters came in

fourth among underwriting companies in Israel and was responsible for 14.7%<sup>16</sup> of the largest offerings.

Deposits of institutional and financial customers in the Leumi Group as at the end of 2015 amounted to about NIS 60.5 billion.

### Rate of Change in Credit by sector – 2015 compared to 2014



## Shareholder – and Investor Relations

Leumi's relations with shareholders and investors are maintained through regular updates of the Investor Relations website, through conferences, group and individual sessions, personal conversations and quarterly earnings calls. Several issues that are material to investors emerged from the dialogue with them:

- + **Excellence in financial performance:** Achieving leading risk-adjusted financial results over time that meet the shareholders' expectations and create added economic value for all stakeholders.

<sup>16</sup> Ranking of leading underwriters 2016, DUN'S 100.

- + **Corporate social responsibility:** When considering the possibility of investing in a company, more and more institutional investors take into account social and environmental criteria. Sometimes, institutional investors will begin the review process only after ensuring that the company meets clear social corporate responsibility criteria.
- + **Upgrading operational excellence:** Achieving savings, streamlining and optimization by the allocation of organizational resources in order to achieve the objectives.

## Promoting Business Ethics

Leumi is Israel's leading financial corporation and, as such, has a significant impact on the social and economic fabric of the country. This realization resulted in Leumi's worldview and the norms to which it is committed. Leumi Way, the Leumi Code of Ethics, was formulated as early as 2005 and was the first written code of ethics in the banking industry in Israel.

Leumi Way<sup>17</sup> is an expression of Leumi's values and the spirit of the organization since its founding: constantly striving to comply with the highest criteria of ethical, moral and responsible conduct with all its stakeholders. Leumi believes that an inspiring corporate culture and a high level of ethical behavior are essential components for the organization's success. On this basis, we must constantly examine the changes in the social and business environment in order to outline the desirable directions and proper conduct for the Group.

The Group operates in accordance with its defined Vision, Code of Ethics and Core Values. The code obligates all those involved in working for the Group – members of the board of directors, management and all employees – and is assimilated in all of the Bank's units, in line with the nature of their activities.

At times, the Leumi Group needs to deal with conflict of interests issues in business and with customers. The Group takes steps to identify, in advance, possible conflicts of interest and prevent them from occurring. In all cases involving concern for conflict of interests, employees are instructed to act in accordance with Leumi's internal procedure on the issue.

The area of ethics is managed by the Training Sub-Division, which is responsible for: implementing the Code of Ethics, training on the subject, managing the Ethics Hotline, distributing information on ethical dilemmas, and producing materials. The Training Sub-Division is also responsible for the Head Ethics Committee – a cross-group body that meets twice a year. Ethics representatives in the Group's units

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17 [https://www.leumi.co.il/static-files/10/LeumiHebrew/pdf\\_files/vision\\_and\\_%20values.pdf?lang=he](https://www.leumi.co.il/static-files/10/LeumiHebrew/pdf_files/vision_and_%20values.pdf?lang=he)

report to the Head Ethics Committee on dilemmas that arise in the units, and the Committee reports to management, discusses the dilemmas, and makes recommendations.

## Initiatives to promote business ethics

### Leumi

**Implementation of the Code of Ethics in all units:** Each year, Leumi employees participate in cross-organizational activities related to ethics. In addition, specially adapted activities are held in the divisions and units. In early 2015, the employees were introduced to an online tutorial on the subject, and the Group's managers selected the employees who excelled in implementing the vision, who use the ethical conduct model to promote Bank Leumi's vision. In addition, ethics is incorporated into employee surveys and employee assessment processes.

**Integrating ethics into training programs:** Ethics is integrated into training programs and orientation days held for new employees. In early 2015, a short video on the subject was produced.

**Adapting of charters derived from the Code of Ethics to relations with stakeholders:** In the spirit of the Leumi Code of Ethics and in collaboration with professional units, documents and charters have been developed in recent years to regulate the desired behavior in the Leumi Group's specific areas of activity. In this context, the following were developed: a code of ethics for investment advisers; a charter for relations with suppliers; a pension advisory charter; a charter for conduct in social networks; a charter for ethical conduct in Leumi's intranet environment; and a reserve soldiers' charter.

**Appointment of ethics trustees in the units:** Every unit in the Bank appointed an ethics representative, who is responsible for the preparation and implementation of an annual work plan. In addition, divisional ethics committees were established, headed by an ethics representative; the committees are responsible for discussing intra-divisional ethical issues.

**Ethics Hotline:** The Ethics Hotline is available to employees by phone or email and they are welcome to contact it, anonymously or openly, for advice on ethical issues. The Hotline is committed to responding to applicants within 24 hours, for more information about the inquiry.

### Leumi Card

In March 2015, the Company launched new vision and values. Launch activity was held for the senior managers' forum in early 2015 and for all other employees – as part of a company conference in March.

Additional activities were held as part of the assimilation at the organization- and unit levels: An internal communications campaign entitled "Praising with Value", designed to recognize the new values. As part of the activity, employees could acknowledge each other on the implementation of the values.

In June 2015, the new Code of Ethics was launched on the basis of the new vision and values. Training on the new Code of Ethics included the distribution of material on it to all company employees. In addition, a special activity on the Code of Ethics with respect to values and dilemmas was carried out, with the objective of enabling dialogue on the values, their meaning, their implementation in the unit, and deepening knowledge of the Code.

**Company vision: To lead the payment experience through value-creating innovation for the customer.**

**Core values: fairness, customer experience, initiative, partnership, and excellence.**

Employees have several channels available to anonymously contact and report ethical issues: a hotline for leaving a message in a voice mailbox; sending a letter; a form linked to the organization portal; and sending an email to [hotline@leumi-card.co.il](mailto:hotline@leumi-card.co.il) (this option is not anonymous).

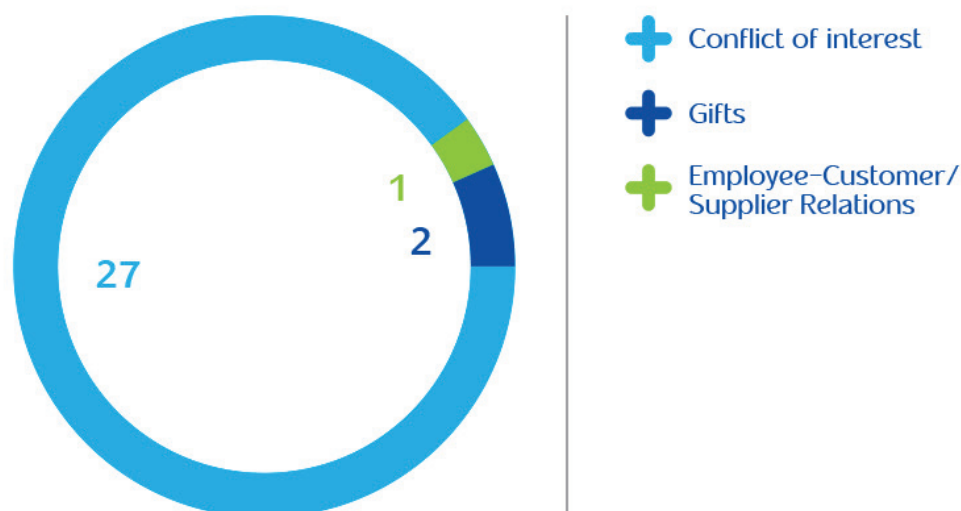
## Performance

**Implementation of the Code of Ethics in Leumi:** In 2015, 66% of Leumi's employees took a tutorial on the subject, which examined their familiarity with the new vision and updated core values.

## Ethics Hotline

In 2015, the Ethics Hotline received 30 inquiries, mostly for advice on issues related to conflicts of interest, as detailed in the chart below.

## Segmentation of Enquiries Submitted to the Ethics Hotline



During 2015, no inquiries were received by the Leumi Card Hotline.

## Risk Management

The Leumi Group emphasizes its commitment to act responsibly and minimize risk. Risk management is a necessary condition for meeting the Group's current and long-term objectives. The Group is engaged in a wide range of activities that involve financial risk-taking, including credit risk, market and liquidity risk, and non-financial risks, such as operating risks (including technology and cyber risks), legal risk, reputation risk, and compliance risk. The main objectives of risk management at Leumi are to maintain the Group's stability and support the achievement of its business objectives. These objectives are achieved by complying with the defined risk appetite and protecting the proper management, control, and reporting mechanisms.

The main responsibilities of the Risk Management Division comply with those set in the Proper Conduct of Banking Business Directive 310 on risk management. These areas include responsibility for risk management at the Bank and group level; writing Leumi's risk policy for all main risks; helping the Board of Directors formulate the Bank's risk appetite; lead the Internal Capital Adequacy Assessment Process (ICAAP) and its various components (stress scenarios, risk management quality review, and characterizing the main gaps and plans for closing them, calculating the capital cushion and capital adequacy needed for Leumi's risk profile, and capital planning in cooperation with the Finance Division);

authority for credit and market activities; monitoring and control of main risk limits; development and validation of models; risk assessment and validation of internal rating of borrowers in specific credit portfolios according to preset thresholds; overall responsibility for proper classification and credit provisions and the setting of the Group's provision rates; assisting major strategic projects in real time; independent analyses when taking strategic decisions and for approval processes of new products; and creating a general and up-to-date picture of the risk for decision-making in real time.

The risk management methods and work procedures in Israel and overseas are regularly selected and updated, taking into account the changes underway in the business environment and requirements of the Bank of Israel and other Israeli and foreign regulators. The work, which is used as a basis for estimating and managing risks and for decision-making, includes:

- + Determining the risk appetite, which determines the limits for regular business activity and stress scenarios, as well as setting the policy and limits for each type of risk.
- + Determining the work processes for analyzing and managing the risk at the individual transaction- and portfolio levels.
- + Preparing periodic reports for risk assessment, with reference to the changes in the environment in which the Bank operates; running potential scenarios at various severity levels; assessment of potential losses and their impact on the Bank; and setting general and specific operating plans for dealing with, and mitigating, risks.

Risk assessment, at both the general group level and at the individual transaction level, is based on multiple and structured methodologies; some are based on expert assessment in each area of activity while others are based on statistical models. Changes in the Israeli and global risk environment and in the risk perception require Leumi to update its assessments and the methodologies it uses, while constantly challenging all parties involved by in-house and external parties.

The Chief Risk Officer, who is a member of the Bank's management and Head of the Risk Management Division, is responsible for managing the Group's main risks, excluding legal risks, which are under the responsibility of the Bank's General Counsel, and reputational risks, which are the responsibility of the Digital Banking Division.

Managers of credit risks, market risks, operational risks, return risks, and the Head of Compliance report to the Chief Risk Officer. A chief risk manager is appointed to every Israeli and foreign subsidiary and is subject to the subsidiary CEO and indirectly (dotted line) to the Group's Chief Risk Officer.

Risk management command and control is undertaken by the management committee for management of the various risks and by the Board of Directors' risk management committee. The committees discuss aspects of risk exposure in setting policy, reviewing the risk profile, and setting internal limits and

control procedures in accordance with the market conditions and the Bank's risk appetite.

## Environmental Risk Assessment

In compliance with the 2009 Directive of the Supervisor of Banks, Leumi updated its credit policy in terms of managing environmental risk, and drew up a methodology in this area. The methodology involves analysis of the risk levels characterizing various types of customers in accordance with their field of business, the extent to which they have assimilated internal policies to reduce environmental risk, and customer compliance with the various legal and regulatory requirements in this area. Wherever relevant, credit-granting decisions include environmental risk considerations as part of the customers' risk profile.

Identifying and managing environmental risk in credit granting activity requires implementing changes in the organizational culture; thus, training has been held for a series of key units involved in granting credit, with the aim of raising awareness to this issue.

**Leumi Card's** Credit Policy Document stipulates that the company shall not finance activities resulting in a significant increase in exposure to environmental risks.

## Compliance

The Leumi Group is subject to a wide range of domestic and international laws, ordinances and regulations, including directives issued by the Supervisor of Banks. In accordance with the Leumi Group's organizational culture, compliance with legislation is incorporated in work processes.

The Group assimilates procedures relating to that which is permissible and prohibited for its employees as part of their duties, and for preventing the abuse of position or authority to obtain benefits or personal gains. All Leumi Group employees are responsible for understanding the professional, legal and ethical issues in their field and for the proper conduct this entails.

The subject of compliance is the responsibility of the Leumi Group's Chief Compliance Officer, who assists management and the board of directors in fulfilling their role in instilling a culture of compliance and operating in accordance with the laws and provisions in various areas. Until the last quarter of 2015, the Chief Compliance Officer reported to the Chief Risk Officer, and from that time – he reports to the General Counsel. The Chief Compliance Officer is also responsible for prohibition of money laundering and terrorist financing; enforcement of securities laws; and is also responsible for handling FATCA



(taxation of US customers) issues. In addition, the Chief Compliance Officer participates in formulating work processes, new product development and gives advice on complex transactions.

The Group's commitment in the area of compliance includes focus on a number of levels:

- + **Prohibition of money laundering and the financing of terrorism:** Banks and other financial institutions are often used to carry out actions aimed at money laundering or the transfer of funds to terrorist organizations, and hence the banks' important role in preventing them. Leumi complies with the relevant legislation.
- + **Declared money policy:** The Bank has adopted a "declared money policy", the purpose of which is to deal with, and mitigate, the risks arising from the possibility that the funds managed and received by the Group are not reported as required by the tax authorities in the customer's tax residence country. In addition, under the aforementioned policy, a risk-oriented plan was devised for handling new and existing risks embodied in customers' cross-border activity.
- + **Risk-mitigating policies:** As part of the Group's risk management and compliance policies, several areas of activity have been defined in which Leumi aims to avoid or reduce business activities. These include, among other things, gambling and pornography.

## Preventing Bribery and Corruption

The Leumi Group is subject to regulation against bribery and corruption in every country of operation. Group employees are forbidden to offer, guarantee, accept, or grant payment or any other item of value, including employment opportunities, in order to influence the recipient to perform, or refrain from performing, any official act, in order to cause the recipient to engage in business with the Leumi Group or to gain an unfair competitive advantage. The system for engagement with suppliers is based on quality, availability, reliability, service and terms. The Leumi Group makes every effort to avoid discrimination among suppliers, along with maintaining the best interests of the Group, ensuring confidentiality of the information provided by the suppliers and making objective and impartial decisions.

On December 30, 2015, the Group approved a compliance risk management policy that includes, among other things, the decision that customers whose activity is risk-oriented in this respect will sign a statement on the prevention of bribery or breach of trust. This decision was intended to reduce the scope of potential situations where assistance to, or cooperation with, customers performing illicit activities could be attributed to Bank.

- + **Measures for monitoring and preventing fraud and embezzlement:** Relevant units in the Leumi Group have centers and tools which work on an ongoing basis to monitor and track incidents of fraud

and embezzlement. When this type of incident is discovered in Leumi, an investigation is launched, conclusions are drawn and systems are amended accordingly. Incidents are reported to the Bank of Israel, as required, and, if necessary, to the Israel Securities Authority and the Israel Police. If customers have been hurt, the Bank will work with them to restore the status quo ante, to ensure that they incur no further damage.

- + **Prohibition on accepting gifts and benefits:** The Group has a strict procedure prohibiting the acceptance of gifts and benefits from customers, suppliers and any other parties with whom the Group has working relations. Gifts, benefits or special terms will be awarded to customers only in accordance with the Bank's policy, by those authorized to do so, and after exercising due judgement. In case of doubt, a supervisor's advice and approval should be sought.

## Internal audit

The Internal Audit Division is responsible for auditing the entire Leumi Group and all its units in Israel and overseas, in accordance with the multiyear work plan that aids the Group in achieving its targets. The Audit Division sees its mission as assisting proper and effective operations of the Group, a management tool for supporting the Bank's managerial backbone, and aiding the Board of Directors and management in fulfilling their responsibilities. Pursuant to Proper Conduct of Banking Business Directive No. 307, the Audit Division undertakes an independent evaluation of the effectiveness of the Bank's internal control structure, in order to maximize value and improve the operations of the Bank and the Group. The functions of the Audit Division include:

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

## Rotation of internal auditors

The internal auditors at Bank Leumi and its subsidiaries are appointed to their positions, which means that the Board of Directors carries out the appointment process and expiry of their terms, under a proposal by the Audit Committee (pursuant to Article 53(a) of Proper Conduct of Banking Business Directive No. 307). However, in accordance with the Audit Division's vision from 2015, the internal and external rotation of internal auditors refreshes the perspectives and innovation in auditing and supports the preservation and implementation of career paths.

The auditors are the ones to initiate the rotation, after a minimum period of time, or at the initiative of the Audit Division, in line with procedures and maintaining a 12-month cooling off period when transitioning from a business unit to the Audit Division. The Audit Division will strive to undertake internal rotation after a period of about five years.

## Initiatives to prevent corruption, embezzlement, and fraud

**Operation of reporting channels:** Leumi sees every one of its employees as a partner in the proper management of the Bank. Leumi therefore expects employees to immediately report any unusual action to their managers. Each employee, at every level, can also contact and report any unusual activity related to banking work through several other channels such as telephone, email, mail, fax, and any other way available to them. Periodically, refresher material is sent to all employees regarding the reporting mechanisms available to them.

**Embezzlement and fraud risk survey:** In 2015, corruption was reviewed as part of the survey of operating risks in business processes conducted at the Bank's units. All of the Bank's units, including its subsidiaries in Israel, were surveyed in order to identify the risks associated with bribery and corruption. Possible scenarios were analyzed and the quality of the existing controls was examined in order to minimize these risks.

**Identification of corruption incidents in customers and business partners:** There is no information concerning corruption violations.

**Implementing FATCA regulations:** Bank Leumi fully implements the provisions of Foreign Account Tax Compliance Act (FATCA), under a treaty between Israel and the United States from June 2014. Policy has been approved on the matter, information about appropriate procedures have been distributed, training has been conducted, and changes were made to the supporting computer systems. Bank Leumi is preparing to file the necessary reports with the Israel Tax Authority on time.

## Bank Leumi USA (BLUSA)

The Bank collaborates with its customers and notifies them about the manner in which potential criminal activity is liable to result in hacking of their accounts. The Bank also offers its customers capital market products and services to help them manage, control, and better understand the activity in their accounts, as well as alert them to possible suspicious activity in them.

## Bank Leumi UK (BLUK)

The Bank has set a fraud policy in response to threats arising from fraud risk. The policy presents the measures to minimize embezzlement and fraud risks, including filters when hiring permanent and contract employees, implementation of the “four eyes” principle (approval by two people) in Bank processes, supervision of transactions, and defining the role of the internal audit and risk department in supervising and monitoring regulations and procedures. The fraud policy also defines which mechanisms for consulting and reporting are in place at the Bank and which defense mechanisms protect whistleblowers. The policy prescribes in which cases it is necessary to involve the police, the British Bankers Association (BBA), and the Financial Conduct Authority, and calls for supporting local and national initiatives to fight fraud.

## Bank Leumi Romania (BLROM)

Commitment to report any suspicion of corruption: As part of the maintaining of responsible conduct, Bank employees are required to report to the Internal Audit Department any acts of corruption that have been committed or that are likely to be committed. Inquiries can be made both orally and in writing. In addition, employees can choose whether to contact the Head of Internal Audit directly, by email, or by phone. Inquiries can be made anonymously, using a dedicated app. Reports are handled in complete confidentiality both by investigators and by management. Information on whistleblowing may be found on the Bank’s Intranet and is thus accessible to all of the Bank’s employees. There were no reports on incidents of corruption in 2015.

## Performance

During the reporting year, the issue of corruption was communicated to the employees and managers as part of the revised Code of Ethics. The following were also provided to Leumi’s employees:

- + **Tutorial on compliance and money laundering:** The compliance tutorial is one of the tools for teaching various compliance issues to all Bank employees. The computerized tutorial includes a knowledge test and is given to all Bank employees, who are required to pass the test. Bank employees are divided into various populations, each of which has its own test, with content and questions relevant to its business and level of knowledge required. The 2015 tutorial included questions on topics such as prohibition of money laundering, prohibition of terrorist financing, compliance, “declared money policy”, FATCA and administrative enforcement of securities. 91% of Leumi’s employees completed the tutorial.
- + **Procedure prohibiting conflict of interest:** Once a year, Leumi employees are required to certify that they are not in conflict of interest while performing their duties. In the event that an employee

declares a conflict of interest, his/her managers review the matter. In 2015, 100% of the Bank's employees signed a statement regarding conflict of interest.

- + Dissemination of information about reporting channels for illegal or unethical activity.
- + [The Advice Law and securities laws](#): Every two years, employees involved in securities transactions are required to complete a tutorial on restrictions that apply to them, and once a year – a tutorial on the Advice Law. In 2015, investment consultants took the tutorial and 88% completed it successfully.

# Legal proceedings and unusual incidents during the reporting period

Below is a list of unusual incidents and relevant legal proceedings conducted against the Leumi Group in 2015. For further information about financial sanctions, legal claims, and other proceedings, please see the 2015 financial statements, pp. 336–370.

## Antitrust:

- + In May 2015, the Court approved a settlement in a class-action suit against Bank Leumi and other banks, in which it was claimed that the banks carried out illegal restraint of trade with respect to the fees they charged their customers. Under the settlement, the Bank – along with four other banks – paid a total of NIS 35 million to customers of its subsidiaries.
- + In August 2015, the Court decided to dismiss a motion to approve a class-action suit, which was filed against Bank Leumi and other banks, claiming that the banks allegedly charged a minimum fee on foreign currency transfers in violation of the Banking Rules and that this violation was in effect a cartel.

## Discrimination:

- + In 2015, four claims with respect to labor laws were filed against Leumi, in which it was claimed, inter alia, that there was age-based discrimination.

## Money laundering and Compliance:

- + In 2015, NIS 4.2 million in penalties was imposed on Bank Leumi for nine incidents of breach of the provisions of the Prohibition of Money Laundering Ordinance and Prohibition of Money Laundering Regulations. NIS 750,000 in penalties were imposed under Article 18 of the Securities Law, following an audit of the investment advice array. The penalty was set for three breaches mentioned in the audit report, and after the Authority decided to reduce the penalty by 37.5%, partly due to the Bank's energetic effort to correct the violations and prevent their recurrence.
- + In October 2015, a Romanian court convicted Bank Leumi Romania and four of its managers of abuse of their position by charging a customer account, which the Romanian prosecutor claimed was contrary to law. The court sentenced the four defendants to probation and restricted them from fulfilling certain positions (also on probation). The Court fined Bank Leumi Romania 20,000 Ron and ordered the Bank to display the ruling at the Bank's offices in Romania for two months. In addition, the court ordered Bank Leumi Romania and the four defendants to compensate the customer in

the amount of 10,000 NIS and pay court costs to the state. The parties in the proceedings have appealed the ruling.

- + Following complaints filed by an Arab Israel Bank executive in November 2015, it was decided to appoint an external party as an independent investigator to examine them. The complaints mainly involved allegedly improper conduct at a limited number of Arab Israel Bank branches, including the failure to report suspected money laundering, customers' intervention in activities at the branches, providing credit which deviated from accepted procedures, incidents of violence by customers at the branches, and the failure of the Israel Arab Bank's executives to intervene in the incidents. The complaints also claimed that credit had been classified as problem debt. The independent investigator's final report stated that all the reports about suspected money laundering had been properly handled and that the other issues were isolated incidents.

## Labor relations and employee rights:

- + In 2015, 18 claims on labor issues were filed against Bank Leumi, of which four claims were closed during the year. One claim has a class-action suit on severance pay. Altogether, twelve claims were concluded in 2015, ten by settlement, one by a ruling according to prior agreement by the parties, and one by a ruling in favor of the Bank.

## The American customers affair

In 2014, the Leumi Group signed a settlement with the US Department of Justice and New York Department of Financial Services (NYDFS), pursuant to which the Bank admitted, inter alia, that from 2002 through 2010, the Group had willingly assisted in the preparation and submission of false tax returns to the Internal Revenue Service in breach of US law. The Bank of Israel's audit report on the case was received in 2015.

It should be noted that, in 2011, the Bank voluntarily corrected flaws – including changing its business policy, gradually exiting banking activity in which the risk of abetting customers to evade taxes was high, initiating declared money policy, and working with regulators to facilitate the banking system's implementation of the declared money policy.

Below are the actions by the Group in 2014–2015, following the affair and the Bank of Israel's audit report, as part of settlements and commitments and the payment of penalties:

- + Development and implementation of a FATCA compliance program
- + Appointment of a monitor to review the Group's activity

- + Appointment of a steering committee to oversee the commitments of Bank Leumi and its offices and submit regular reports to the Board of Directors
- + Implementation of measures to prevent breaches of the provisions of foreign laws, including the closing of overseas branches, implementing the declared money policy, and implementing procedures for cross-border activity
- + Establishment of a Board of Directors committee to draw lessons
- + Adoption of several measures regarding monitoring regulatory changes and appointing a bank officer to coordinate the review process and the effects of such changes
- + Concentrating compliance, regulation, and legal handling in a single division
- + Appointment of an independent claims committee to review and recommend the right legal action for the Bank. The committee submitted its conclusions in October 2015, including recommendations for a settlement with the insurance company and the return of bonuses awarded to Bank executives.

Following the investigations by the American authorities, a number of legal actions were filed against the Bank and officers who have served at the Bank and Group companies.

Further information about the American customers affair can be found on pages 350–365 of the Leumi Group 2015 financial statements.

## Performance Objectives Results – Economic Value and Responsible Management

Promoting business ethics			
Company	Objective as at end of 2015	Status	Explanation
Leumi	Continued implementation of “Leumi Way – vision, core values and ethics” in all of the Bank’s units.	Done	All divisions conducted implementation activities such as “Ethics Café” meetings, discussions by managers and employees on values and, selecting the “key values” in the units.
Arab Israel Bank	Employees’ meetings with the CEO and VP Human Resources.	Irrelevant	Irrelevant following merger.



Leumi Card	Launch events and processes for implementing Leumi Card's vision, core values and Code of Ethics among all company employees.	Done	In 2015, the new vision, Core Values and Code of Ethics were implemented among all employees.
The Trust Company	Bi-annual meeting of the Company's employees regarding ethics.	Done	
Leumi Partners	Formulating a new code of ethics in the spirit of "Leumi Way", in accordance with the Company's activities.	Not performed	

## Objectives for 2016

Objective for 2016		Major activities planned
Leumi	Continued implementation of "Leumi Way – vision, core values and ethics" in all of the Bank's units.	<ul style="list-style-type: none"> <li>+ Integration of implementation processes in existing activities and key issues in the divisions, and emphasizing five core values in the current activities.</li> <li>+ Continued implementation activities such as "Ethics Café", discussions by managers and employees on values and selecting "key values".</li> </ul>
Leumi Card	Continued implementation of the Company's values.	<ul style="list-style-type: none"> <li>+ Continued implementation of the Company's values in the measurement and assessment processes of training and development activities.</li> <li>+ Specialized training activities to enhance the ethical and moral discourse in the Company.</li> </ul>
Leumi Partners	Bi-annual meeting of the Company's employees regarding ethics.	

# Creating Value for Customers



# The Leumi Way of Doing Business

Customers expect banking to be fair, available, accessible, and transparent; they have high consumer awareness and are in contact with other consumers, especially through social networks. Customer consume information and services through a variety of digital and physical channels and expect a unified service experience through the various interfaces with the Bank. The customers are at the core of our activities: They expect professional, quality, courteous and efficient service, so that – at the moment of truth – we will be there for them, attentive to their needs, with suitable and useful offerings.

Leumi customers are at the heart of the daily work of the Group's employees. The various service indicators enable the Group's employees to nurture and strengthen the relations with their customers and to build mutual trust, with the goal of continuing to be their preferred choice. Delivering a high quality customer experience is to understand the customer's needs, his/her individuality and to provide a customized basket of solutions and services without discrimination of any kind. The Group is obligated to maintain a professional approach when verifying the customer's needs.

Fair, responsible and professional management of the customers' money, while understanding their needs and attending to their wishes, is at the core of Leumi's operations. In order to achieve this objective, the Bank maintains, first and foremost, fairness and transparency. This year, as always, the Bank took various measures to comply with the principles that guide its operations on this matter:

- + Creating a tailored customer experience.
- + Maintaining transparency and providing all necessary information to customers about the products and services available to them.
- + Maintaining banking secrecy and the protecting customer privacy.
- + Fair sale of financial products and services to customers.
- + Maintaining the Bank's strict ethical principles, as well as preserving human dignity, protecting privacy and refraining from discrimination and prejudice.

When making strategic decisions regarding major changes, such as regarding restructuring or the launch of new products and services, the Bank examines the possible impact of these decisions on its stakeholders, with emphasis on accessibility and adaptability of the services to the needs of specific population groups, such as small businesses, senior citizens, the ultra-orthodox sector, Arab society, marginalized populations, people with special needs, etc.

## Information security and protecting customer privacy

In an era in which foreign and domestic threats are increasing, Bank Leumi is preparing for cyber attacks of all kinds and is working to hedge the risks arising from them.

The objective of cyber defense is to protect the Bank's assets and allow normal business activity in line with its strategy.

The Bank has numerous means for protecting and defending the information privacy of its customers. The various defense systems collect data, monitor, locate unusual incidents, etc. with an emphasis on adapting the Bank's activity to the risks and dynamic cyber activity in Israel and worldwide in combination with effective controls.

Bank Leumi complies with the Bank of Israel's requirements, filing proper reports on unusual incidents. In 2015, there were phishing attempts to set up fake Bank Leumi sites, all of which were foiled expediently without causing any damage to the Bank or its customers. The Bank's policy states that any customer harmed by phishing will be indemnified.

Bank Leumi's digital services provide means of identification aimed at strengthening identification and managing the risks inherent in these services. The Bank is also strengthening the fraud identification controls simultaneously with extensive activity to raise employee and customer awareness through various channels. Thus, business customers receive training, where attention is drawn to cyber incidents in Israel and other countries and their impact on these organizations, and issues such as the importance of information security at organizations, defensive measures, and the human factor in the cyber era are discussed.

## Information security and protecting customer privacy at Leumi Card

Leumi Card considers the information in its systems and held by its customers and suppliers as a primary asset and invests heavily to implement of advanced information security control and defense mechanisms and procedures.

As part of its preparations for dealing with the different cyber threats, Leumi Card undertakes in-house and external procedures to reduce cyber risk to the Company and its customers. Cyber risks are managed by several security and control circles at a number of layers with the objective of reducing potential exposure to this threat.

Examples of these measures include system hardening, writing and updating procedures and work processes (such as the company authorization procedure), hacking tests, information and cyber security reviews, raising employee awareness to, and monitoring phishing attacks against the website and mobile apps. In addition, changes were also made in information systems, technologies and new work processes were defined.

Leumi Card complies with all provisions of the law and regulations with respect to privacy protection and cyber defense, including Bank of Israel Proper Conduct of Banking Business Directive 357, which includes guidelines for protecting the privacy of the company's customers and guidelines for cyber defense and information security.

The Fraud Prevention Department is responsible, inter alia, for reducing embezzlement risk at the Bank, on the basis of the Company's operating risk management methodology, including credibility and controls that accompany employees throughout their period of work at the Company. Emphasis is placed on the sensitivity of their jobs, authorizations given for transactions in the capacity of their jobs, and work procedures for his/her position. Reports related to this activity are part of the quarterly reports that the Chief Risk Officer sends to management and the Board of Directors. An annual discussion on embezzlement and fraud is also held.



## Initiatives to ensure fair business practices

- + **Fee-free track:** As part of the Bank's commitment to fairness, Leumi offers a variety of fee and account management tracks, allowing its customers to choose the value proposition best suited to them. A case in points is a unique service launched in 2012 - Leumi Total Digital - that enables independent digital account management via the Internet and direct channels, without direct channel fees, and with other benefits as outlined in the Bank's fee list (customers will not be eligible for any additional, personal, sector-specific, or other benefits).
- + In 2015, the Bank reviewed its fees schedule, canceling or reducing some of them (some at the orders of the regulator). These changes included cancellation of the returned check fee, a reduction in the fee for a letter of warning on arrears in payment, and an exemption of the debt card fee for credit card holders. Bank Leumi and Arab Israel Bank also equalized their fees; in a few cases of differences between rates, the lower rate was chosen.
- + **Adapting fee plans:** At the orders of the Bank of Israel, in September 2015, the Bank notified customers who had not joined the fee plans service about the fees they had actually paid on transactions made by bank clerks and direct channels in January-May, and how much they would have paid if they had joined a suitable fees plan. When a customer who had joined the Expanded Plus fees plan cancels one of the plan's services, the Bank, at its own initiative, switches him/her to a plan with a lower monthly payment. Approximately 75,000 customers joined one of the plans during 2015, and the Bank, at its own initiative, transferred about 200 customers to a cheaper plan that was more worthwhile for the customer.
- + **Fees clarity:** Bank Leumi notifies customers who open an account about the fees the Bank charges and the current fees plans. The customer is provided with the relevant information about fees when opening the account. The Bank also grants longstanding customers and customers with disabilities additional benefits on fees beyond those awarded to regular customers. Every branch has a document that summarizes comprehensive information about the fees in the different plans, which is provided to any customer, upon request. The fees schedule is also published on the Bank's website, which also features a calculator for calculating various scenarios and repayment schedules.
- + **Fair conduct when granting credit to customers:** Bank Leumi formulated a Code of Ethics in 2015, which guides employees when offering loans to customers. The Code of Ethics rests on the importance of customer confidence, instructing employees on examining customers' needs and current and future wherewithal, emphasizing the need to provide customers with the information required to make smart decisions and ensuring that they understand the meaning of the transaction, while maintaining integrity, fairness and transparency. In addition, the Bank defined the target audiences which may be offered loans, taking into account criteria such as age, financial means and repayment capacity. Thus, for example, the elderly were defined as an audience which could not be contacted for loan offer purposes.

- + **Identifying customer needs fairly:** Bank Leumi seeks to identify the needs of its customers and adapt the products and services offered to them accordingly. The Bank carries out a needs identification process for customers applying for credit from the Bank. The process includes a discussion with the customer about his/her age, the purpose of the credit, and his previous assets and liabilities. The objective of the process is to understand the customer's needs and financial condition, from both the Bank and the customer's perspectives. If the customer applying for credit has deposits, the Bank is required to inform him/her about them as an alternative to the credit requested. Emphasis is placed on defining needs, setting targets, adapting the product or solution to the customer's needs and abilities, mentioning his/her assets and liabilities, and fair disclosure.
- + **Preventing customer debt increase:** Bank Leumi strives to detect severely overdrawn accounts at early stages, by reviewing all accounts on a daily basis. Customers with problematic accounts receive two letters, at different dates, stating that they must settle their debt to the Bank. In addition to the letters, a representative from the Customer Call Center calls customers who have exceeded their credit lines. In addition to informing the client about the problem, the representative's job is to guide the customer and help him repay the debt by various means, such as changing interest rates and granting a loan to help control the debt repayments. A call from the call center and the letters are usually enough to help customers repay their debts.

## Fairness in capital market activity

Traders in the trading rooms uphold the rules of fair competitiveness and respect for competitors – banks and non-bank brokers. Furthermore, traders in the trading room are well versed in all the regulatory requirements and rules of professional ethics. These issues are given emphasis and managerial attention by all relevant entities – the Head of the Capital Markets Division, the Manager of the Securities Trading Department and managers of the trading rooms.

**Fairness in capital market consulting:** Investment consulting at Leumi is done professionally and objectively, in accordance with customers' needs, and subject to all relevant provisions of the law. Leumi's consulting services always places the best interests of the customer as its top priority and operates according to high professional standards, presenting the customers with the full picture, with sensitivity to conflicts of interests. Leumi's consultants are guided by the Bank's Code of Ethics for Investment Consultants and the values of "Leumi's Way".

**Code of Ethics for Investment Consultants:** In 2011, Leumi became the first bank in Israel to launch a code of ethics for investment consultants. The code, based on "Leumi's Way" sets out clear rules of operation regarding what consultants may or may not do, and reflects the uniqueness, sensitivity and complexity of the investment consulting profession. The code helps consultants prepare for providing personalized service to customers, while taking into account their specific needs, presenting them

with the full picture, exercising significant caution in managing their money, with transparency and sensitivity to any conflict of interests.

**Fairness in advertising:** Prior to any advertising, the legal advisors examine its integrity, including in relation to regulatory requirements, reputation and ethical considerations.

## Bank Leumi's Innovation Strategy

The immense impact of technology on our lives in general and on the financial industry in particular requires the banking system to lead technological and business changes in order to adapt to the new world and meet customers' expectations. Bank Leumi therefore adheres to its vision to "lead proactive and innovative banking for the customer" and thus outlined an innovation strategy, instilled in its organizational culture and expressed in a number of ways:

- + Close ties with the fintech community in Israel for raising ideas, collaboration, and implementing technologies. The relations are undertaken through joint activity at accelerators, incubators, venture mentoring, joint events, and more.
- + Ties with academic institutions in Israel to promote innovation and entrepreneurship in finance among students.
- + Cooperate with banks in other countries for mutual inspiration and learning.
- + Instilling the notion of innovation among employees to encourage them in innovative thinking and adopting suitable initiatives.

The technological progress and innovation led by Leumi are the base of the Bank's main goal - to produce the best customer experience and the most value.



### Leumi: "The Best Digital Bank in Israel for Business customers" - Global Finance

Bank Leumi won the title Champion of Champions at the WEBI 2015 competition, an annual competition for outstanding websites and mobile experience, for winning the following awards:

- + "Outstanding online banking"
- + Best mobile banking app
- + Best networked and sharing website
- + Leumi Trade: outstanding website in the capital market - for the tenth consecutive year
- + Leumi Trade: "The site with the best usability and user experience in Israel" - for the third consecutive year
- + Cash Mobile: Product of the Year - Consumers' Choice - 2015 Innovation Award

Bank Leumi believes that creating a high-quality user experience is based on a thorough understanding of customers' needs in general and at moments of truth in particular. Understanding customer needs, by listening and thorough inquiry, makes it possible to provide customers with professional, quality, and proactive service that offers the best financial solutions for them. These solutions include a series of breakthrough products and services, based on advanced technology, which are intended to help customers and create innovative, available, easier, and cheaper banking.

Bank Leumi has conquered the Israeli digital banking arena, following the launch of products and services designed to improve the customer experience. These services make banking more accessible and enjoyable for customers, enabling households and small businesses to save time and money in managing their accounts in an easier and more focused manner. In 2015, Bank Leumi took a great "leap forward" in making digital services accessible to its large business customers as well, thereby enabling them to view the status of their accounts and carry out transactions easily, conveniently, and efficiently.

### In 2015, Bank Leumi launched numerous digital and financial services, as follows:

- + [Opening an account online and by mobile](#), saving customers waiting time and facilitating the process undertaken at the branch.
- + [Innovative and advanced app that makes transactions accessible to customers](#): there has been a

substantial increase in the number of transactions carried through the app since its launch.

- + **Cash withdrawals by mobile:** an innovative service that allows customers to withdraw cash without a card and to set the password for the service.
- + **Cash Management:** an innovative service for business customers that displays concentrated information, balances, and transactions in their accounts at all banks. The service improves the business customer experience, making critical information accessible at any given moment.
- + **English website for business customers:** the website makes financial information accessible to English-speaking customers. Bank Leumi allows bank transfers to be carried out in English.
- + **Withdrawals by code by cardless customers:** provides a response at branches for customers without a credit card and without waiting for a teller.
- + **Photograph-Pay:** an innovative service that allows payment of coupons by scanning them by a Leumi app. The service shortens customers' waiting time, offering an easy and convenient means of paying bills.
- + Correspondence service with a banker by app and website as an additional channel of communications between customers and the Bank.

The CRM system developed in 2015 is now being launched with the objective of improving service and contributing to managing customer relations.

### In 2015:

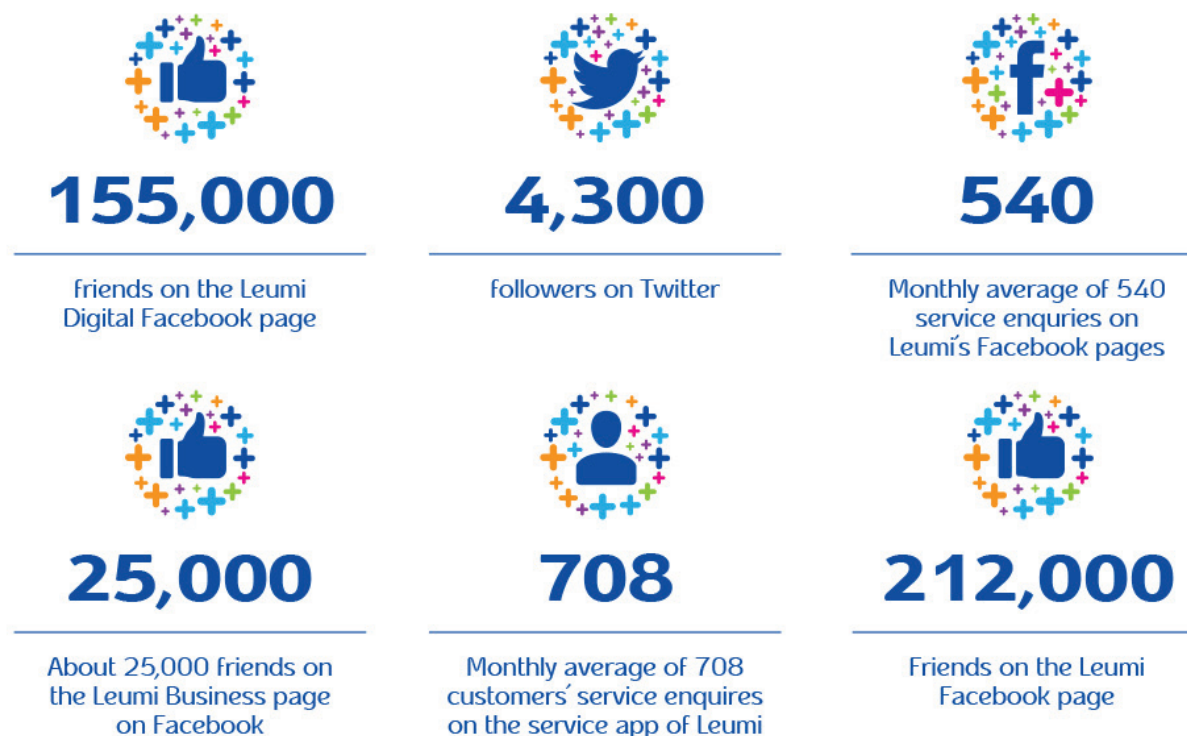
- + 585,000 customers used mobile services (apps)
- + 10% growth over 2014 in the number of customers carrying out transactions on direct channels (website, app, Leumi information kiosks, Leumi Call, not including ATM withdrawals)
- + 10% growth over 2014 in the number and kinds of transactions carried on direct channels

## Cooperation and dialogue with customers

### Dialogue with customers in the digital media and on social networks

Leumi's activity on social networks and in digital media channels is based on several principles: Accessibility and availability to the customer, inviting dialogue, openness and transparency. Activity in digital media channels allows the Leumi Group to conduct direct and continuous dialogue with customers, include them in processes, understand the issues that are important to them, and act accordingly. These measures help to increase the trust between the Group and its customers. In addition, these channels allow Leumi to offer customers its specialty services in various financial categories, in an available, creative and accessible manner.

Leumi customers can express their opinion and comment on the Bank's products and services, offering ideas for streamlining and development, and consulting with experts in special-purpose blogs and in the financial arena, all done quickly, openly and without the need for intermediaries.



## Customer satisfaction with the service

In 2015, about 100,000 surveys were initiated to monitor Leumi customers' satisfaction with the service they receive from the branches, call centers, divisions and various units. The surveys use various measures, according to the type of customer and topics under focus at Leumi. For example, this year, under examination were Leumi's availability to its customers; its response time to customers' queries; its initiative, flexibility, understanding and familiarity with its customers' needs; personal attention; the professionalism of its bankers, etc.

The following table sets out the results of the general customer satisfaction survey (on a scale of 0–10):

Unit	2011	2012	2013	2014	2015
Bank Leumi – Banking Division	8.54	8.46	8.51	8.86	8.89
Bank Leumi – Leumi Call	8.89	8.88	9.02	8.67	8.7

Bank Leumi – Leumi Direct	8.23	8.3	8.25	8.13	8.23
Bank Leumi – Business	9.13	9.06	8.74	Not performed	Not performed
Bank Leumi – Construction and Real Estate	8.93	9.24	9.32	9.14	Not performed
Bank Leumi – Commercial	9.1	9.09	9.04	9.05	9.1
Bank Leumi – Private Banking in Israel	8.49	8.56	8.35	8.36	8.17
Bank Leumi – Private Banking overseas	8.71	8.84	9.06	Not performed <sup>18</sup>	Not performed

\* Due to restructuring in the Business and the Construction and Real Estate divisions (including the business offices), carried out in late 2015 and early 2016, management decided to postpone the survey scheduled for November 2016.

In cases of abnormal results, Leumi uses quality control measures and by detecting failures and ways to correct them. In addition, branch staff contact customers at their own initiative in order to learn from positive feedbacks, understand the reasons for customer dissatisfaction and how to improve the service. Leumi encourages and strengthens the focus on service and customer experience by training employees and by continually measuring customers' satisfaction with the service.

## Additional measures taken to measure and improve the quality of service in the Banking Division

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

- + **Undercover customer inspections** are designed to identify the customer experience from the moment he/she enters the branch, with an emphasis on support by digital channels and the branch's appearance, the waiting experience at the branch, and the process of opening an account for a new customer. The inspections are designed to allow a thorough understanding of customer needs and the offering of adequate personalized solutions and services.
- + **Routine inspections** of branches and customer call centers' face-to-face and telephone availability, while setting targets and ongoing management to meet them.

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<sup>18</sup> G4-24, G4-25, G4-26, G4-27

- + In 2015, Bank Leumi continued to improve the telephone availability for customers by installing a telephony system that integrates banking availability at branches and call center availability. The system is intended to provide fast and available telephone service by a professional certified party. Following the installation of the system, customers' waiting time at the call center was reduced as was the proportion of customers who disconnect calls to the branch.

## Leumi Card

Leumi Card carries out regular surveys throughout the year regarding quality of service among private and business customers, as well as surveys that focus on specific processes carried out by customers in order to improve them.

In 2015, some 12,100 customer satisfaction surveys were initiated among Leumi Card customers (telephone and email surveys). The following results were obtained after analyzing about 5,000 of the surveys:

- + 27% of the customers indicated that the service they received was beyond their expectations.
- + 60% of the customers indicated that the service met their expectations.
- + 63% indicated that the service representative showed very high personal responsibility in handling their query.

## Handling public inquiries

The Public Inquiries Bureau is responsible for handling complaints and inquiries to the Bank. The bureau is headed by a public inquiries commissioner, a Bank Leumi executive who reports to the Bank's General Counsel.

There is a range of means available to the public for contacting the Public Inquiries Bureau: sending an online form through the Bank Leumi website, sending a letter by mail, sending a fax, and by telephone. The means of communications are published on the Bank Leumi website, on signs at branches, and at the Leumi Information kiosks.

Inquiries reach either the Public Inquiries Bureau directly, from the customer, or via parties such as the Bank of Israel, the Israel Consumer Council, the media, the Office of the President, MK offices, and Bank Leumi employees.

The handling of public inquiries is an integral part of the service that Bank Leumi provides customers. The commissioner and public inquiries officers handle all kinds of complaints received at the bureau

with complete seriousness - complaints, requests for information, or requests for help. They examine them fairly, efficiently, and independently, and work objectively without favor, reach conclusions, and, wherever relevant, decide on remedies for the inquirer. Inquirers receive a generous, clear, and argued response (except in cases in which the bank secrecy obligation prohibits explaining the decision), and is sent within a reasonable time.

Decisions taken by public inquiries officers reflect the values of honesty, fairness, and responsibility toward the customers.

Depending on the case, the Public Inquiries Bureau is prepared to act for the good of the inquirer and show leniency, even if the complaint is found to be unjustified or in cases where the customer is in severe distress or special personal circumstances.

A customer's complaint sometimes reveals a flaw with potential consequences to other customers. In such cases, the issue is sent for the relevant official at the Bank for handling, and the Bureau monitors the issue until the flaw is corrected in full.

## Bank of Israel directives on handling public inquiries

Bank of Israel Directive 308A came into effect in April 2015. It defines the status of the public inquiries commissioner and his/her areas of responsibility and powers, and sets the rules for the proper handling of public inquiries by a banking corporation. Among other things, the directive states that banking corporations must report data on the handling of public inquiries according to uniform guidelines, twice a year to the Bank of Israel and once a year to the public. [Link to reporting on the handling of public inquiries.](#)

In order to comply with the Bank of Israel directive, the automated system for the handling of public inquiries at Bank Leumi was upgraded; necessary adjustments were made to the system, and work procedures and classification methods of the inquiries were updated. The 2015 data are not comparable to previous years, because of the change in the classification methodology and decision on types of inquiries.

In 2015, the Leumi Group received 3,973 complaints, of which some 434 were found to be justified.

## Breakdown of consumer complaints for 2015 in Bank Leumi, by topic

Topic	Total no. of complaints	No. of justified complaints
Quality of service	540	87
Means of payment	373	85
(Non-housing) credit	219	14
Housing credit	307	30
Dormant accounts	16	0
Foreign Exchange	56	8
Information	78	11
Securities	51	2
Foreign trade	4	0
Current accounts - including current loan account (w/out credit)	387	62
Deposits and savings	31	7
Another activity of the bank	678	59
Other topics	30	2
Discrimination	1	0
Customer privacy	5	2
Information security	2	1
<b>Total</b>	<b>2,778</b>	<b>370</b>

In 2015, the Customer Complaints Bureau granted relief to customers in respect of complaints in the amount of NIS 916,000, NIS 498,000 of which were in respect of justified complaints, and others – ex gratia (unjustified complaints or about which it was impossible to form an opinion).

Breakdown of customer complaints for 2015 in the rest of the Group, by topic			
Topic	Total no. of complaints	No. of justified complaints	% of justified complaints
Protection of privacy	8	1	12.5%
Marketing and communications	212	15	7%
Services & products	856	*36	4%
Employment environment and workers' rights	4	1	25%
Other	115	11	10%
Total	1,195	64	5%

\*In addition, at Leumi Card there are additional 19 complaints that were found to be partially justified.

## Accessibility of financial knowledge

Leumi Group strives to provide all its customers with advanced financial tools for the purpose of establishing an economic infrastructure that will affect their personal, professional and business development. The Group works at all times to address its customers' expectations, while maintaining the highest level of professionalism, providing high quality service, an attentive ear and personal attention at all junctures of business decisions and opportunities.

Financial literacy is closely related to consumer protection. A considerable part of the population is unaware of the financial products and tools available to them for managing finances wisely. At various stations in their life, consumers are faced with a wide range of needs, and have to make decisions that require them to understand their financial situation. Therefore, alongside the management of customers' money, the Group works diligently to equip its customers with the knowledge and tools for informed economic conduct. In this way, the Group not only enhances its customers' trust but also the public's perception of the financial sector as an expert in the area and promotes the involvement of employees in the community in which they operate.



Management of this area focuses on two levels:

- + **Enhancing the customer's financial knowledge:** A better understanding of financial issues may lead to an improvement in customers' economic situation, especially young people. By making financial knowledge accessible to its customers, the Group enables them to independently balance their needs and financial capabilities in the short term and long term, in matters such as pension plans, savings trends, information on the capital market, the housing market, and more.
- + **Development of additional channels for customers:** The Group's commitment to provide tailored banking services to all customers motivates it to make the products and services it offers accessible. Leumi Group works diligently to develop digital tools that allow customers to independently carry out banking transactions, to enrich their financial knowledge and increase their freedom of action to perform such transactions whenever and wherever it suits them.

## Initiatives to enhance customers' financial knowledge

**Personal budget management workshops:** in 2015, we conducted personal budget management workshops for customers at local branches.

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

**Customer conferences, courses, and training sessions:** Arranged by the Bank's divisions, customer conferences allow Bank Leumi to maintain a focused and meaningful dialogue with its customers, by relevant population groups and sectors. At conferences, important information about family and business budget management is presented to customers, as well as financial tools available to them. The conferences offer customers the opportunity to enhance their knowledge in various subjects and improve their business performance.

**Advancing financial knowledge by sectors:** In 2015, thirteen conferences were held for the ultra-orthodox (haredi) community with the objective of giving customers in the community management tools for home economics and managing family finances. Four conferences were also held for new immigrants and ten conferences were held for students.

**Encouraging savings and awareness of wise consumption:** Bank Leumi encourages and helps customers manage their bank accounts to encourage saving, wise consumption, and planning for the future. For this purpose, the Bank makes available a wide range of deposit- and savings plans with various linkage options, for varying periods, by way of a one-time deposit or fixed monthly installments, with

numerous exit options. Customers can make the transactions at branches or by direct channels. On the secure website, Bank Leumi makes a deposit wizard available to its customers to help choose an optimally customized deposit. In 2016, the Bank launched its Savings by Touch service, which allows customers to deposit available cash in savings, helping them save current account balances.

**Simplifying information for the customer:** As part of its efforts to improve customer service, Bank Leumi rewrote and redesigned dozens of notices sent to customers, so as to make them simpler and easier to understand. These are the most common notices that the Bank sends to customers, such as the distribution of determining fees, exceeding the credit limit, and the banking identity certificate.

**Providing services in multiple languages:** Bank Leumi is committed to providing optimal services to its customers and the general public, by making available a variety of communications channels, including the Leumi Call telephone service. When customers who speak Arabic, English, or Russian wish to speak with a representative in their own language, we guarantee that a representative will call them back within 24 hours for further handling. When customers speaking a language other than Hebrew arrive at a branch, they are offered a response in their language and marketing material is made available in various languages, including Arabic, English, and Russian.

## Digital means for advancing financial knowledge:

### Leumi Blog

This year, a new responsive website, with an advanced clean design came on the air. Each month, Leumi Blog publishes around eight new posts with up-to-date and helpful information on various subjects. The blog averages 30,000 hits a month.

### Financial Forum: the experts answer

Users on the Financial Forum on Leumi Blog are invited to ask the experts about subjects such as the capital market, mortgages, financial and business consumption, digital services and innovation.

### Mortgage planning app

A range of calculators, guides, and video clips that help customers plan mortgages. The app was downloaded approximately 2,900 times per month in 2015.

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### Leumi Digital on YouTube

Around 20 new Business Academy videos were uploaded onto YouTube in 2015.

### User-friendly mobile app

A user-friendly and accessible mobile app that includes a “balance at a glance” service and viewing of bank account data without entering the system, making the information accessible to customers and giving them better control in managing their account.

\* For more information about advancing financial information see the Employee Involvement in the Community chapter.

## Access for people with disabilities

We at Bank Leumi place great importance on providing equal service to all customers and improving the service offered to people with disabilities. For this purpose, we work hard to provide customers with disabilities with full access to the organization’s various assets and services, both at branches and through direct and digital channels, such as online services and automated devices.

The adjustments are being made in compliance with accessibility laws in close cooperation with certified accessibility consultants, including the NGO Access Israel, and professional organizations, with the objective of providing our customers with accessible service and an optimal customer experience.

About 25% of Israeli adults have disabilities: physical, sensory (audio and visually impaired), mental, or emotional. This group consists of approximately 1.3 million people, for some of whom access is critical; i.e. its absence is liable to be a barrier to consuming services.<sup>19</sup>

Access is the way to overcome these barriers. Under the Equal Rights for People with Disabilities Law, 5758-1988, “accessibility” means “the ability to reach, to be mobile and to be oriented in a place, to use and to enjoy service, to receive information that is given or produced in a place or a service or in connection with them, to use given facilities and to participate in programs and activities that take place there, all in an equal, dignified, independent and safe manner.”

All companies in the Leumi Group take care to provide equal service with respect and consideration to all customers, including customers with disabilities, in addition to access to services and facilities that meet the different needs of the customers.

The Leumi Group takes care to measure accessibility on the basis of a number of key variables, which indicate the branch’s degree of accessibility: convenient access to the branch, accessible service positions, accessible signs, the presence of an elevator or lift, the presence of handicapped services, access to ATMs, technical accessories, advanced TTS ATM software - “the talking ATM.”

Pursuant to the service accessibility regulations, the Leumi Group is working to make all Bank Leumi branches accessible by October 2017 and banking information services available in line with the timetable appearing in the regulations. As of the end of 2015, more than 80% of the bank’s branches were fully accessible.

## Initiatives to improve access to services for people with disabilities

### Leumi

**Digital service - for people with disabilities:** a range of services which can be carried out on computers or mobile devices, without the need to go to a branch or be in verbal contact is now wider than ever, and people with disabilities can manage their bank accounts quickly, readily, reliably, with ease. Most products and services, including digital services, are already accessible for people with mobile disabilities. For all customers, mainly for the audio impaired, there is the option of written correspondence with a banker; for the visually impaired, talking ATM software has been installed at branches. By the end of 2016, the process of making websites and apps accessible for the audio- and visually impaired will be complete.

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<sup>19</sup> “People with Disabilities in Israel, 2015”, Commission for Equal Rights of People with Disabilities. Based on 2013 data.

**Accessibility:** at the end of 2015, 211 branches - 83% of Bank Leumi's branches (including branches of the former Arab Israel Bank) - were fully accessible to people with disabilities. The user interfaces at public positions were also made accessible, and the Leumi Line system was adapted to support customers seeking accessible service. Bank Leumi is even working to distribute information about accessible branches.

**Appointment of accessibility coordinators:** Bank Leumi has appointed two accessibility coordinators, whose job is to lead and coordinate the Bank's accessibility measures and to serve as a contact point for all inquiries on the subject. A designated e-mail box has also been opened for inquiries about accessibility: [Negishut.Leumi@BankLeumi.co.il](mailto:Negishut.Leumi@BankLeumi.co.il)

**ATM accessibility:** Bank Leumi's ATMs provide a response and offer easy operation for people in wheelchairs and the visually impaired and blind (the talking ATMs).

**Large-font forms:** An infrastructure for printing of large-font forms has been developed. The service has been offered to bank customers since April 2015. Furthermore, since January 1st 2016, visually impaired customers can receive e-mails in large print.

**Accessibility trustees at branches:** Accessibility trustees have been trained at bank branches, and accessibility coordinators have been appointed for construction and service aspects. Bankers at branches have also been trained in accessibility issues, and undergo refresher courses every year.

**Work procedures:** Service procedures and instructions have been adapted to provide accessible service.

**Induction loop devices:** Devices to eliminate background noise and broadcast the banker's words directly into audio impaired customers' hearing aids have been installed at all branches.

**The Step Hear system:** This voice control system has been installed in around 110 ATMs.

**Employee information and training:** A special website about accessibility was launched in 2013 with detailed information about certain disabilities and the special services that Bank Leumi offers to people with them. A program was also built and installed, and training was instituted for all employees. A tutorial was developed on service accessibility, which service providers (in branches and customer-facing units) are required to undergo. The software was also sent to headquarter units, which are not required to undertake them.

[Leumi's website](#) includes information about current adjustments at Leumi depending on the nature of impairment (visual, hearing or speech, motor / wheelchair, Internet access) and information about benefits to customers with disabilities.

## Leumi Card

Leumi Card continued to improve accessibility for customers in 2015, completing its website accessibility. The Company also won the Prize for Excellence in the IT Rewards competition in the Leveraging Advanced Technologies category for its website accessibility project. All company employees also underwent a refresher course on accessibility, including service providers, who underwent hands-on experience training from the perspective of people with disabilities, with the objective of raising awareness to the challenges and difficulties they face, and to present rules of conduct for providing accessible telephone service.

# Promotion of small businesses

Leumi's handling of the small business sector is characterized by providing financial services and financial value propositions to businesses with a turnover of up to NIS 20 million or a total obligo of up to NIS 10 million. These offerings and services are provided to customers according to their changing needs.

The Bank defined small businesses as a target population, and accordingly launched Leumi's Business Arena – a package of exclusive and innovative tools and services. The Arena provides response to various needs:

1. **Credit:** Credit products tailored to the needs of small businesses.
2. **Availability and service:** Available professional and fast service at flexible hours through a business hotline manned by professional bankers, providing solutions outside the branches' opening hours.
3. **Digital tools:** Receiving information and carrying out operations in the business account anywhere, anytime and through a variety of devices, such as over the Internet, mobile and tablet computer.
4. **Expertise and content:** Customer management tools via various media (see School of Business Management and Business Community on Facebook).

## Initiatives to promote small businesses:

### Leumi

**Business School:** In 2014, Leumi started another class at the Business School, in cooperation with Tafnit, the Open University's School for Managers. As part of the project, some 500 Leumi customers,

with small and medium-sized businesses from around the country participated in a free vocational course of 25 academic hours in which they acquired a variety of practical tools to help their business grow and develop. The course was held at eight locations across the country, ensuring adequate deployment in peripheral areas.

**Assisting small businesses affected by the security situation:** In 2015, the overall security situation in Israel deteriorated, especially in Jerusalem, resulting in a slowdown in business activity in the city and nationwide. To help small businesses overcome this period, Bank Leumi launched a special credit venture for small businesses, granting a total of approximately NIS 500 million at special terms.

**Leumi Right to Your Doorstep:** Every week in 2015, Bank Leumi managers met business customers on their premises to discuss the state of the business and offer immediate banking and other solutions, as part of the Bank's general value propositions for small businesses. Altogether, thousands of meetings have been held outside Bank Leumi branches.

**Leumi-Koret program to promote small businesses in the periphery:** Under this program, Bank Leumi has been granting loans at preferential terms to small businesses in the periphery since 2009.

**Joint business customer conferences with the Schocken Group Ltd.:** Joint professional conferences with the Schocken Group and municipalities to provide business owners with the knowledge, digital tools, international trade tools, and access to the municipalities. Six conferences with around 100 customers each were held during 2015.

## Leumi Card

A new world of packages for businesses, Leumi Card Smart, was launched in 2015. For the first time, Leumi Card is offering through these packages clearance services, immediate credit, an advanced terminal at a single site, and fixed predetermined monthly payments. The Smart packages also offer added value to the business's daily conduct, meeting its needs for cost control, transparency, and simplicity.

# Promoting unique populations

Leumi Group is working to produce accessible, clear and simple products and services for all its customers, and supports the promotion of positive social change by means of the products and services it offers.

## The Group is working on this matter on several main levels:

- + **Promotion of businesses that advance social causes** as part of their business activity, for example, employment of people with disabilities or youth at risk.
- + **Development of products and services that have social value:** The Group offers its customers a broad range of services intended to create shared value - social value for customers and for the community, alongside creating business value.
- + **Assistance to unique populations** such as ultra-orthodox.
- + **Assistance to customers who are struggling**
- + **Accessibility in the periphery:** Leumi Group has deployed its branches across the country to provide the full range of services and products to all its customers, wherever they reside.
- + In addition, the Group provides **credit for the development of social and communal infrastructures** such as hospitals, green areas, local economies, and more.

## Initiatives to promote populations through products and services

### Leumi

**Digital stewards:** The transition to the digital world creates a challenge in providing service to some segments of the general population and to the elderly in particular. To help these groups increase their use of digital services, digital stewards have been placed at bank branches, which have been converted into digital banking arenas, to help teach customers how to operate automated devices and mobile phones. Digital developments have also been carried out to help customers obtain a response and carry out digital transactions without the need to go to other branches.

**Program to minimize customers' debts:** Leumi holds direct, sensitive, speedy and businesslike dialogues with customers in financial difficulty, by examining their individual ability to settle their debts and finding the most convenient solution. In 2014, about 180 customer days were held, during which Leumi representatives met with about 4,000 customers in debt in an effort to assist them in finding the best solution to settle their debts. In addition, Leumi operates an "early collection center," in an aim to find solutions which meet the debtor-customers' needs. Leumi also takes part in the activities of government authorities, aimed at assisting people in debt to come to an arrangement with the bank.



**Mortgage Time Out:** A service designed to make it easier for apartment buyers who have taken out a new mortgage. Customers meeting the conditions can take a “mortgage time out” and enjoy three months’ deferral of payments per year, out of a choice of periods offered to them.

**“Back into the workforce” – assistance to unemployed customers in debt:** In 2014, Leumi’s Mortgage Function initiated an innovative program, in which customers with mortgage debts living in the south of Israel were offered to participate in a training program that would prepare the groundwork for their entry into the workforce. Service and debt collection representatives of the Mortgage Function contacted, on their own initiative, hundreds of customers to determine their employment status and offered them assistance that could provide them with regular employment. During the program, more than one hundred customers expressed an interest in going back to work. Customers were referred to the Be’er Sheva Life Cycle and Employment Center for further assistance. The program was carried out in cooperation with social organizations, including JDC Israel, The Rainmakers, and the Life Cycle and Employment Center founded by the Be’er Sheva municipality, the Ministry of Social Welfare, Yachdav and JDC Israel. Out of one hundred customers who initially expressed interest in the program, 35 were eligible for it and enrolled in the employment guidance process. During 2015, 11 customers found work thanks to their participation in this program.

## Social credit and services to promote disadvantaged population segments

The Bank leads a professional, managerial and financial approach of social credit granting, with the understanding that such credit embodies economic value to the Bank in addition to its value to society. In 2015, the Bank took several key measures on the issue:

- A. **Social bonds – “Leap to Education”** – In 2015, Leumi began collaborating with Social Finance Israel, a PBC which strives to achieve social goals through the issue of social bonds, in order to promote the program “Leap to Education” – to reduce dropout rates by students from disadvantaged populations studying computer science. As part of the program, 600 students will receive personal support, study assistance and scholarships (according to certain criteria), in order to allow them to keep up with the curriculum. Leumi approved a NIS 4 million social loan, which will fund 50% of the program.
- B. **Loans to social institutions and employers of people with disabilities:** This year, the Bank continued to cooperate with the Dror Israel movement, which promotes social businesses and initiatives in the educational sphere, through social loans to entities recommended and guaranteed by the Fund. As part of the additional and new cooperation with the Koret Fund, Leumi offers loans to entities engaged in social activities or employing people with disabilities. The program is intended for customers who would not have received a loan from the Bank without the Koret Fund’s guarantee.

In addition, these customers enjoy relatively attractive rates and unique service in preparing a business plan. In many cases, social entrepreneurs are not familiar with economic and financial issues so this service contributes to the development of their business and its survival.

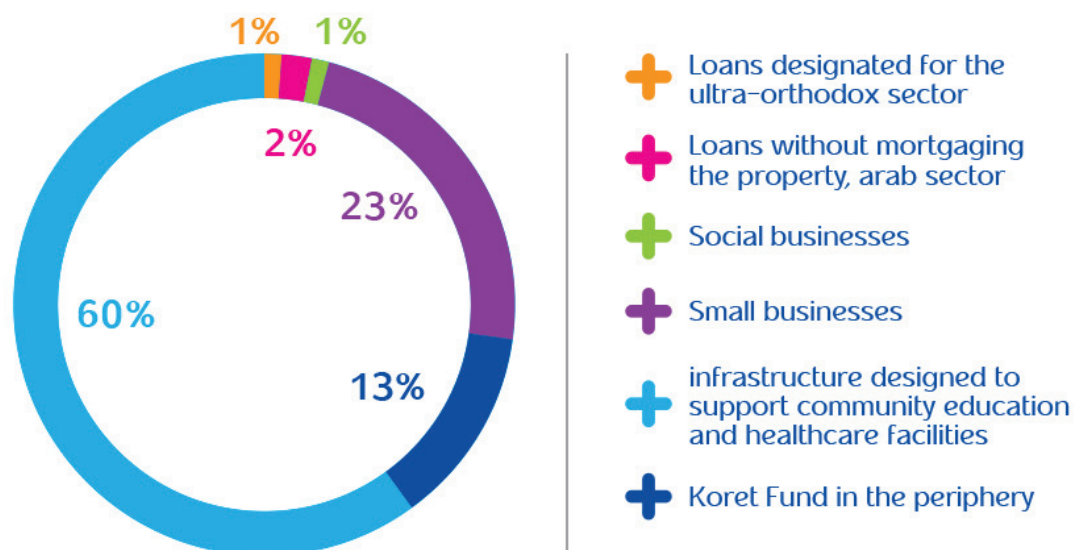
- C. **Giving a future - Loans to female micro-entrepreneurs:** A joint venture with “Latet Atid” organization, which identifies and accompanies female entrepreneurs experiencing economic difficulties, women business owners, or with business ideas. Leumi grants financing loans of up to NIS 40,000, and the organization gives each entrepreneur a support package which includes a business plan, extensive business mentoring and benefits to develop the business. After three years of joint activity, the operation was expanded in early 2016, so that the service be accessible to entrepreneurs in 15 additional branches throughout Israel. In that manner, Leumi wishes to empower women, support them and help them achieve economic independence.
- D. **Service package for NGOs engaged in social activity:** In 2015, the Bank decided to examine and increase its cooperation with NGOs, offering them financing terms that will enable them to operate in a convenient and efficient manner.

## Dedicated credit to customers from various sectors

- + **Development of banking products and services for the Arab sector:** Within this framework, the Bank has offered enrichment activities and meetings to empower women, encourages women-owned businesses and grants loans tailored to the needs of women. The Bank also initiated steps to offer bank accounts tailored to the needs of Arab youth aged 18, since most of them start to study or work at this age, and even offered special loans to the Arab sector for its holidays.
- + **Zero-guarantee housing loans:** This year, the Bank started to offer housing loans to population segments who are unable to secure them. The Bank has identified numerous bureaucratic difficulties in this area, especially among the Arab sector and kibbutz members, and offers them a solution.
- + **Marriage loans to the Arab and ultra-orthodox populations:** The Bank has identified the needs of the ultra-orthodox and Arab populations and began to offer loans tailored to their needs.

## Segmentation of Credit Granted to Promote Social Causes in 2015

Total of NIS 0.42 Billion



\*In Israel only. The data presented herewith were collected specifically for this report (and at this stage are not automatically retrievable). In 2015, data collection was improved - the gap shown in comparison with 2014 does not reflect an actual increase of the credit granted. The figures include loans and guarantees.

## Deploymen in the periphery and among low-income populations

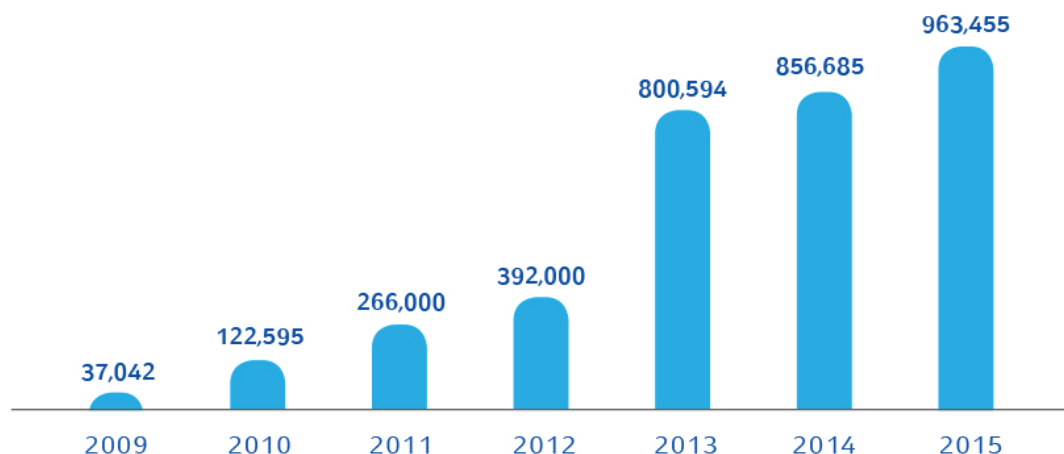
- + Out of the Group's 252 branches in Israel, 130 branches are located outside the Tel Aviv metropolitan area and major cities.
- + 42 of the Group's branches are located at the heart of peripheral towns.
- + 45 of the branches are located in predominantly Arab communities.
- + 25 branches are located in predominantly ultra-orthodox communities or provide service mainly to the ultra-orthodox population.

## Leumi Card

For the seventh consecutive year, Leumi Card continues to offer its Round Up and Donate service, in cooperation with the "Round Up" NGO. The service allows the company's customers to round up the sum of transactions carried out at businesses, with the difference transferred as a contribution to a range of non-profit NGOs as per the customer's choice. In 2015, 4,179 new customers joined this service.

In 2015, some 25,000 Leumi Card customers rounded up sums. Since the beginning of its cooperation with the Round Up NGO, Leumi Card customers have donated a total of about NIS 3.4 million to NGOs of their choice.

### Round-Up throughout the Years (in NIS)



## Bank Leumi US (BLUSA)

### Reinvestment in the community

Bank Leumi US is working to promote low-income populations, inter alia, under the Community Reinvestment Act (CRA) with the aim of encouraging commercial banks to meet the needs of borrowers from all sectors of the community in which they operate. In 2013, the US authorities reviewed the activities of BLUSA with regard to the performance of CRA in 2010–2014. BLUSA was awarded an “outstanding” score from the two organizations conducting this review. The high score stems, inter alia, from the fact that CRA loans account for about 10% of BLUSA’s total assets during the three years under review.

Each area of BLUSA’s activity focuses on issues relevant to the needs of the population in its region:

- + **New York:** housing loans and loans to industries operating in underprivileged areas. This allows affordable housing for low and moderate income populations (LMI) in these areas.
- + **California:** Loans to businesses operating in the southern part of Los Angeles that support the local community by providing employment.
- + **Florida:** Loans to businesses in economically disadvantaged areas, supporting and enabling the stability and development of the local community.
- + **Illinois:** Loans to nursing homes, rehabilitation centers and other centers engaged in medical care to those eligible for loans as part of government health insurance plans for the benefit of the low-income population. Loans are also given to the elderly for affordable housing.

In 2015 loans totaling \$421 million were granted under CRA.

# Development of environmentally-friendly products

The Leumi Group attaches great business value to the advancement of sustainability, while examining the challenges facing its customers in this area and the development of products that provide them with solutions. These challenges will affect, inter alia, the agriculture, construction, transport, energy and water sectors, requiring a change in mindset, in light of environmental challenges.

In addition, in recent years, the Israeli economy has undergone significant changes in the area of renewable energy and the shift to natural gas, while reducing consumption of polluting energy and reducing greenhouse gas emissions. The Group is preparing for these changes and is developing new products and services, while recognizing the potential risks of some of its areas of activity, and is therefore applying the precautionary principle that requires particular attention in order to avoid causing harm.

This matter is being handled by the Group's Corporate-Commercial Division, Leumi's International Credit and Real Estate Division, and the Banking Division, that have developed several business solutions and services that assist the Group's customers to minimize their negative impact, and enhance their positive impact, on the environment.

## Initiatives for the promotion and development of environmentally friendly products and services

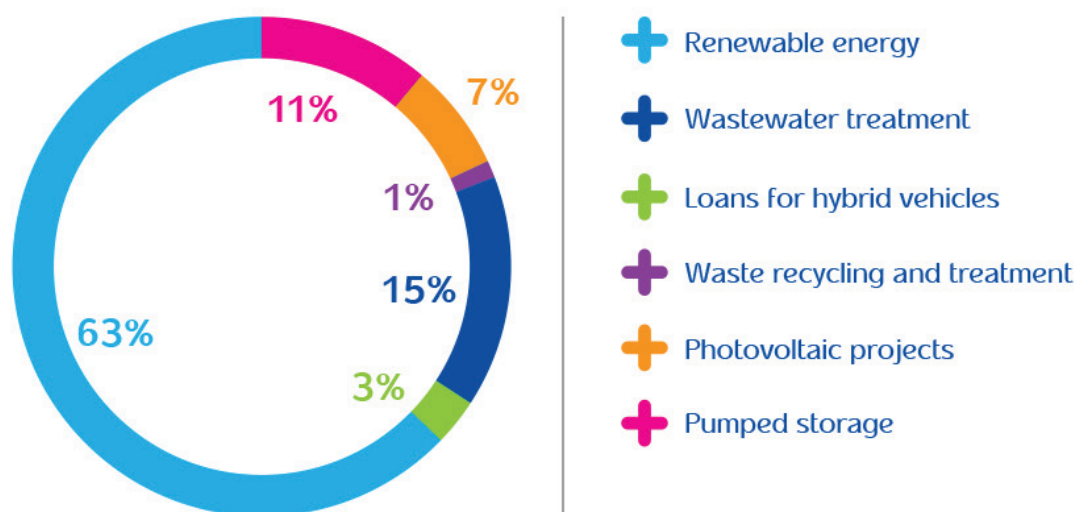
**Loans for the private solar installations:** Leumi provides its customers with financing tracks for small and medium-sized solar installations intended for customers who own a roof, a structure or land on which the facility can be built, as well as to entrepreneurs who wish to rent a roof or land and build such a facility on it.

**Loans to finance the purchase of hybrid vehicles:** Leumi offers private customers special financing for the purchase of hybrid vehicles.

**Financing environmental infrastructures projects:** In 2015, Leumi participated in the financing of several large-scale projects with a positive impact on the environment, such as installations for generating electricity from sunlight, establishment of renewable energy facilities, pumped storage (storage of energy by water pumping) and waste treatment.

**Digital products and services:** The digital banking service revolution, led by the Group, allows customers to save paper and mileage. Leumi encourages its customers to join the Green Mail service, which allows them to receive email from the Bank by digital means instead of paper; write and deposit digital checks and perform numerous transactions without the need for paper and arriving at their branch.

### Segmentation of Credit Granted to Promote Environmental Causes in 2015 Total of NIS 1.43 Billion



\*In Israel only. The data presented herewith were collected specifically for this report (and at this stage are not automatically retrievable). In 2015, data collection was improved - the gap shown in comparison with 2014 does not reflect an actual increase of the credit granted. The figures include loans and guarantees.

## Objectives Results – creating value for customers

Enhancing customers' financial knowledge			
Company	Objective for end of 2015	Status	Explanation
Leumi	Implementation of the Customer at the Heart of the Endeavor value measured in customer satisfaction surveys.	Done	The value was regularly examined in service surveys.
	Economic and financial advice for ultra-orthodox families.	Done	In 2015, 13 conferences were held on family economic and financial management for the ultra-orthodox community.
Service accessibility			
Company	Objective for end of 2015	Status	Explanation
Leumi	Increase the number of accessible branches to 120.	Done	211 branches were rendered fully accessible.
	Making a total of 200 ATMs accessible.	Done	245 Bank Leumi branches (including former Arab Israel Bank) have at least one ATM for physical access and service accessibility. Accessibility will be carried out at other branches pursuant to the regulations.
	60% of pages on the Bank's website comply with the AA Level of the Accessibility Standard.	Partially implemented	The Bank Leumi website is Level A accessible. The Bank is working on rendering the entire site and all apps accessible by the end of 2016, pursuant to the regulations.

Arab Israel Bank	The Bank's 15 branches have physical access and service accessibility.	Done	
Promotion of small businesses			
Company	Objective for end of 2015	Status	Explanation
Leumi	Continue the expansion of value propositions to small businesses.	Done	<ul style="list-style-type: none"> <li>+ Credit products for small businesses: Loans at a Click, Sure Step</li> <li>+ New class at the Business School</li> <li>+ New business credit card</li> <li>+ Leumi Comes to You: hundreds of managers go into the field to meet customers and provide a rapid business response.</li> </ul>
Arab Israel Bank	Leverage and expand cooperation with the Koret Foundation, a loans venture for small and mid-sized businesses, a loans venture for the purchase of a car by small and mid-sized businesses.	Not performed	Due to the merger, there were new joint projects.
Leumi Card	Launch the Leumi Card 2.0 digital package.	Done	The 2.0 digital package launch for businesses included new and renewed services, such as CRM for small businesses, assistance in day-to-day management and scheduling appointments, and expanding digital marketing tools and services to create customer loyalty.



unique populations			
Company	Objective for end of 2015	Status	Explanation
Leumi	Continue cooperation with the Koret Foundation and Dror for the Wounded Foundation.	Done	Loans were granted for the two foundations.

## Future Objectives

Enhancing customers' financial knowledge			
Objectives for 2016		Main actions planned	
Leumi	Personal finance management: launch a new personal finance management service for all bank customers, without the need for prior registration, in order to improve customers' financial education and closer and more accessible management of their bank accounts.		

Service accessibility			
Objectives for 2016		Main actions planned	
Leumi	Upload the support interface in four languages (Hebrew, Arabic, English, and Russian) at the digital kiosks.	Deploy the interface at 50% of the kiosks.	
	Complete physical accessibility at additional branches.	Install elevators or lifts, fix ramps, handicapped services, accessible service kiosks, sign for automated devices.	

Promotion of small businesses		
Objectives for 2016		Main actions planned
Leumi	Continue expanding the value proposition for small businesses.	<ul style="list-style-type: none"> <li>+ Continue Right to Your Doorstep</li> <li>+ Install the Leumi 24/7 product, which allows customers to carry out digital transactions by check and cash via the app and special safe installed at branches.</li> <li>+ Small Business School of Management – third class of about 400 customers.</li> <li>+ State-backed small business fund – special State-backed loans for current and new customers nationwide.</li> </ul>
unique populations		
Objectives for 2016		Main actions planned
Leumi	Continue financial information accessibility for the ultra-orthodox community.	Holding lectures and meetings for customers.
	Information accessibility and direction for small businesses in the ultra-orthodox community.	Customer conferences and tools for opening a new business.
	Digital information accessibility for small businesses in the Arab community.	Digital stewards, conferences, and adapted brochures.
	Empowering women in the Arab community.	5 empowerment meetings for businesswomen in the community.

# Creating Value for Employees



# Leumi Group Employees

Leumi Group employs more than 12,000 people in Israel and overseas and considers them to be a key factor in its success. We attribute great importance to the welfare, satisfaction, and professional and personal development of our employees. Within this framework, the Group promotes and maintains transparency, fairness, equal opportunity and diversity in employment while avoiding harmful employment; it cultivates excellence and innovation; cooperation and a dialogue with the employees, and is concerned about their health and welfare.

The following is a segmentation of the Group's employees<sup>20</sup> as of 31 December 2015, for previous years.

Total Employees in the Group by year, in 2011–2015:

	2015	2014	2013	2012	2011
Leumi	9,242	9,402	9,610	9,760	9,890
Arab Israel Bank	420	448	448	452	453
Leumi – total <sup>21</sup>	9,662	9,850	10,058	10,212	10,343
Leumi Card	1,441	1,469	1,481	1,498	1,525
Leumi Partners	35	37	35	37	36
The Trust Company	20	21	20	22	25
Offices overseas*	840	866	923	928	996
Leumi Group – total <sup>22</sup>	11,998	12,243	12,517	12,697	12,925

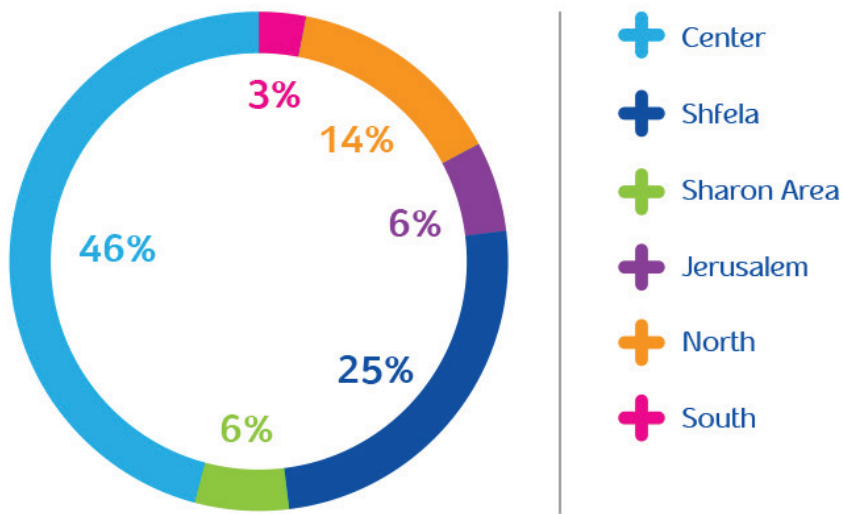
\* Between 2011 and 2013 the data refers to positions rather than to the number of employees.

20 Unlike in the financial statements published by Leumi, the data in these tables and the entire report (unless otherwise noted) refer to the Group's employees rather than to positions (positions less employees on unpaid leave or maternity leave, including specific overtime, excluding external staff).

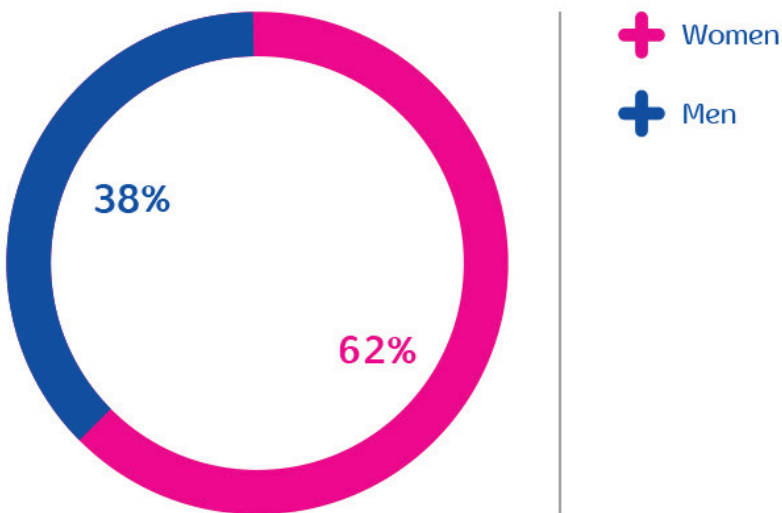
21 Unless otherwise noted, Bank Leumi figures include data for the former Israeli Arab Bank

22 Reclassified

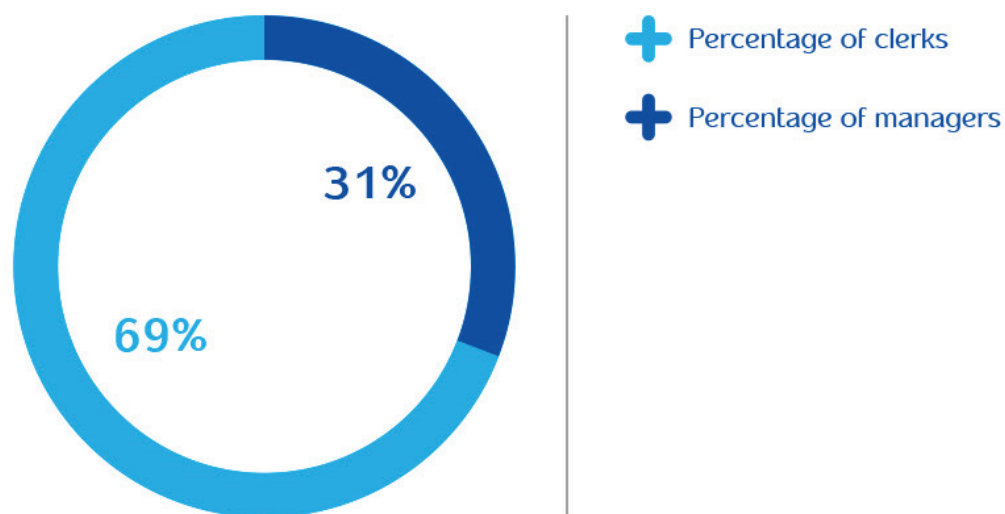
## Geographical Distribution in Israel of Leumi Group's Employees, 2015



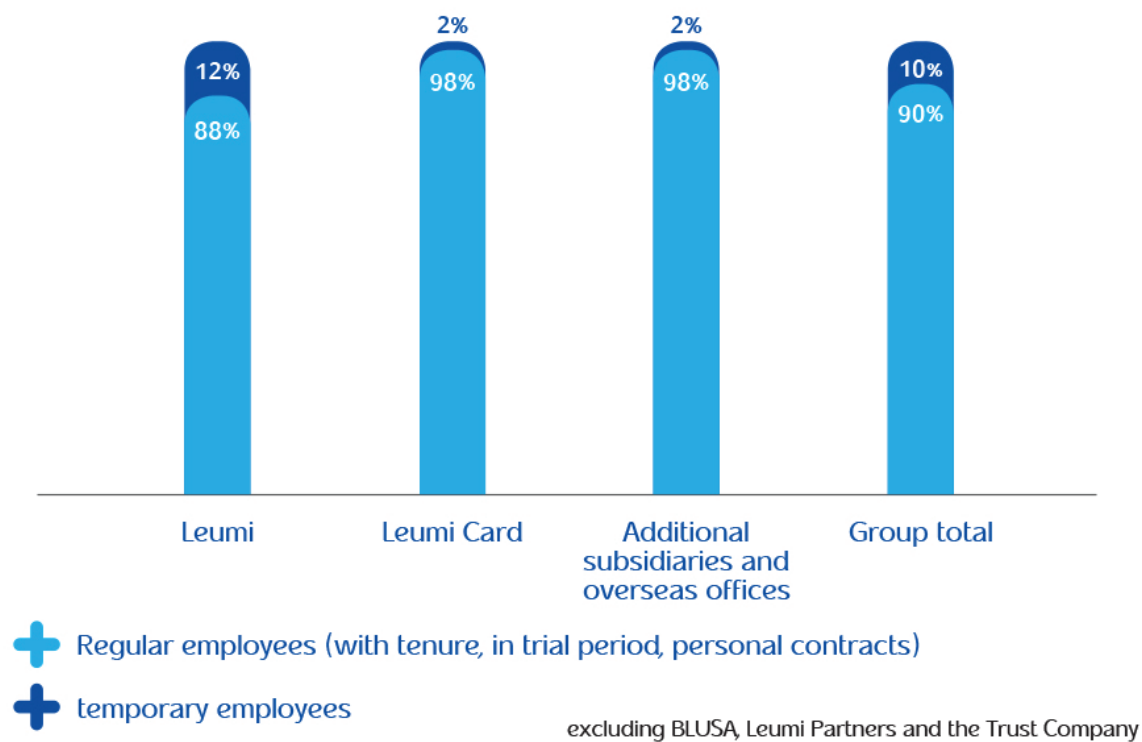
## Segmentation of Leumi Group's Employees in 2015, by Gender



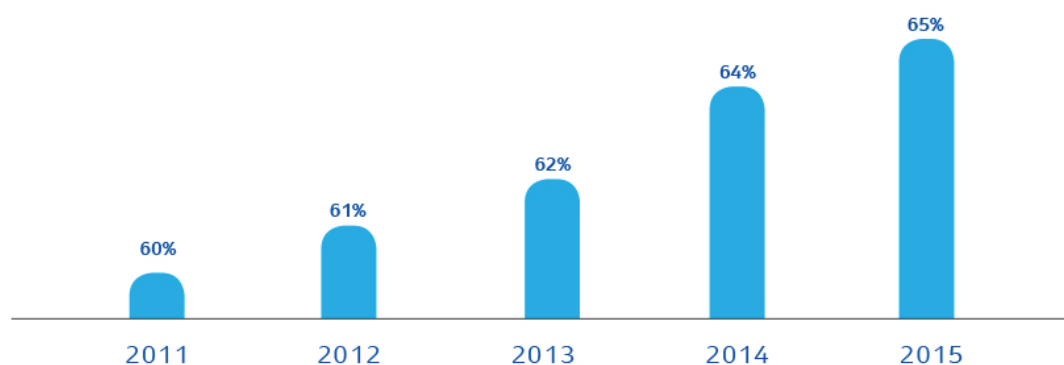
## Segmentation of Leumi Group's Employees in 2015, by Rank



## Segmentation of Group Employees by Type of Contract, in 2015



## Percentage of College-Educated Employees in the Group's Subsidiaries Over Time



## Employees with college education, by rank and gender, 2015 – Bank Leumi only

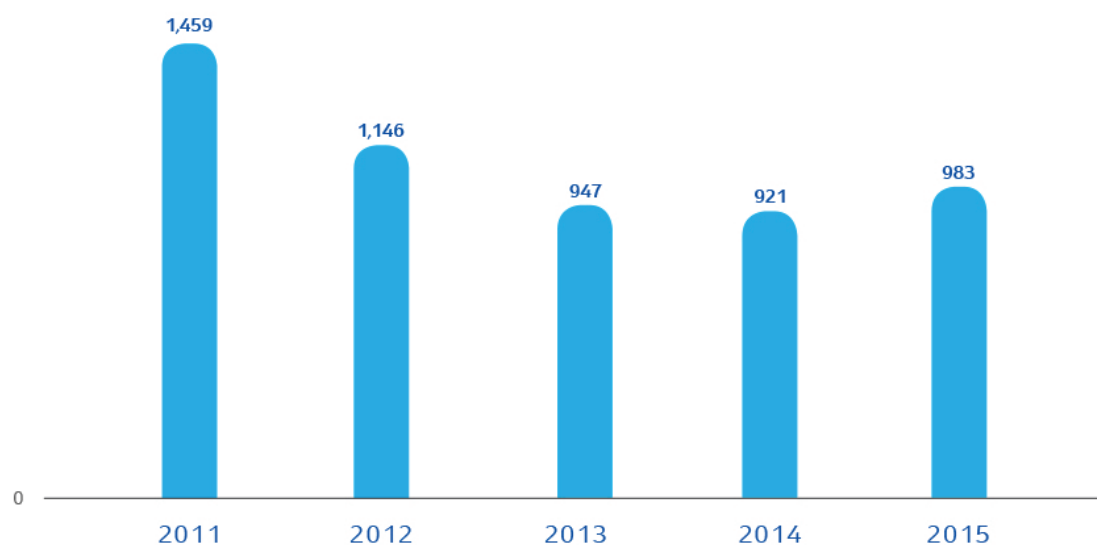
	Women	Men	Total	% of rank
Managers	1560	1308	2868	95%
Clerks	2483	1437	3920	59%
Total	4043	2745	6788	70%
% of gender	67%	76%	70%	

## Outsourced employees

Bank Leumi obtains services for a range of jobs from personnel agencies, including bank tellers, call center responders, computer and programming employees. In 2015, Bank Leumi obtained services for 983 positions (some of the external employees worked part-time). The data do not include employees of guarding and cleaning service companies. Leumi Card obtained services for 72 positions.



## No. of contract workers at Leumi Group



**Hiring contract workers:** In 2015, 22% of the external employees who worked at the Leumi Group were hired as bank employees. In general, alongside streamlining measures and the review of operations that the Bank undertakes by outsourcing, Bank Leumi seeks to hire as employees high-quality personnel whom it engages as contract workers.

**Improving salary terms of contract workers:** Bank Leumi agreed to a monthly salary rise to an equivalent of NIS 5,000 for employees of personnel companies who work at the Bank, under the collective agreement that it signed in early 2015. The agreement commenced in 2015, even before the government's updated minimum-wage guidelines come into effect, due to concern for low-wage employees.

## Breakdown of employees by age, rank and gender

Rank	Age category	Women	Men	% of women
Top management	Up to age 30	0	0	0%
	Aged 31-50	39	51	43%
	Aged 51+	35	58	38%
	<b>Total</b>	<b>74</b>	<b>109</b>	<b>40%</b>



Mid-level management	Up to age 30	2	3	40%
	Aged 31-50	273	243	53%
	Aged 51+	155	257	38%
	<b>Total</b>	<b>430</b>	<b>503</b>	<b>46%</b>
First line management	Up to age 30	31	23	57%
	Aged 31-50	1067	723	60%
	Aged 51+	312	348	47%
	<b>Total</b>	<b>1410</b>	<b>1094</b>	<b>56%</b>
Clerks	Up to age 30	1281	536	71%
	Aged 31-50	2343	1473	61%
	Aged 51+	1845	816	69%
	<b>Total</b>	<b>5469</b>	<b>2825</b>	<b>66%</b>
Managers under a personal contract	Up to age 30	0	0	0%
	Aged 31-50	24	42	36%
	Aged 51+	4	14	22%
	<b>Total</b>	<b>28</b>	<b>56</b>	<b>33%</b>
Group total	Up to age 30	1314	562	70%
	Aged 31-50	3746	2532	60%
	Aged 51+	2351	1493	61%
	<b>Total</b>	<b>7411</b>	<b>4587</b>	<b>62%</b>

# Diversity and equal opportunities in employment

The Leumi Group believes in equal opportunity and honors the principle of diversity of employment with no discrimination based on race, color, religion, sex, sexual orientation, marital status, ethnicity, national origin, disability or age. The Leumi Group honors the principal of employment diversity in line with the diversity of Israeli society, with an awareness of the needs of society and the Group's customers and in order to reflect its responsibility towards the community in which it operates.

The Leumi Group strives to create employment opportunities for employees of all ethnicities and faiths and for employees with disabilities, with a view that such diversity contributes to equal opportunities in Israeli society and broadens horizons for all employees, while reflecting a dynamic, challenging, creative and progressive organization.

The Leumi Group opposes discrimination of any kind and prohibits discriminatory behavior within the organization for any reason whatsoever. Decisions regarding the Group's employees and candidates for employment, their recruitment and promotion are made on the basis of objective considerations of performance and skills, without discrimination. The Leumi Group complies with the law in all matters pertaining to employment. The Group does not employ minors.

The Diversity and Equal Opportunity Policy in the Leumi Group places emphasis on activity in three main areas:

- + **Recruitment of employees from diverse populations**, with an emphasis on underemployed populations, such as the Arab population, Israelis of Ethiopian origin and ultra-orthodox Jews, by adjusting the criteria for hiring and granting special assistance.
- + **Recruitment and promotion of employees with disabilities**, as an inseparable part of responsible employment by the Leumi Group.
- + **Equal gender opportunity, at the Leumi Group, in all its activity areas**, at all levels and in all fields.

The Administration and Operations Sub-Division in the Human Resources Division in Leumi is responsible for employment diversity and for measuring the issue annually and in an organized fashion. The team of recruiters in the Sub-Division includes a diversity supervisor, whose duty is to promote the recruitment of employees from underemployed populations with the placement agencies, screening centers and units in the Bank.

Over the years, Leumi has accumulated a great deal of knowledge and experience regarding the possible barriers faced by these populations, and has developed relevant solutions and adjustments in order to assist in getting to know the candidate beyond the cultural barriers and the routine threshold criteria.

The guiding principle: Diversity in manpower that corresponds to the diversity in Israeli society, with an awareness of the needs of society and the customers with the aim of reflecting the Leumi Group's responsibility towards the community in which it operates.

## Initiatives for integrating employees from diverse populations

### Leumi

- A. **Prioritizing** the resumes of candidates from target populations.
- B. **Personal assistance to candidates with disabilities:** The recruitment unit provides personal assistance to candidates, showing great sensitivity, to give them the best job search experience and dispel, as far as possible, the stress and fears associated with the process.
- C. **Assistance in screening tests:** Significant additional time (30%) in cognitive tests; adjustment of languages on the evaluation day ; the existence of a non-screening evaluation day (unlike other candidates); adding points to candidates of Ethiopian origin in specific tests; integration of Arab evaluators on screening days for Arab sector candidates, and more.
- D. **Easing the minimum requirements:** Adjusting job requirements: For example, the Group recruits candidates from the ultra-orthodox population who do not have matriculation certificates or an academic degree, while providing the option of completing a bachelor's degree on the job during the first four years of employment.
- E. **Summoning to face-to-face interviews:** Candidates who received a borderline score at the screening center get a second chance: they are summoned for an interview by the Recruitment Sub-Division, in order to examine in-depth their potential suitability to the position and to Leumi and in order to avoid situations in which a suitable candidate is overlooked.
- F. **Promoting candidates from target sectors with the recruiting business units:** The Recruitment Sub-Division contacts recruiting executives in order to promote the candidacy of people from these populations.

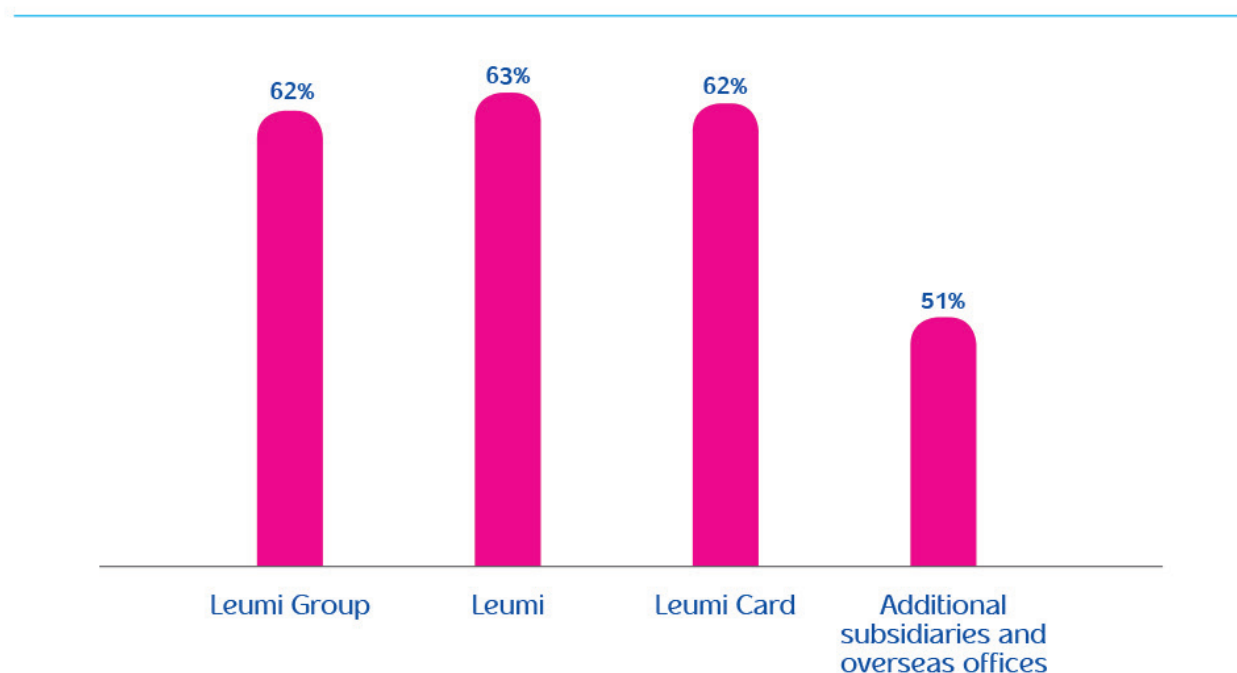
- G. **Proactively approaching** organizations, NGOs and placement agencies in order to receive resumes of candidates from target populations, continuous contact and periodic meetings with NGOs representing these sectors.
- H. **“Spotlight days”** for candidates from the ultra-orthodox population (women and men separately). The Recruitment Sub-Division participates in conferences and seminars in order to promote recruitment of candidates from this sector.
- I. At the beginning of 2015, Leumi approached the Adam Milo Institute with a request that it will examine the performance gaps between candidates of Ethiopian extraction and the rest of the candidates being examined for positions at Leumi. The purpose was to allow for adjustments and easements in the screening processes, that would lead to an increase in the number of employees from the Ethiopian population being recruited. The results of the study will serve Leumi and may also serve other organizations, in order to pave the way for more reliable and valid tests for candidates of Ethiopian extraction. Following the results of the study, it was decided to raise the score in specific tests for Ethiopian candidates by two noviles.
- J. **Systematically dealing with discrimination:** Leumi views incidents of discrimination with great severity, and deals with them immediately. Any complaint by a candidate or employee regarding discrimination based on any cause whatsoever is examined in depth. In 2015 there were no reports of discrimination for any reason either by employees or candidates.

- + 8% of all employees hired by the Leumi Group in Israel in 2015 were Arabs, ultra-orthodox, of Ethiopian origin, or people with disabilities.
  - + 6% of all the Group's employees in Israel are Arab; 23% of them hold management positions.
- At the end of 2015, Bank Leumi met the threshold set in the Employment (Equal Opportunities) Law, 1988, according to which at least 2% of the employees in an organization with more than 100 employees should be people with disabilities.

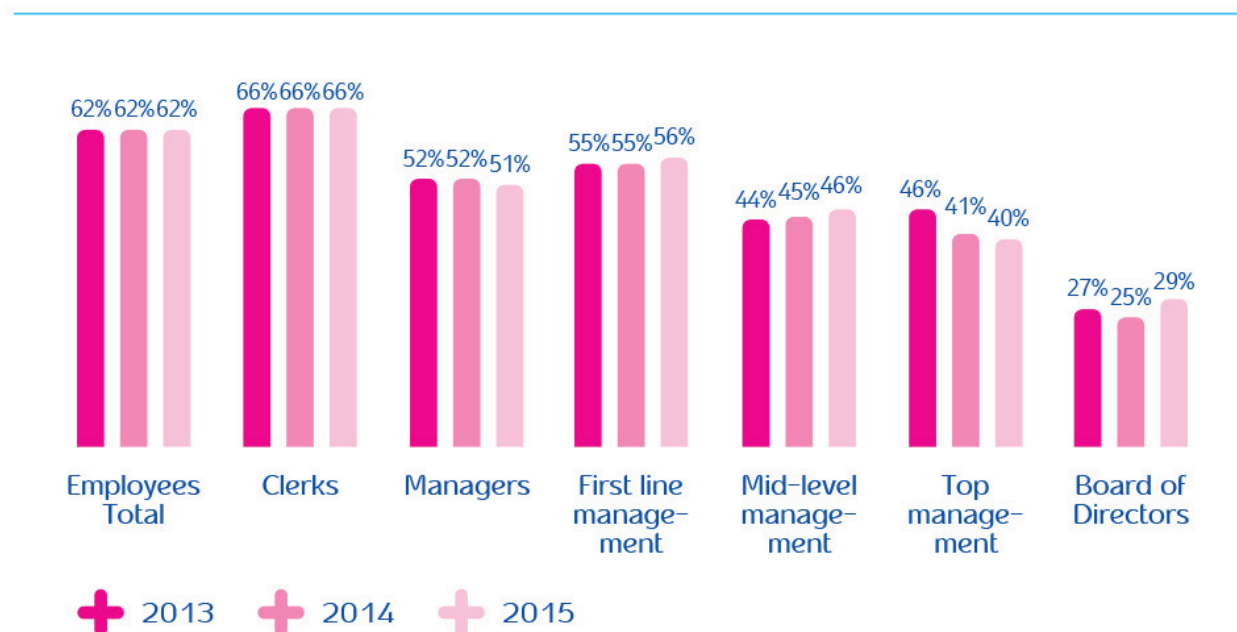
## Gender equal opportunity

The Leumi Group strives to keep a high proportion of women at every level at the Bank and to integrate women in key positions, as shown by the data below.

## Percentage of Women in the Group in 2015



## Percentage of Women in the Leumi Group, 2013–2015



\* Since 2014, the data includes Bank Leumi USA, Bank Leumi Romania, and Bank Leumi UK

## Fair pay

The Leumi Group operates with complete fairness and full transparency with respect to employment terms and conditions. Salary terms at every level are set on the basis of professional and purposeful criteria and are anchored in salary agreements. The Group compensates its employees objectively and by performance.

The minimum monthly salary for a full-time position paid to a woman by the Group in 2015 was 26% above the Israeli minimum wage, and the average minimum salary for a full-time position paid to a man by the Group in 2015 was 33% above the Israeli minimum wage.

A comparison of the wage gaps between the minimal monthly wages paid by Leumi and the maximum monthly wages paid by Leumi revealed that in 2015 the wage gaps between senior employees and junior staff shrank by about 2.2%<sup>23</sup>. In addition to this figure, the median average monthly wage (excluding the highest wages) in the organization in 2015 for women increased by 4.6%, while the median average annual wage for men increased by 4.4%.

In 2012, the Adva Center conducted a comprehensive study on wage gaps between women and men in Israel.<sup>24</sup> The findings of the study revealed that the average wage of a woman in Israel in 2012 stood at 66% of a man's. According to the study, in the last decade - and in comparison to 2002 - the gap shrank by about 5%.

As of the end of 2015, the gap between the median average wages for men (excluding the highest wages) and the median average wages for women (excluding the highest wages) stood at 16.8% in the men's favor. In 2015, at the high pay grade in the organizations, among the 10% who received the highest wages in the organization, 36% were women, similarly to 2014<sup>25</sup>.

The chart below features the ratio between men's and women's wages by rank (a man's average salary divided by an average woman's salary, less 1). It should be noted that the calculation is based on the average monthly salary in each rank.

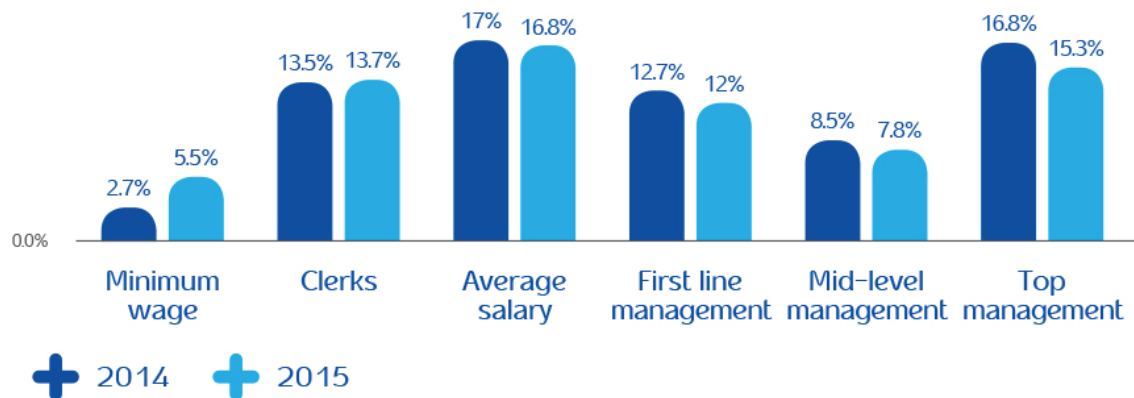
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<sup>23</sup> For more information on wage gaps - between the CEO and the average annual wages per employee - please see the financial statements.

<sup>24</sup> [www.adva.org/uploaded/EqualPay\\_mail.pdf](http://www.adva.org/uploaded/EqualPay_mail.pdf).

<sup>25</sup> Reclassified

## Ratio Between the Wages of Men and Women in Leumi



### Leumi Card

Salaries at Leumi Card are determined on the basis of pertinent criteria, such as professional experience, the nature of the position, fairness relative to the market, and employee performance evaluation. A review found that women accounted for 37% of the company's top decile of wage earners.

### Prevention of sexual harassment

Bank Leumi views sexual harassment and harassment at the workplace with utmost severity, and places great importance on preventing them. To prevent such offenses and to create a safe, respectable, and pleasant working environment, which promotes equality and mutual respect, the Bank has appointed a senior attorney to be responsible for the prevention of sexual harassment at the Bank. Any complaints of sexual harassment are referred to her. The Bank has also defined sexual harassment as a serious disciplinary offense, and the regulations on the issue have been personally sent to every employee and are given to every new employee upon being hired. The regulations and how to contact the officer in charge appear on the Bank's organizational portal. The regulations were resent to all the Bank's branches and units in 2015, and appear on the bulletin boards at every branch. Complaints about sexual harassment are handled professionally, efficiently, and speedily. Few complaints about sexual harassment were filed in 2015: the officer in charge of sexual harassment investigated each case, pursuant to the Prevention of Sexual Harassment Law.

Two complaints about sexual harassment were handled at Leumi Card in 2015. The officer in charge of sexual harassment investigated each case, pursuant to the Prevention of Sexual Harassment Law.

## Maintaining Proper Work Relations

Leumi Group believes that a fair, transparent and cooperative relationship with the employees' representatives contributes to the advancement of business of the Bank and of the Group as well as contributing to employee satisfaction. Since its founding, an employee representative body has operated at Leumi that represents the employees vis-à-vis the Bank's management. Any employee can approach the employee representative body at the Bank at any time and on any matter and raise it for discussion.

Work relations between the Bank's management and the employees (through the employee representative body) are based on a system of collective agreements and other accords created over the years, including ad hoc agreements between the Bank's managements and representative of the employees.

In 2015, relations between the management and employee representatives continued to be conducted in a proper manner, based on mutual respect and attentiveness. In 2015, there were no strikes or lockouts initiated by the employee representative body at Leumi. At the end of 2015, during the negotiations on the merger of the Arab Israel Bank and Bank Leumi, the National Workers' Union announced a labor dispute at the request of the employee representatives of the Arab Israel Bank. The dispute was resolved with the signing of a collective agreement that secures the rights of the Arab Israel Bank's employees as part of the merger.

% of employees under a collective agreement	
Leumi	98%
Leumi Card	93%
Total in Israel	97%

In 2015, about 97% of employees and managers in the Leumi Group in Israel were employed under collective bargaining agreements. All other employees in the Group are employed under personal contracts, including employees of Leumi Partners and employees of overseas offices, where there were no employment collective bargaining agreements in place in 2015.

### The Leumi Card collective agreement

The company's first collective agreement, which is in effect for 2015–2018, was signed in late April 2015. The agreement includes the following issues, among others:

- + An annual salary update mechanism
- + Setting the minimum wage above the level required by law (NIS 6,000)



- + Setting the employer's contributions for employees' pension funds and managers' insurance
- + Increasing the employer's provision for the advanced training fund
- + Increasing the Company's welfare budget
- + Setting the guiding principles for manning positions at the company and the termination of the employment of employees at the company

## Merger of Arab Israel Bank and Bank Leumi

Bank Leumi hired the employees of Arab Israel Bank as part of the merger of the two banks. Preparations for the absorption of the employees began in 2015, ahead of the official merger, which took place in January 2016.

The merger process included multiple visits, discussions, and meetings by the human resources managers at branches of the former Arab Israel Bank, and the necessary training programs were initiated. Every Arab Israel Bank branch manager received advice and mentoring from a Bank Leumi manager during the merger process. The merger process, training, and handing of human resources are proceeding in 2016 as needed, including job rotation, special training, the prevention of conflict of interests process, and the establishment of a special consulting center.

## Employee absenteeism figures in 2015, by reason for absence

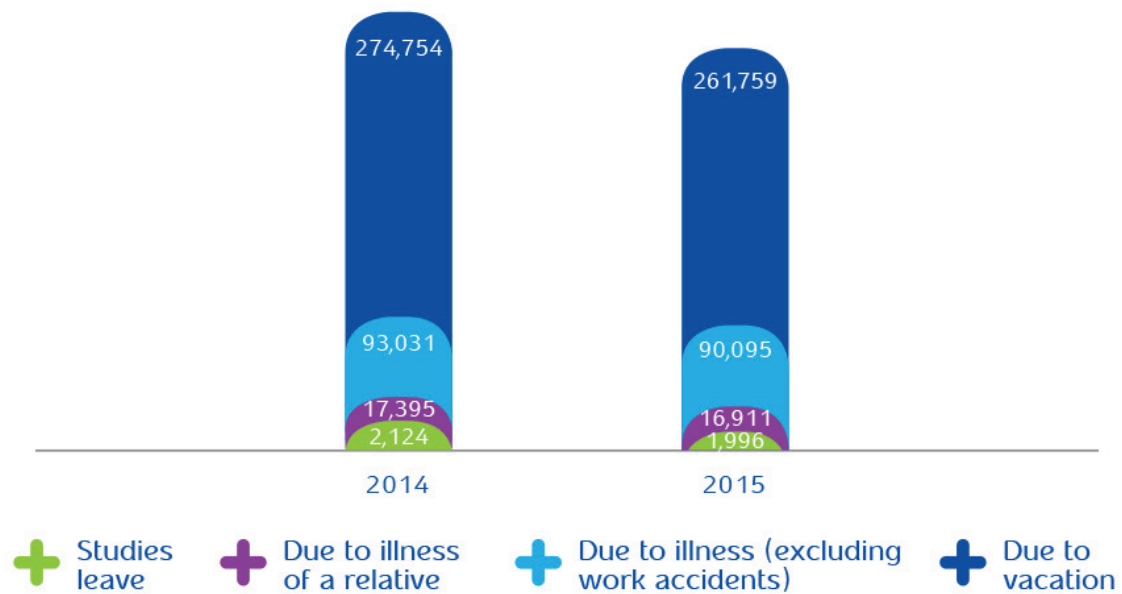
	Illness *	Family member's illness	Vacation	Academic studies leave	Maternity leave	Unpaid leave	Reserve duty	Total
Leumi	72,093	14,151	222,620	1,996	34,341	26,296	3854	377,885
Leumi Card	16,188	2,517	20,695	**	11,018	9,948	1,214	62,884
Other subsidiaries and offices overseas ***	1,814	243	18,444	0	3,646	0	0	24,146
Group-wide	90,095	16,911	261,759	1996	49,403	42,165	5,165	471,331

\* The figures do not include absences due to work accidents. For more information on this subject, please see Employee Security and Safety

\*\* Academic studies leave at Leumi Card is included in regular vacation days

\*\*\* The figures do not include Leumi Partners.

## Employee Absenteeism, by Cause of Absence



\* 2014 was reclassified.

## Work-Life Balance

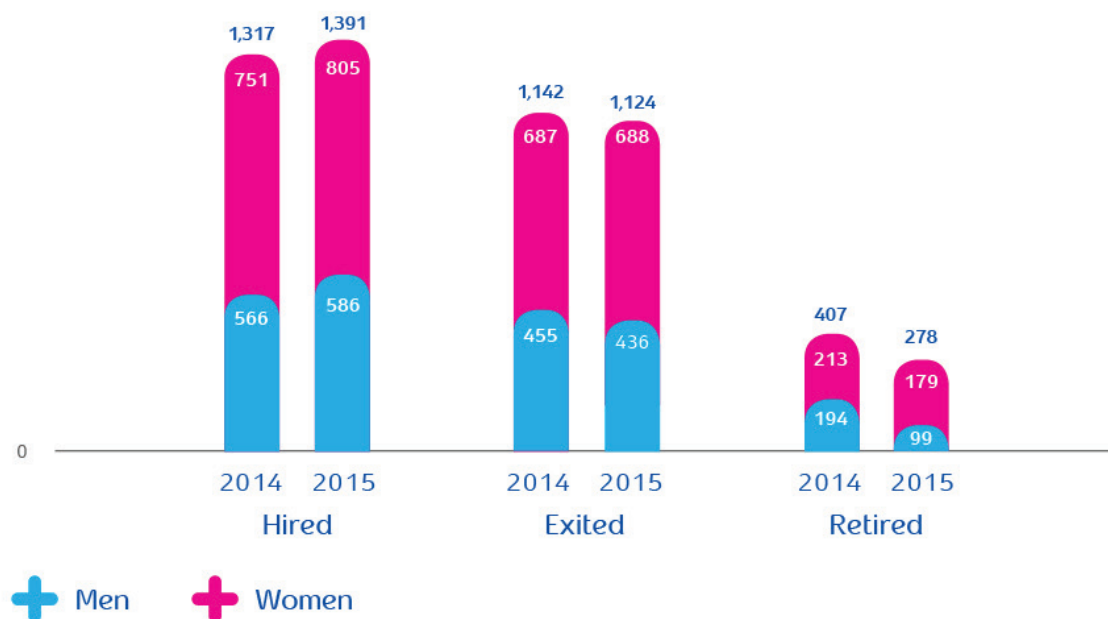
Leumi Group recognizes the importance of balancing home and work and allows its employees a reasonable balance between work and their private lives. The employment terms and conditions at Leumi allow for a successful combination between building a professional career and a family life (raising children, caring for elderly parents etc.). The overall terms of employment, together with the organizational culture at Leumi, provide a supportive environment for every employee (man or woman) to balance their family and work.

The Group implements several practices that are intended to support this balance:

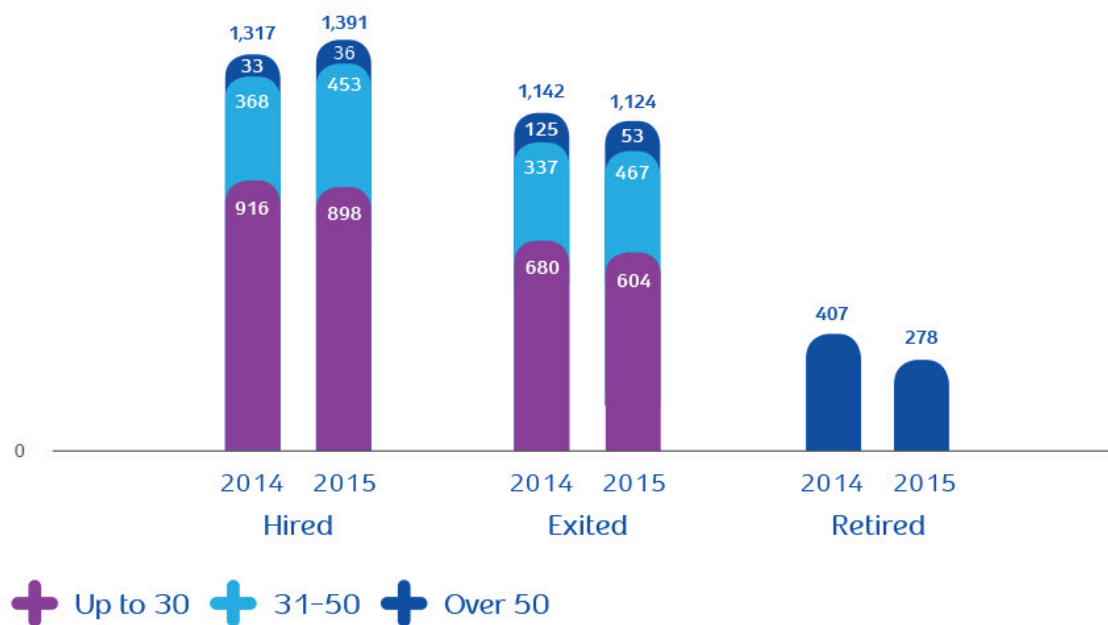
- + A five day and 39 hour work week - less than is customary in the Israeli economy.
- + According to a permanent guideline, employees will only work overtime if necessary and on the instruction of a manager.
- + The quota of vacation days for employees is higher than what is stipulated by law.
- + The rule for accumulating and utilizing sick days benefit the employees beyond that which is stipulated by law, both for employee illness and for the illness of family members (children and elderly parents).
- + Nursing mothers in Leumi are entitled to an hour of nursing per day, which exceeds the time stipulated by law, out of the desire to assist employees returning to work after maternity leave.
- + Leumi participates in the reimbursement of employee expenses for pre-school activities and summer camps.

- + Leumi reimburses eligible employees for their children's college tuition.
- + Leumi offers fun days to its employees and their families.

### Employee Turnover by Gender



### Employee Turnover by Age, 2014-2015



## Employee turnover at Leumi Card

About one-third of the Company's employees are service representatives, most of whom work at the Company until they turn 30. The highest employee turnover rate is therefore among employees in this age range.

## Streamlining plan

In June 2016, Bank Leumi announced a streamlining plan to support its business targets, with the objective of cutting the Group's operating costs, and improving efficiency ratios and administrative flexibility. The plan, which was formulated and approved by the Bank of Israel, allows for voluntary retirement of 700 employees by the end of 2016. Under the plan, employees were offered increased compensation or an early retirement settlement. The proposed retirement programs were determined on the basis of the costs to the bank, which vary depending on age, gender, and seniority.

## Employee severance kit

Bank Leumi places great importance on supporting employees when they leave the Bank, developing a special kit for managers, with the objective of building a uniform and orderly departure process with a humane response to the departing employee and with the aim of minimizing damage to the organization.

## Retirement planning courses

Three retirement courses were held in 2015, attended by 188 employees and 54 spouses, for a total of 242 participants.

The courses featured lectures on a range of subjects, including retirement as a turning point and change, the post-retirement social perspective, organizing post-retirement time, a family meeting upon retirement, improving memory, a healthy lifestyle, wills and inheritance, retirement and post-retirement targets and investment planning, sleep disorders, volunteering, and medical insurance.

A website, which collects information about Bank Leumi alumni was established in 2015.

# Personal development and excellence

In 2015, [eLearning! Media Group \(EMG\)](#) chose Bank Leumi as one of the 100 top learning organizations in the world for its innovative learning practices and organizational learning culture, resulting in its extraordinary performance.

The human factor tops the Group's quality components and forms the basis for its achievements and success. The Leumi Group has set the objective of fostering and retaining the quality of its human resources, encouraging in its employees a sense of identification with, and pride in their workplace and to serve as a focal point for attracting quality people. The objective of Bank Leumi's management is to support its business units in achieving their business targets through teaching and training, with a focus on improving the professional and managerial skills of its employees and managers, and to adapt them to a changing environment.

Leumi's Training Division is a strategic partner in achieving the Group's business objectives and development goals, and is involved in all organizational processes, including organizational changes, professional training, management training, preparation for technological changes, personal development programs, knowledge preservation and management, regulatory training and the development of learning technologies.

Bank Leumi's employees undergo professional and managerial training when they take up their positions and participate in "gyms", business classes, and skill training using a training simulator. Bank Leumi also takes care to provide for employee enrichment - at the Branch Managers' Club, outside seminars, and workshops for personal and interpersonal skill development. The training and refresher courses use a range of in-personal and digital methods and teaching processes at the Training Center and at the desktop, in real time on the job through knowledge procedures or mentoring processes, peer learning, virtual classes, e-learning, and other methods.

The Training Sub-Division in the Human Resources Division is responsible for annually and methodically managing and measuring this area in the Group. In addition, the Sub-Division operates the Training Center in which all the training and learning programs for Leumi's managers and employees are planned and developed. The Training Center believes in learning processes that are interwoven and integrated into the work routine so as to promote the business objectives of the Group and to benefit the personal and professional development of employees. The Training Center is also at the disposal of the Group's

subsidiaries: every subsidiary participates in the Center's activities according to its own needs.

The Sub-Division, in cooperation with additional units in the Group, is leading several key processes:

- + **Training courses and programs:** The training programs focus on the core banking fields and are in line with the business objectives such as credit, investment consulting, customer relations management, retail banking, service, and customer experience and sales. In addition, management training sessions are held and employees undergo comprehensive training on regulation and compliance.
- + **Measurement and Assessment of Effectiveness:** Processes for drawing conclusions are held on a regular basis, with the aim of improving the proposed training programs for employees and ensuring that they are in line with the business objectives.
- + **Learning via Online Channels:** Within this framework, Leumi enables its employees to efficiently learn professional content, at their own pace and according to their chosen means.
- + **Personal Mentoring:** Personal mentoring processes with the aim of advancing employees and managers with professional and managerial development potential.
- + **Managerial Reserve Program:** As part of the promotion of excellence at Leumi, programs were written for the development of managers with high potential, in preparation for more complex duties further in their careers. These programs are managed by the Headquarters, Work Relations and Staff Administration Sub-Division.
- + **The One Hundred Forum:** The forum, which includes approximately one hundred heads of sub-divisions (senior managers), was established with the aim of nurturing managers, increasing their involvement in and influence on the Bank's activities, and building an expanded management forum with members of Leumi's management. (The forum is managed by the Headquarters, Work Relations and Staff Administration Sub-Division.)
- + **Leadership Forum:** The forum, which includes about six hundred branch managers and headquarters executives at the sub-division level, was established with the aim of increasing the involvement and managerial influence of these managers in leading business and organizational processes. Members of the forum participated in a unique leadership program developed by the Training Department, in cooperation with the Herzliya Interdisciplinary Center.
- + **Promoting Academic Studies:** As part of its policy of nurturing excellence, the Group funds higher education for its employees who meet the requirements.

## Initiatives for developing excellence and training employees

### Leumi

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

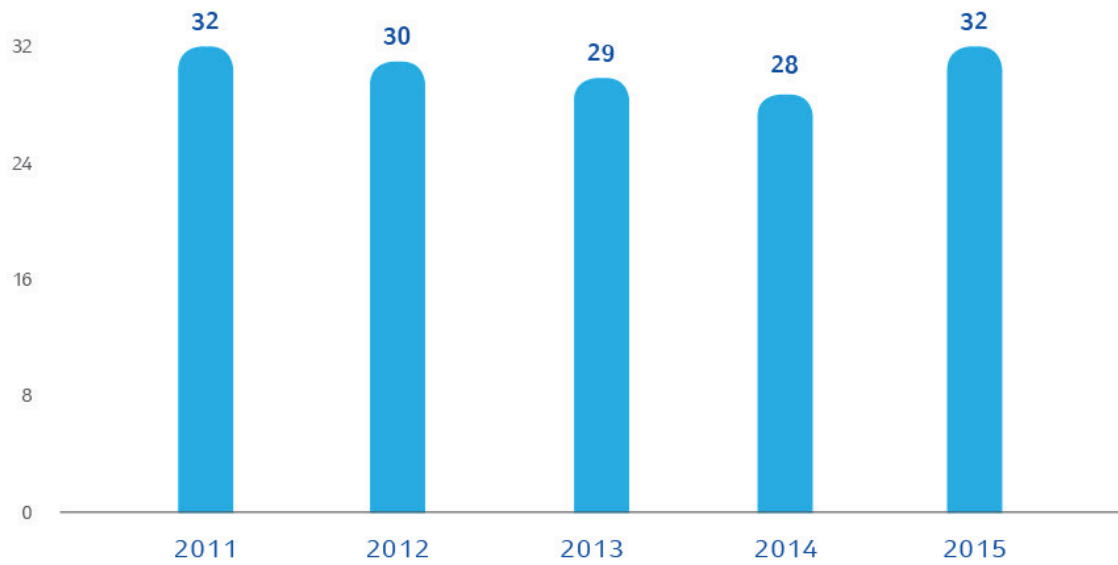
### Leumi Card

The Company holds training courses for new representatives and individual training programs for new employees in professional positions. Leumi Card also maintains a yearly program of ongoing professional training, in keeping with the changing needs of the organization's units and the company's business needs. In addition to all these, Leumi Card offers its employees a range of courses and workshops for professional and personal enrichment on subjects relating to finance, computer applications, interpersonal skills, and more, within the framework of Leumi Campus - the organizational campus. In addition, Leumi Card maintains a program for the training and development of managers at all levels for the development of managerial capabilities and skills, as well as personal development and growth. The program includes various activities such as management courses, peer learning, management forums, and personal consulting processes. In addition, as part of a desire to promote learning and personal development of employees in order to retain outstanding employees, the Company grants scholarships to employees and managers who meet the requirements.

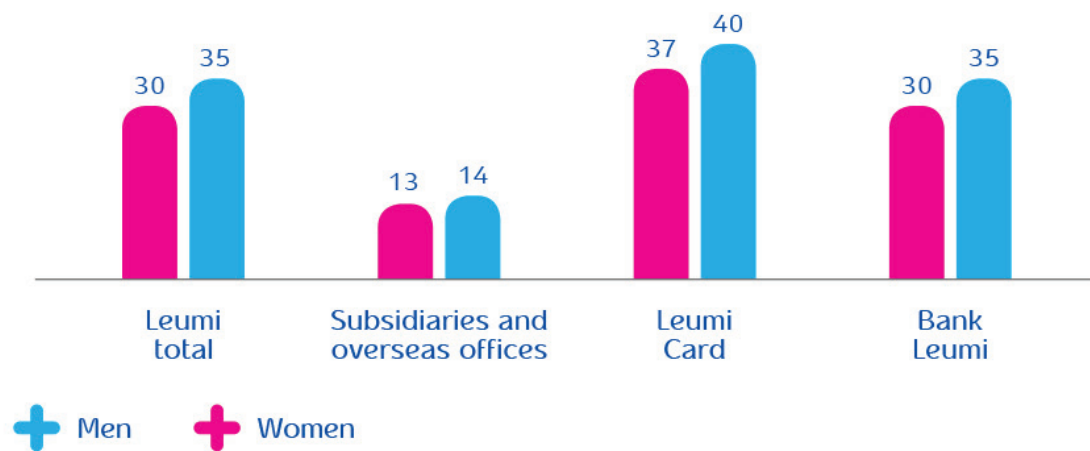
### Training

Total training days (8 hours per day training) for employees at Bank Leumi in 2014 stood at about 47,000 – this figure includes hours of online learning and other modes of learning. Some of the data in the information systems cannot be segmented by level and gender, as required by the GRI reporting requirements. Therefore, segmented data show lower averages than the total hours of training which actually took place.

## Average Hours of Training per Group Employee



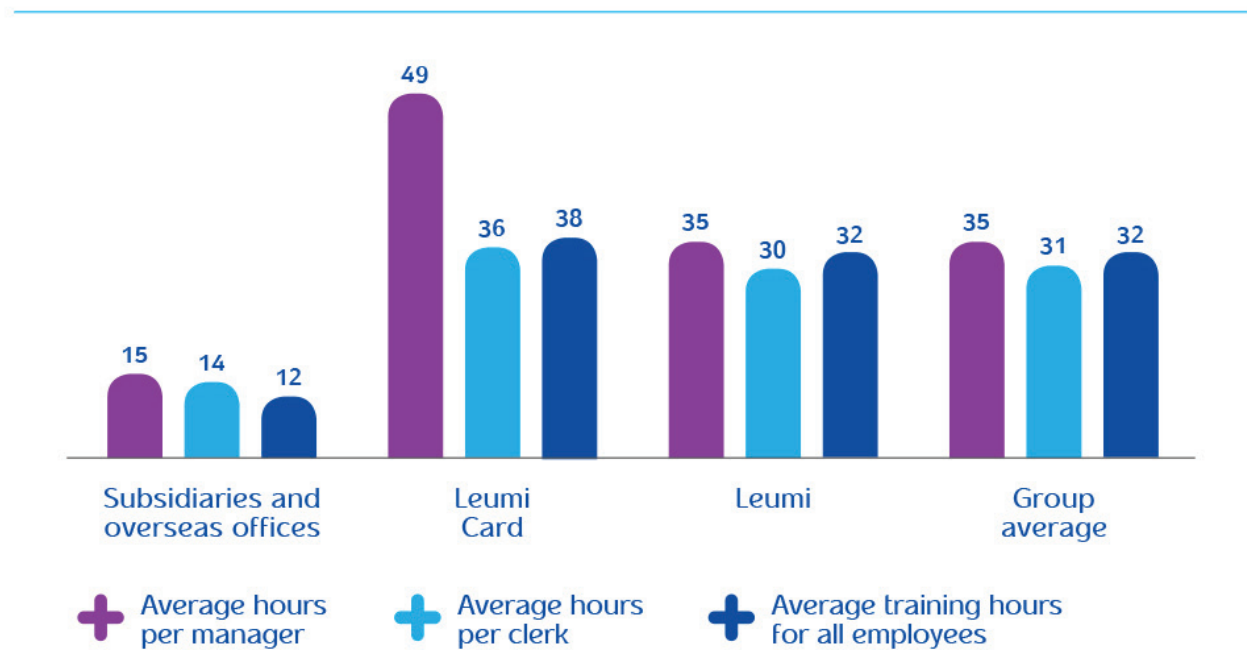
## Average Hours of Training by Gender, 2015



\* The data segmented by gender do not include the Arab-Israeli Bank or Bank Leumi US.



## Average Hours of Training per Employee, 2015



Data do not include Bank Leumi US. Bank Leumi's training data were reclassified in 2015.

## Employee assessment and feedback

Employee assessment discussions are held once a year as part of the annual evaluation process, both as a tool for supporting decision-making, and to improve performance, development, and empowerment. The structured assessment meeting includes reference to meeting the targets for the preceding year and setting targets and emphases for the coming year. Most of the process is a dialogue between the employee and his/her direct supervisor, providing an opportunity to obtain the manager's feedback about the employee's performance and quality of work in the preceding year, coordinate mutual expectations looking ahead, and thinking together about possible ways to continue to learn and develop. Since February 2015, an employee self-assessment component has been added to the process.

The assessment process includes the filling out of an opinion in the computer system, which can be viewed by the employee at any time. In addition to the annual assessment, Bank Leumi undertakes a "midway dialogue" process once a year, which allows for a less formal discussion with no scoring and which is unrelated to remuneration.

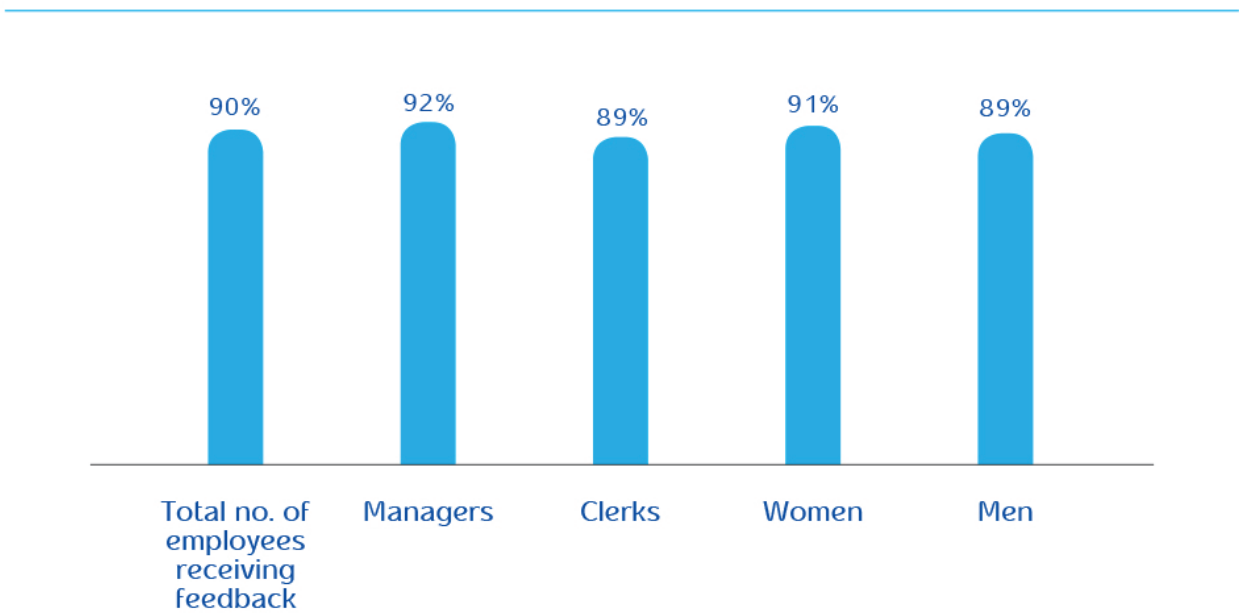
Leumi Card and Leumi Trust Company also carry out a semiannual performance assessment to examine whether targets are being met and to update them if necessary.

In addition to the annual assessment process, Bank Leumi carries out other manager evaluation processes by (external) assessors. In addition, assessments are also carried out as part of management courses.

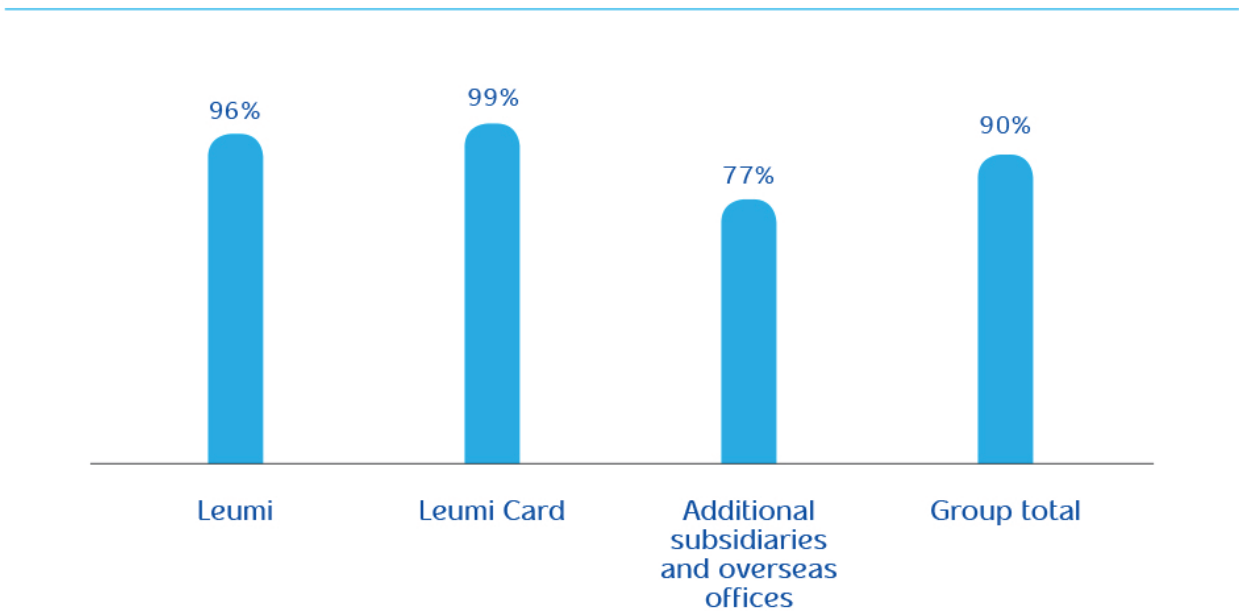
### Leumi Card

In 2015, a new performance assessment process was drawn up, derived from the Company’s new values. The assessment form was also revised to fit the updated values, and emphases were defined for the annual and semiannual assessment discussions: the annual assessment discussion focuses on performance in the preceding year and the setting of targets for the coming year; the semiannual assessment dialogue focuses on the employee’s personal development and validating the targets set in the annual assessment discussion.

Percentage of Employees who Received Feedback in 2015



Percentage of Employees who Received Feedback, by Company, in 2015



\*The percentage calculation of feedback recipients at Leumi Card is based on the percentage of feedback recipients out of the total number of participants in the annual assessment process, rather than a percentage of total employees, as calculated for the rest of the Group. All company employees participate in the annual evaluation process, including representatives with at least one year's seniority at the Company, excluding VPs.

The remaining representatives (with a seniority of up to one year) receive feedback once a month, and are therefore not included in the calculation mentioned above.

## Employee satisfaction

Since 2013, Bank Leumi has carried out the Leumi Pulse surveys - short and focused surveys that offer a fast and continuous up-to-date snapshot of employee perceptions about key aspects of the organizational culture, implementation of the vision and core values and cultural processes derived from them, and about leadership at the Bank and employee engagement.

Bank Leumi carried out four Leumi Pulse surveys in 2015. The findings of the four surveys indicated a steady rise in the General Pulse Index and in each of the survey's aspects (such as connectedness, leadership, Leumi 360, and innovation). It is possible to point to a steady improvement in the Banking Division and Leumi Technologies Division. According to the September 2015 survey, 85% of employees feel that their managers trust them, and 80% perceive their colleagues as committed to their work. The surveys also found that the employees are proud of Bank Leumi, believe in its products, and work from the realization that they are part of a chain that handles the Bank's customers.

Bank Leumi also allows CofaceBDI to conduct an external objective survey on employee satisfaction at the Bank. This survey is also used to rank the Bank in CofaceBDI's Best Companies to Work For rankings.

The surveys' results are sent to the Bank's management and are taken into account when drawing up recommendations for improvement.

In 2015, CofaceBDI and The Marker ranked Bank Leumi fourth in the Best Companies to Work For, and as the number one organization in Israel's financial system.

## Leumi Jobs: improving transparency in internal mobility and placement procedures

In June 2014, a new online system went live, which allows employees (clerks and managers) to view available positions at the Bank and apply for them. The system marked a change in the organizational

culture, allowing employees to take an active role in managing their careers. In 2015, approximately 2,000 applications were submitted through the system, which was used to fill around 120 positions.

## Leumi Card

In 2015, CofaceBDI conducted an employee satisfaction survey, call center satisfaction survey, and company positions survey at Leumi Card.

The objective of the company positions survey was to obtain a snapshot of three criteria:

- + The degree of employee engagement at the company
- + Perception of the organization culture (instilling the company's values)
- + Perception of leadership at the company

92% of the company's responded to the survey, out of whom:

**80%** of employees said that they intended to continue working for the company in the coming years.

**83%** of employees said that they were very proud or proud to work for Leumi Card.

CofaceBDI and The Marker ranked Leumi Card 25th in the Best Companies to Work For Ranking.

## Employee engagement and improved transparency

### Leumi

A number of structured dialogue mechanisms have been established between management and employees in order to hold an open dialogue with employees and to allow them to express their positions, needs, and ideas to management, and to learn about the field and meet the employees. The main points of the discussions and meetings are documented in order to gain understandings and produce initiatives for the future:

- + **Live meeting with the CEO:** in 2015, two virtual meetings were held with the CEO. The conversation between the CEO and Bank Leumi employees was broadcast live. Employees were invited to ask questions, either openly or anonymously, and the CEO responded to them on air.
- + **Meetings between employees and the CEO and division heads:** Over the year, initiated meetings were held between groups of employees and the CEO and division heads. These meetings make

it possible to hold an open and direct dialogue between management and diverse groups of employees. Members of management also visited branches and districts, where they spoke with small groups of employees.

- + **Open line to the Human Resources Division management:** in 2015, two open lines were maintained to the management of the Human Resources Division, which initiated conversations with employees on numerous subjects, including satisfaction from training and courses, information presented on the website, Leumi Jobs, merges, Leumi values, and improved transparency.

## Security and Safety

The Leumi Group attaches great importance to maintaining the security, safety and health of its employees and therefore invests considerable resources in creating a safe and healthy working environment for them. This approach is reflected primarily on three levels:

1. **Promoting Employee Security:** The Security and Safety Section in the Human Resources Division, which is responsible for managing the security and safety of employees, with the aim of protecting human life (customers and employees) and Leumi property and assets. The Section is responsible for imparting security and safety measures, the operation of security systems, protection and safeguarding. In addition, the Section is responsible for raising awareness among employees to issues of security, fire safety, preparation for emergencies, earthquakes and fires, as well as training employees how to behave in emergencies and criminal incidents. A security and safety tutorial is distributed to the employees once a year. Additionally, guidelines and refreshers are provided, and evacuation drills are performed.
2. **Enhancing Employee Safety:** The Group companies treat the subject of safety in a comprehensive manner, with strict controls. Surveys of risks and hazards in buildings, carried out in the organization from time to time, are meant to ensure, on an ongoing basis, that the Group's facilities provide a safe working environment. In the event of a work accident, the Group's safety officers investigate it and report to the relevant personnel for the purpose of drawing conclusions and correcting maintenance and planning hazards, where necessary.

In 2015, the issue of safety was managed by Leumi's Properties Sub-Division via central mechanisms for promoting and ensuring occupational safety:

- + **Safety Committee:** A committee comprised of representatives of professional units, employee committee representatives, and management representatives. The Committee holds eight meetings over the course of the year, at which irregular events are discussed. The Committee members

receive updates about ongoing activity and special projects which have implications for employee safety and hygiene. The Committee is comprised of representatives from the professional units - 50% of whom are employee representatives and the rest are management representatives. The Committee also has representation from the various levels of management - 75% of its participants are managers and the rest are clerks. The issues of safety are not included in the agreement with the Employee Committee.

- + **Conducting Surveys and Performing Inspections in the units:** Leumi takes a pro-active and prudent approach in all matters related to a safe working environment, and regularly initiates a series of safety and environmental inspections and surveys, including checking for the presence of pollutants, odor hazards, and more.
- + **Preventing Occupational Diseases:** The Bank takes care to prevent occupational diseases, conducts environmental and health risk surveys and monitors exposed environments. As such, three units in the Bank are defined as being noisy work environments. Employees who are exposed to noise that is slightly louder than that permitted under the standard are issued adapted equipment, and are trained and medically monitored.
- + **Compliance with international occupational health and safety standards and regulations:** Leumi complies with all laws, regulations and compulsory standards in the realm of health and safety at work, including a safety management plan. In addition, Leumi meet the ISO 18001 standard of the Standards Institution of Israel for occupational health and safety.

## Initiatives for promoting employee security and safety

### Leumi

- + Development of a "toolbox" for employees dealing with verbal and physical violence by clients.
- + To cope with robbery incidents, deterrence, documentation and technical assistance devices are installed in branches. In addition, employees of all branches are trained and provided with information on how to prevent robberies, to help them cope with a robbery incident, in order to minimize damage and, first and foremost, protect and save lives.

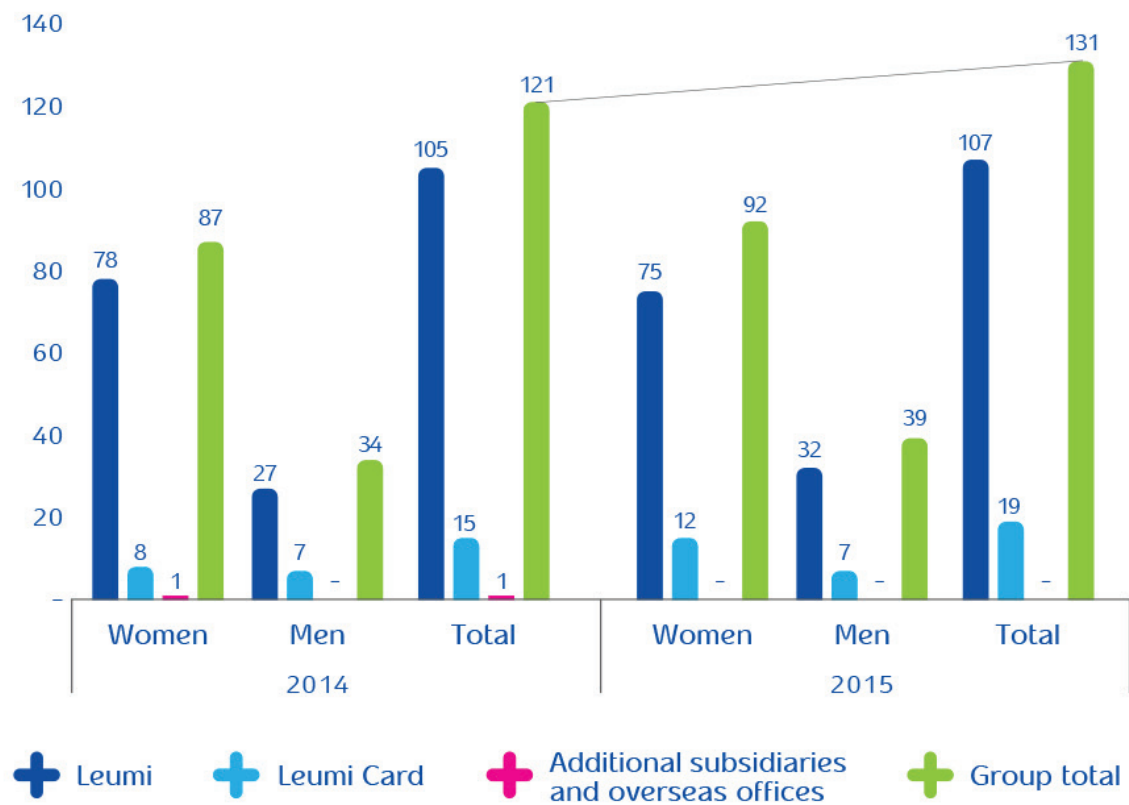
### Leumi Card

- + **Promoting road safety:** Leumi Card ensures that every employee who is eligible for a company vehicle undergoes about five hours of theoretical and practical drivers' training, which includes training on a simulator that simulates driving while the vehicle is skidding or rolling over. The employees

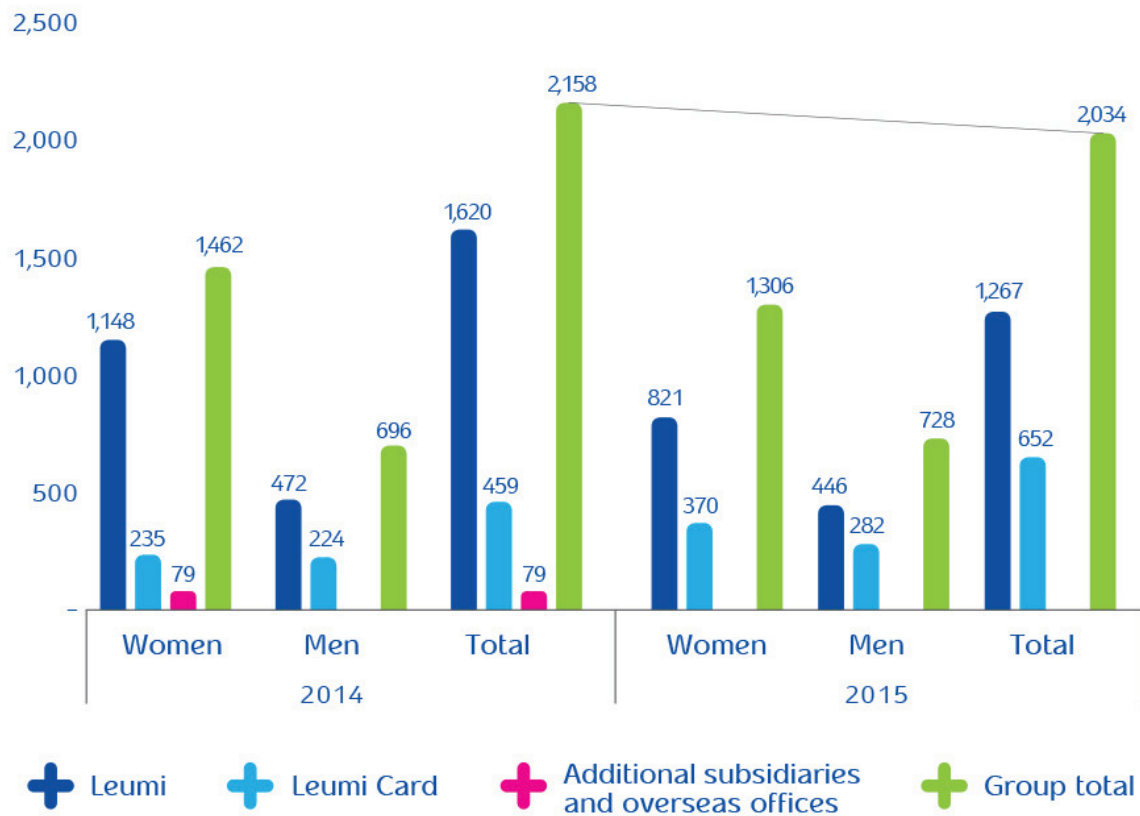
undergo this training on a regular basis, every three years. In 2015, 77 employees underwent such training. The company also publishes tips for safe driving on the daily e-mail and also uploads information to the organizational portal

Work accidents at Leumi Group

No. of Work Accidents, Including Car Accidents in Leumi Group, 2014-2015



## No. of Absence Days due to Accidents (including car accidents) in Leumi Group, 2014–2015



No fatalities occurred as a result of work-related accidents.

\*Leumi's 2014 data were reclassified.

## Health and Welfare

The Leumi Group promotes awareness of a healthy lifestyle among its employees, and invests in processes and tools intended to encourage them to maintain their health and their efficient performance at work over time. The Group seeks to detect trends and sources of difficulty and to provide a solution to employees who require assistance. This matter is managed by the Welfare Section and Sports Area of the Human Resources Division at Leumi, which provides practical tools for altering behavior in the field of health.



## Initiatives to promote employee health and welfare

- + **Preventative medicine:** Bank Leumi allows eligible employees to undergo comprehensive medical tests for the early detection of diseases and their prevention. It also offered flu shots ahead of the flu season. The bank also offers health insurance through the workers' committees.
- + **Occupational physician:** Bank Leumi has an in-house occupational physician available for its employees. His duties include advising employees returning to work after a long illness.
- + **Sports:** Bank Leumi offers its employees a variety of sports activities and benefits, such as discounted subscriptions to fitness clubs, workplace sports teams, and participation in marches and competitions. A fitness room and a gym have been built for employees' use at the Leumi Service Center in Lod.
- + **System-wide healthy lifestyle program:** As part of an employee healthy lifestyle pilot at several branches in northern Israel, a number of meetings were held on healthy nutrition, physical exercise, ergonomics, and pressure reduction. Employees and their nuclear families inputted their personal performance data into a special app to monitor their progress and switch to a healthier lifestyle.
- + **Blood donations:** Bank Leumi holds blood drives at its branches nationwide and encourages employees to donate blood.

## Employee welfare initiatives

Bank Leumi's Welfare Section offers employees a wide range of services and activities, including:

- + **The team of social workers** assists employees in personal, family, health, economic, and job distress. In the past two years, great emphasis has been placed on helping employees and human resources managers moving between units at the Bank.
- + **Alleviating conditions of pressure and anxiety** during emergencies (security situations, robberies, fire, and violence at branches).
- + **A welfare fund** is designed to help employees facing financial hardship because of a serious illness, health and social emergencies.
- + **Family economics management workshops and assistance for employees** with extraordinary economic hardships.
- + **Special support groups** for large families, bereaved families, children of deceased Bank Leumi pensioners, and more.
- + **Support for families with children** through various growth stages, from first grade through adolescence, and until they join the IDF.
- + **Support for pensioners:** cultural and recreational activities for Bank Leumi pensioners.
- + **Subscriptions to cultural institutions:** Bank Leumi offers employees and retirees subsidized subscriptions to cultural institutions, such as museums, theaters, cinematheques, opera, and dance.

## Salute to IDF reservists

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

In 2013, Bank Leumi won the Reservists Shield award from the Minister of Defense, IDF Chief of Staff, and Chief Reservist Officer. The Reservists Shield is awarded to the three organizations that invest the most in their employees doing reserve duty.

In 2015, some 500 Bank Leumi employees served approximately 9,000 days of IDF reserve duty.

From time to time, the Bank holds celebratory salutes to people serving in IDF reserve duty, attended by the reservists, their spouses, and families, the members of the Bank's management, and, sometimes, the IDF Chief Reservist Officer.

The Day of Salute to Reservists was also marked by sending gift cards to the employees' homes, together with a letter of thanks from the CEO to the employee and his or her spouse.

Special benefits are also awarded to employees who are recognized as handicapped IDF veterans, who are eligible to ten additional vacation days for rehabilitation and recovery. Bank Leumi allows these employees to redeem unused vacation days.

## Leumi Card

### Employee health initiatives

**Promoting healthy nutrition:** Leumi Card offers its employees subsidized meetings of Weightwatchers at the Company's offices. The meat cafeteria also has "meatless Mondays", in which employees are offered a variety of vegetarian dishes.

### Employee welfare initiatives

The Company makes available to its employees and their families a range of services, including subsidized discrete psychological counseling, mortgage consulting, a fund for employees in crisis, employer participation in financing daycare and summer camp for employees' children, biennial health checks

(according to age and seniority criteria), the financing of employees' health insurance and discounted health insurance for their families.

The Company also gives employees gifts for the holidays and on personal and family celebrations, and even operates a rich benefits program that includes team building days and trips, holiday activities, company recreation, and social events.

## Salute to IDF reservists

In 2015, as in previous years, Leumi Card saluted its employees serving in IDF reserve duty, both through public acknowledgement on various channels, a paid vacation day for employees serving more than seven continuous days of reserve duty, and through a company gift.

## Objective results - creating value for employees

Diversity and equal opportunity			
Company	Objective as at end of 2015	Status	Explanation
Leumi	Encouraging recruitment of employees from diverse population segments by Leumi.	Done	8% of Leumi's employees were recruited from among diverse population groups.
Development of excellence and training of employees			
Company	Objective as at end of 2015	Status	Explanation

Leumi Card	Participation of 35% of employees in Leumi Campus activities.	Done	In 2015, approximately 510 employees participated in about 50 training activities as part of the Leumi Campus, on subjects such as computer skills, interpersonal skills, and more.
	Implementation of 85% of the activities defined in the divisional training programs.	Done	Meeting the targets of the divisional training programs. Overall, this year, over 5,000 hours of training were invested in the Company's units.
Leumi Partners	Training development and professional training for all company employees.	Partial	A training program is being prepared, to be implemented in 2016.
The Trust Company	Participation of most company employees in workshops for personal development and professional enrichment.	Done	All managers and most employees underwent development and enrichment workshops.
Employee engagement			
Company	Objective as at end of 2015	Status	Explanation
Arab Israel Bank	Making an updated organizational positions survey.	n/a	n/a following merger.

Leumi Card	Re-assessment of the annual assessment process ahead of 2016.	Done	In 2015, the assessment form was adjusted to the updated values. In addition, different emphases were placed on the annual assessment meeting and mid-year assessment meeting.
	Conducting an organizational learning week on personal development and career development.	Done	The learning week was held in January. Activities included general enrichment lectures and workshops in smaller groups, on topics related to personal development and career development. About 520 employees took part in one or more activities during the learning week, and a total of 1,680 training hours were provided.

#### Security and Safety

Company	Objective as at end of 2015	Status	Explanation
Leumi	Reducing accidents in 2015 by 3% compared to 2014.	Not performed	
	Certification of a safety trustees in 95% of the branches or properties with more than 25 employees.	Done	

#### Health and Welfare

Company	Objective as at end of 2015	Status	Explanation
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Leumi	Conducting a pilot program for a healthy lifestyle in two regions, while expanding the program to additional units.	Done	The pilot program is still advancing very well and according to plan.
	Building a new website for the elderly population.	Done	

## Future Objectives

Diversity and equal opportunity		
Objectives for 2016		Main actions planned
Leumi	Encouraging recruitment of employees from diverse population segments by Leumi.	<ul style="list-style-type: none"><li>+ Adjustments and easements in screening tests for diverse populations.</li><li>+ Maintaining and strengthening relationships with NGOs and other organizations.</li><li>+ Segmentation of roles and match jobs to candidates.</li><li>+ Specialized workshops on diverse populations for human resources managers in the various units.</li><li>+ Continued prioritizing and routing of diverse populations to a variety of roles at the Bank.</li></ul>
Development of excellence and training of employees		
Objectives for 2016		Main actions planned

Leumi Card	Implementing a CRM system upgrade.	<ul style="list-style-type: none"> <li>+ Construction of a training program.</li> <li>+ Training guides and implementers from the units.</li> <li>+ Employee training.</li> <li>+ Supporting managers and implementers when activating the system.</li> </ul>
	Training of employees for positions that require specific qualifications.	<ul style="list-style-type: none"> <li>+ leading the process for detecting training needs with heads of the divisions.</li> <li>+ Preparation of a training program for the division, including activities, budget, suppliers and schedules.</li> <li>+ Defining and leading the program's learning initiatives.</li> </ul>
	Training of employees for positions that require general skills.	Communicating and encouraging participation of employees and managers in Leumi Campus activities in 2016.
The Trust Company	Professional enrichment and personal enrichment workshops.	Development of workshops for managers and employees.
Employee Engagement		
Objectives for 2016		Main actions planned
Leumi	Conducting two pulse surveys.	Adjusting the pulse surveys to the current enterprise-level issues.
Leumi Card	Focusing on personal development of employees in the annual assessment process.	<ul style="list-style-type: none"> <li>+ Adapting the assessment process and form.</li> <li>+ Management training on the subject.</li> </ul>

Objectives for 2016		Main actions planned
Leumi	<p>Reducing work accidents by 3% compared to 2015.</p> <ul style="list-style-type: none"> <li>+ Conducting training sessions once every two years for all contractors.</li> <li>+ Having relevant employees undergo safety certifications required by the regulations for safety trustees, emergency medical technicians (EMTs) and altitude workers.</li> <li>+ Having security officers at the branches and headquarters conduct 50 comprehensive safety surveys.</li> </ul>	<p>Advocacy, implementation, training and safety surveys</p> <ul style="list-style-type: none"> <li>+ Training contractors on work safety, monitoring by tables and information provided through the Bynet system and imposing sanctions on contractors who do not undergo relevant training.</li> <li>+ Making all the necessary training according to a table listing the officers and by request from the professional units.</li> <li>+ Covering the surveys at the branches by a five-year plan.</li> </ul>



## Leumi Card's employee data

		2014			2015		
Segmentation	Aspect	Women	Men	Total	Women	Men	Total
Employment	Full-time employees	539	328	867	569	324	893
	Part-time employees	361	241	602	329	219	548
	Total no. of employees	900	569	1,469	898	543	1,441
	Total no. of permanent employees – with tenure, experience, personal contracts	896	569	1,465	893	542	1,435
	No. of temporary workers	4	0	4	5	1	6
	% employed under a collective bargaining agreement	0%	0%	0%	95%	90%	93%

## Leumi Card's employee data

			2014			2015		
Segmentation		Aspect	Women	Men	Total	Women	Men	Total
Age and rank	Senior management (17-22)	Up to age 30	0	0	0			0
		Aged 31-50	4	4	8	3	5	8
		Aged 51+	0	2	2		2	2
	Mid-management (13-16)	Up to age 30	0	0	0	1		1
		Aged 31-50	51	44	95	52	41	93
		Aged 51+	3	10	13	3	10	13
	First line management (8-12)	Up to age 30	15	4	19	18	3	21
		Aged 31-50	51	36	87	55	37	92
		Aged 51+	1	2	3	1	1	2
	Clerks	Up to age 30	413	233	646	385	211	596
		Aged 31-50	329	215	544	346	212	558
		Aged 51+	33	19	52	34	21	55
	Total	Total up to age 30	428	237	665	404	214	618
		Total aged 31-50	435	299	734	456	295	751
		Total aged 51+	37	33	70	38	34	72

## Leumi Card's employee data

			2014			2015		
Segmentation		Aspect	Women	Men	Total	Women	Men	Total
Training Feedback	Total training hours per employee	Training hours	34,338	27,123	61,461	33,092	21,984	55,076
		Average training hours	38	48	42	37	40	38
		Average hours per clerk		41.8	36.21			
		Average hours per manager		42.1	48.70			
		% receiving feedback	98%	98%	98%	99%	99%	99%
Gender diversity		% of women among senior managers	40%			30%		
		% of women among mid-managers	50%			52%		
		% of women among first-line managers	61%			64%		
		% of women among clerks	62%			63%		
		% of women among all employees	61%			62%		

## Leumi Card's employee data

		2014			2015		
Segmentation	Aspect	Women	Men	Total	Women	Men	Total
Contract workers	Number of contract workers hired as employees by the Bank	16			36		
Employee turnover in 2015	Hired	Workers up to age 30	322		470		
		Workers aged 31-50	60		164		
		Workers aged 51+	1		6		
	Exited	Workers up to age 30	339		306		
		Workers aged 31-50	76		103		
		Workers aged 51+	2		2		
	Retired	Workers aged 51+ (out of those exiting)	1		1		
Absenteeism Due to illness		10,302	4,136	14,438	11,860	4,328	16,188
Due to illness of a relative		1,705	514	2,219	1,964	553	2,517
Due to vacation		12,944	7,080	20,024	13,188	7,507	20,695

# Creating Value for the Community



# Investing in the community

The Leumi Group is a leading banking group and, as such, has notable and significant impact on Israel's economic, environmental and social fabric. This realization resulted in Leumi's worldview and the norms to which it is committed. The Group's commitment to the community is a societal and value-driven foundation that we continue to cultivate, and therefore the Group and its employees are committed to work towards developing society and the economy, and to reduce the Group's negative impacts on the environment.

The Leumi Group manages its community investment through two main channels:

- + **"Leumi Tomorrow - the Centennial Fund for Endowing Israel's Future Generation"**: this is a registered NGO working for the advancement of children and youth across Israel. The NGO is the Group's main channel for investment in the community, and is managed by a committee comprising senior managers in the Group. The NGO is headquartered at the Human Resources Division's Training Sub-Division. The NGO invests in meaningful social projects while monitoring their performance and measuring their effectiveness on an ongoing basis.
- + **Donations and sponsorships** are granted to NGOs and organizations promoting a range of social and community causes. Members of the Donations and Sponsorships Committees are appointed by the President and CEO, and evaluate applications for support meticulously and thoroughly, in accordance with predefined criteria. The Donations Committee is managed at the Training Sub-Division of the Human Resources Division, while the Sponsorships Committee is managed by the Marketing Division. The Group does not grant donations earmarked for political parties, or for promoting political aims.

In 2015, the Leumi Group donated and provided sponsorships for social and community causes to 230 entities, for a total of NIS 32,637,220, which constitute 0.74% of the Group's net profit before tax. Of this amount, NIS 24.4 million are donations, and the remainder – social sponsorships. This amount includes the total donations and sponsorships given by Leumi as part of the Leumi Tomorrow NGO, Donations and Sponsorships Committees and other donations by all of the Group's subsidiaries.



## “Leumi Tomorrow - the Centennial Fund for Endowing Israel’s Future Generation” (registered NGO)

This non-profit organization invests in the advancement of children and youth in peripheral areas by supporting educational programs to promote three main areas:

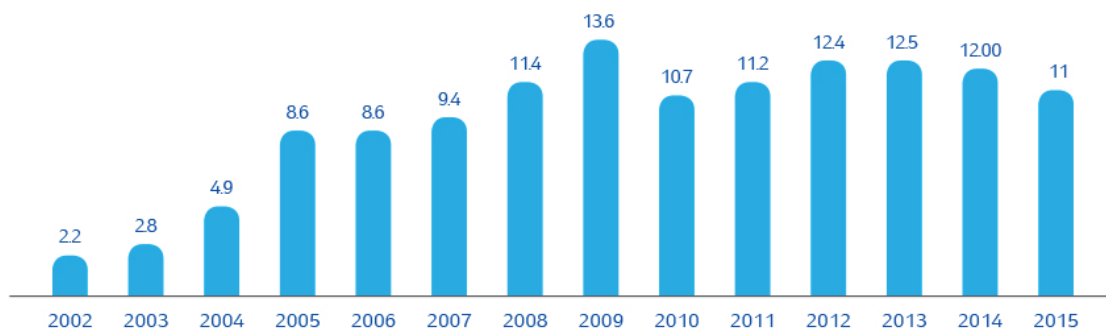
- + Developing leadership and promoting education for values and social involvement
- + Raising the number of high-school graduates entitled to a matriculation certificate and making an academic education accessible for youth
- + Raising the number of recruits for meaningful service in the IDF

The organization works to empower young people through education and recruitment for quality positions in the IDF, with the view that these areas constitute an “entry ticket” to Israeli society.

The programs are held throughout the country, among a range of population sectors, and in cooperation with schools and institutions of higher learning and with social NGOs. The Fund is financed solely through donations by Bank Leumi and its subsidiaries.

Since its establishment in 2002 until the end of 2015, Leumi Tomorrow has invested a total of NIS 130 million in non-profit organizations and public entities working for future generations, out of which approximately NIS 11 million were invested in 2015. In 2015, some 27,000 youth from various population sectors supported by Leumi Tomorrow, from families of weak socio-economic backgrounds, took part in activities in about 100 communities across the country.

### Donations by Leumi Tomorrow Since its Inception (in millions NIS) Total of NIS 131 million

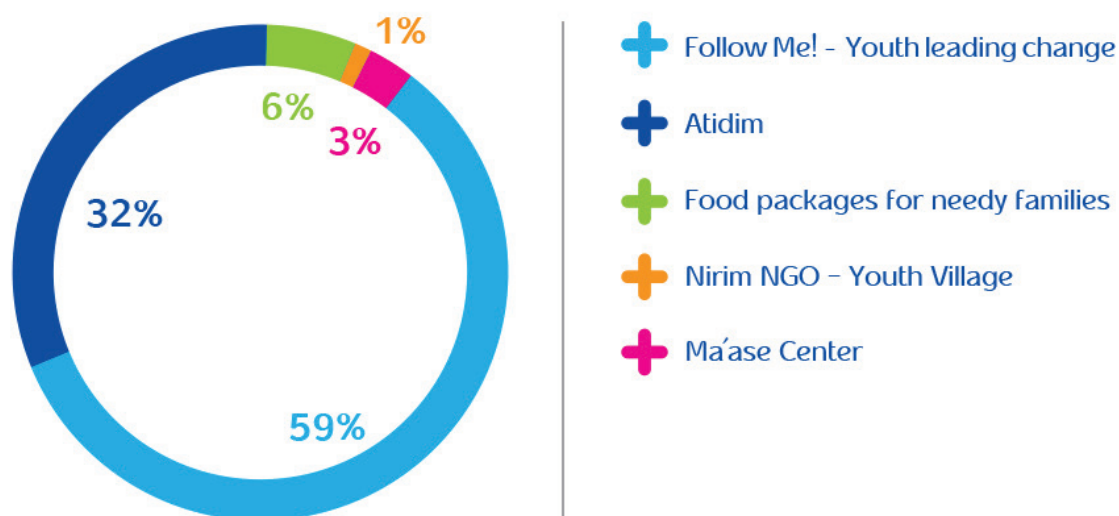


## Projects supported by the Leumi Tomorrow non-profit organization in 2015

- + **Aharail - Youth leading change:** The NGO acts to integrate children and youth at risk in Israeli society, through education towards values, leadership development, and the provision of tools. The non-profit organization operates about 250 groups throughout Israel, in which about 5,700 teenagers a year from all sectors participate, in approximately one hundred communities across Israel: Groups for leadership and preparation for the army, hiking courses, matriculation learning centers, empowerment for youth of Ethiopian origin, military preparedness courses, community service communes, Nahal groups and an adult organization.
- + **The "Friends of Atidim" NGO:** Leumi Tomorrow supports two programs run by Friends of Atidim
  - + **The Pre-Atidim program** promotes scientific excellence and empowerment among high-school students in peripheral areas. Some 19,500 youth participate in the program in 70 communities across Israel.
  - + **The N.A.M. (an acronym in Hebrew for Outstanding Arab Youth)** program, which seeks to advance outstanding youths from the Arab sector in the North towards higher education in prestigious tracks at the Technion and their recruitment to quality jobs. In 2015, some 150 students participated in the program.
- + **Ma'ase Center** - development of volunteering skills: The Ma'ase Center seeks to advance social leadership amongst at-risk populations, through a year of volunteering in the community. In 2015, Leumi Tomorrow supported activity for supplementary education and developing the face of the future for about 450 volunteers in their year of voluntary service or national service.
- + **Nirim Youth Village:** The Nirim Youth Village, located in Bustan HaGalil, allows high risk youth to their matriculation certificate and to take part in a unique process of rehabilitation and empowerment. In 2015, about 100 students studied at the village.
- + **Kimcha DePascha:** Ahead of the Passover and Ramadan holidays, the Leumi Group and Leumi Tomorrow lead a campaign to distribute food packages to disadvantaged families throughout the country. Leumi employees take part in the campaign through monetary donations, and through the packing of the food parcels and distributing them to families. In 2015, Leumi Tomorrow and Leumi employees distributed food packages to more than 2,200 needy families across Israel.



## Segmentation of Leumi Tomorrow's Contributions in 2015



For the list of companies which contributed to Leumi Tomorrow, please see the NGO's financial statements.

### Cooperation with the Aharai NGO!

In 2015, the strategic cooperation with the Leumi Aharai - Youth Leading Change NGO deepened. The scope of the NGO's activities in the periphery has expanded, as have the educational solutions offered to participants. There was also a considerable increase in the number of Leumi employees volunteering with the NGO, and an "association of friends" for the NGO was established, chaired by the Bank's CEO. More than 900 Leumi employees volunteered in 2015 (as compared with 150 in 2014). As part of the collaboration, Leumi's professionals guide and mentor the NGO's managers, in an effort to help it improve its infrastructure and enhance the organization's ability to cope with its growth.

From the Aharail! program graduates survey conducted in 2015:



**95%**

join the army, and 96% of them complete their service



**43%**

are enrolled in academic studies\*



**40%**

did a year of community service



**82%**

were eligible for full matriculation\*



**11%**

served as officers



**70%**

indicated that Aharail's activity had significant impact on their lives



**79%**

hold jobs

\*Aged 23-25

## Measurement of the effectiveness of community investment

The Leumi Tomorrow – Centennial Fund for Endowing Israel's Future Generation Organization is evaluating the effectiveness of its activity, including objectives, measurement, and evaluation programs, emphasizing the measurement of long-term results.

The unit for employee involvement in the community at Leumi engages in measurement, ongoing evaluation, and data collection concerning the scope of volunteering by Leumi employees, by number of volunteers and hours of volunteer work.

At Leumi Card, community involvement activities are monitored throughout the year. Discussions are held with the volunteers and with the communities in which the activities are held, concerning the degree of the activities' success and their impact on the target population. In accordance with feedback, and where necessary, improvements are made in the activity programs.

**98%**

of the Pre-Atidim program graduates took at least the mid-level math matriculation exam

**95%**

of the Nirim youth village graduates served in the army or on a yearly public service program or enrolled in a pre-military college

**18%**

of the N.A.M. program graduates are on the dean's list at the Technion

**70%**

of Hotam's teachers serve as mid-managers at schools

**73%**

of the participants of the higher education accessibility program in the Negev, studying at Ben Gurion University, feel that the program has strengthened their motivation to study

**85%**

of Ma'ase Center association's graduates who have joined the army reach command and training positions and/or become officers

## Additional projects that were granted donations and sponsorships:

- + Young Entrepreneurs:** The organization was adopted by Leumi since its founding in Israel, twenty years ago. About 4,000 teenagers participate in the program each year from all over the country and from all sectors. The young entrepreneurs are exposed to production processes and gain experience in marketing and sales, financial management and reporting. At the end of the program, they dissolve the company, distribute profits (if any), or decide to donate the proceeds to the community. Leumi supports the project both by donating to the organization and by providing professional guidance and support to the groups of young entrepreneurs. Leumi branches adopt the young entrepreneur groups across the country and help them run their businesses. At the same time, Leumi employees join in the enterprise and invest their own time and energy in providing ongoing guidance and training on financial and business matters to the young entrepreneurs.
- + Yeladim - Fair Chance for Children:** An NGO that helps children at boarding schools, providing them with the same opportunities as children who live with their families. Bank Leumi's donation has funded the establishment of seven therapeutic gardens as part of the Flourishing Gardens venture, in which Bank Leumi employees volunteer with children in boarding schools on a weekly basis.
- + Friends for Health:** An NGO that helps patients and handicapped people in distress. Since 2010, the organization has managed a special support fund donated by Bank Leumi. The Bank's donations helped about 200 patients In 2015.

- + **Adopt a Soldier – Association for the Wellbeing of Israel's Soldiers:** Bank Leumi has adopted four units as part of this program: the School of Field Intelligence, the Central Knights Battalion, the commando Duvdevan Unit, and, since 2016, Battalion 12 of the infantry Golani Brigade.
- + **Giving to the future:** A program to help borderline poverty women entrepreneurs achieve economic independence through micro-businesses. The program offers a support system, including loans at preferential terms, extended personal business advice, group training, and networking. Bank Leumi's support promotes economic conduct by participants in the program.
- + **The Leumi Robotics Center at the Technion Israel Institute of Technology:** The Faculty of Mechanical Engineering at the Technion has operated a robotics laboratory since 2009 thanks to a substantial donation by Bank Leumi. The lab, which is regarded as an authoritative center for every Israeli engaged in robotics, seeks to encourage youths to study science and technology and promote robotics education through competitions. Thousands of pupils and students across the country participate in Israeli and international robotics competitions each year, including RoboCup in football, Roboner, and the FIRST Robotics Competition, winning prestigious prizes.
- + **Lod Development Foundation:** An organization dedicated to the development of the city of Lod at a variety of levels. Bank Leumi's donations, beginning in 2013, focus on student activities in the city, in an effort to generate change. Participating students live in Lod during their studies, volunteering for the residents, and favorably influencing the population.

## Leumi Card

- + **Remedial Teaching Program of the Yeladim – Fair Chance for Children NGO:** Leumi Card takes part in a structured intervention program to advance elementary school children according to their skills, in an effort to close learning gaps. Each year, Leumi Card grants scholarships to children who have difficulty in basic skills of reading, writing, and arithmetic, funding tutoring by professional teachers.
- + **"Adopt a Soldier":** As part of the project, Leumi Card has adopted the Maglan IDF Unit. In addition to an annual monetary donation for the welfare of the soldiers, Leumi Card employees accompany the unit's combatants in their field deployments, holiday celebrations, sports and fun days for the unit, etc.

## Bank Leumi US

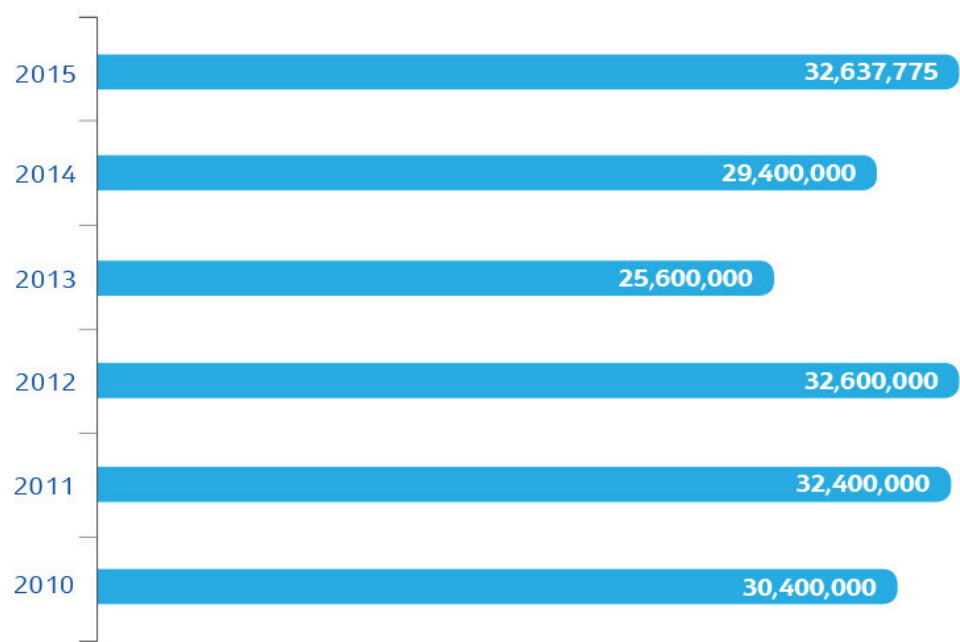
**Financial education classes:** For individuals and in community centers, by volunteering or through donations from the Bank.

**Free legal advice:** By the Bank's CRA officer, through the Brooklyn Legal Services Organization, as well as by donating to an organization that provides legal and financial advice to disadvantaged populations (for individuals and businesses).

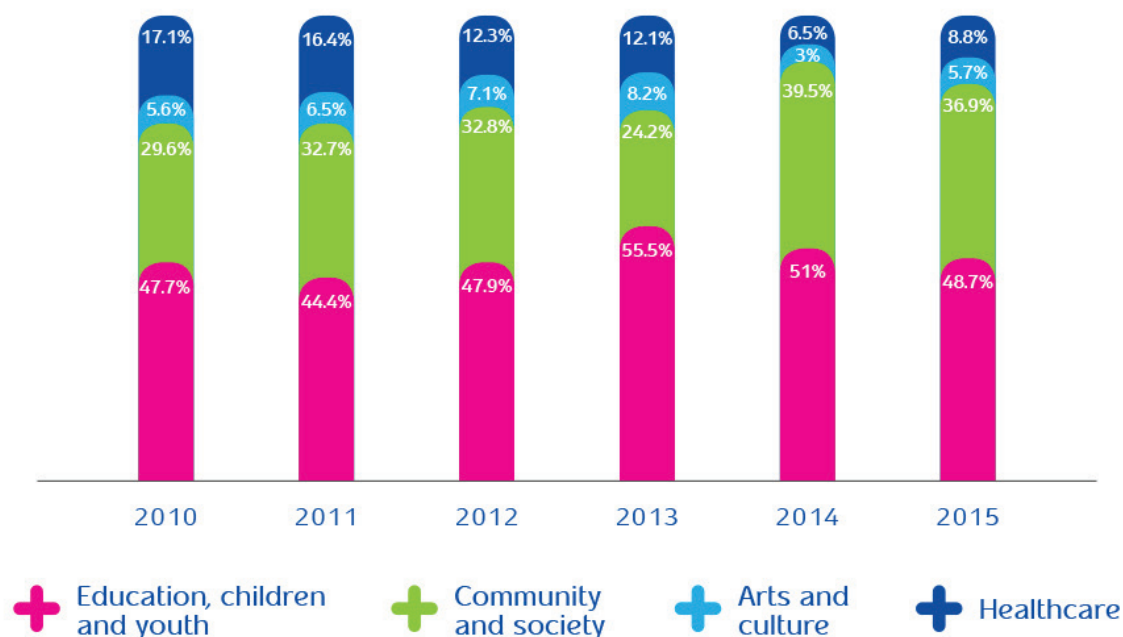
**Community development:** Donations to organizations that provide affordable housing, counseling apartment owners, shelters and soup kitchens, and to a loan fund that provides financing and technical assistance to projects and initiatives in low-income neighborhoods.

Since 2010, Leumi Group has made donations and provided social sponsorships for the community totaling NIS 183,000,000.

Total donations and social sponsorships by Leumi Group (NIS) 2010–2015



## Segmentation of Leumi's Donations, by Field, 2010–2015



## Meeting Present and Future Objectives

Company	Objective as at end of 2015	Status	Explanation
Leumi	Establishing a forum for investing in the community that will manage Leumi's main financial investments in the community (Leumi Tomorrow organization, the Donation Committee and the Sponsorship Committee) – in order to integrate and streamline the activities.	Done	
Objectives for 2016		Main actions planned	
Leumi	Professional guidance of the “Aharai! – Youth Leading Change” in light of the enhancement of strategic cooperation	Leumi professionals will support the NGO's managers	

# Employee involvement and volunteering

The Leumi Group encourages awareness and social involvement by its employees, including volunteering for the community and activity to reduce social disparities and promoting disadvantaged populations, with an emphasis on children and youth at risk.

Volunteer activities by employees of the Group are conducted on the basis of a systemic approach tailored to the needs of the community, as expressed by social organizations and local authorities. Managing the involvement of employees in the community includes performance measurement, saluting volunteers, developing new partnerships and supportive content and the appointment of social leaders responsible for leading the issue in the units. Employee volunteering is managed by the Training Sub-Division of the Human Resources Division.

Volunteering by Leumi Group employees, focuses on activity on behalf of tomorrow's generation, and is carried out through social and value enrichment, as well as financial education (in after school programs, kindergartens, schools, youth groups, hostels, boarding schools, and hospitals); improvement of living conditions (food distribution, renovation, collecting equipment); improvement of study achievements (help with homework, mentoring, and lectures); and other areas (food harvesting, food distribution, support of Holocaust survivors, activity in clubs for the elderly, etc.).

## The principles guiding Leumi employees' volunteer activity are as follows:

- + A concept of long-term, significant communal partnership and coordination between employees' abilities and the community's needs.
- + Diverse volunteer activities, varying in scope and nature, in accordance with the volunteers' skills and the needs of the community
- + Volunteer involvement in building the volunteer process, and - as a result - strengthening their commitment.
- + Activity within the local community, with a focus on children and youth - "the next generation"

5,049 Leumi Group employees took part in volunteer activities in the past year, contributing 40,686 hours of volunteer work. In 2015, the Bank's monetary investment in employee involvement in the community reached approximately NIS 1 million.

## Key initiatives in employee volunteering

### Leumi

**Aharai! - Youth leading change:** Following the Bank's management's decision to expand employee volunteering in Aharai!, a work plan was developed, volunteer programs were prepared, and new collaborations were launched with the organization across the country.

**Leumi for financial education:** Leumi volunteers infuse their professional knowledge into their ongoing volunteer work in the Pa'amonim NGO, which assists families in financial distress. In addition, within the framework of cooperation with the "Shiur Acher" NGO, Leumi volunteers give financial education classes in schools, expanding children's and youth's financial knowledge.

In addition to the projects mentioned above, thousands of volunteers work in after school programs and boarding schools for children and youth at risk, packing and distributing food packages for the needy ahead of the Passover and Ramadan holidays, in community centers across Israel; they also mentor children and teenagers, assist business ventures established by youth, give enrichment and professional lectures to teenagers and young adults, and more.

### Leumi Card

Leumi Card has adopted three entities in the community in long-term partnerships, donating money to them and holding numerous joint volunteer activities throughout the year:

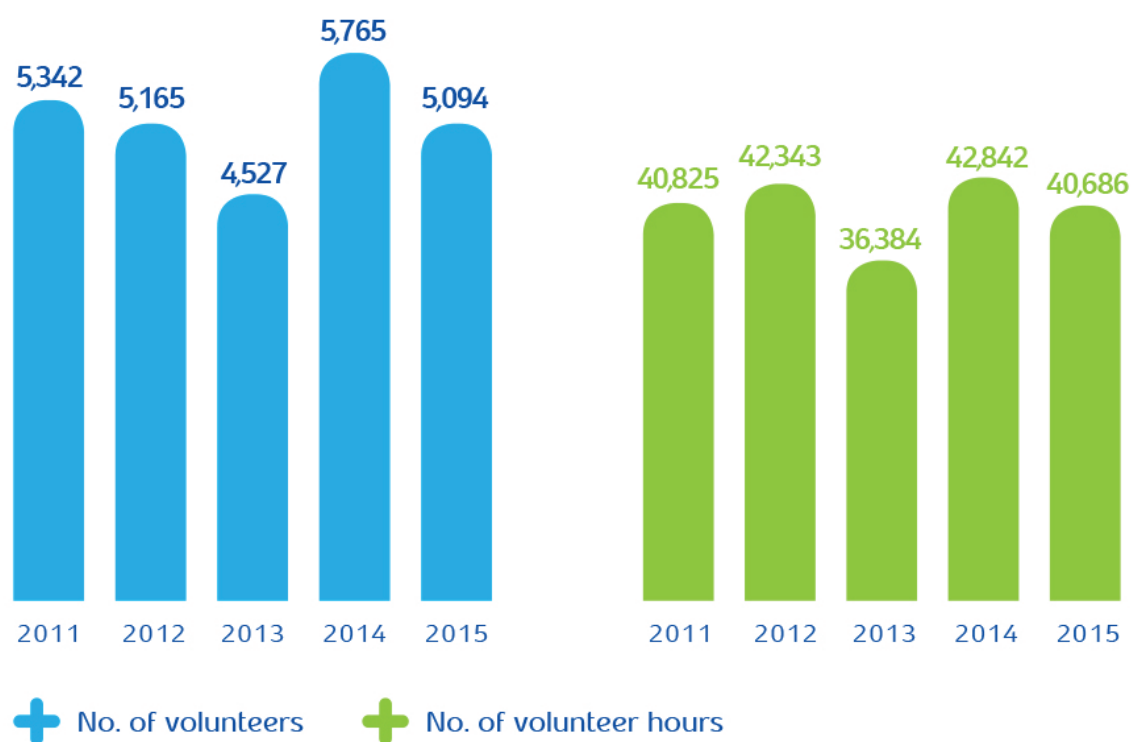
**Komemiyut School:** An elementary school in the Pardes Katz neighborhood, comprising 200 students. The "Book - a Success Story" project aims to encourage children to read books in an experiential way. Under the project, taking place for the fifth consecutive year, fifth graders at the school come to the Company's offices once a week, for lunch and a personal book-reading encounter with a volunteer employee serving as an "older brother" (each student has a permanent employee accompanying him/her throughout the year).

**Ahuzat Sarah Boarding School:** A boarding school for children removed from their homes by court order. Leumi Card's flagship project at the boarding school is the adoption of the Israel Trail. Leumi Card funds the project, and each month, its employees join a hike on the Israel Trail with children of the boarding school celebrating their Bar Mitzvah/Bat Mitzvah.

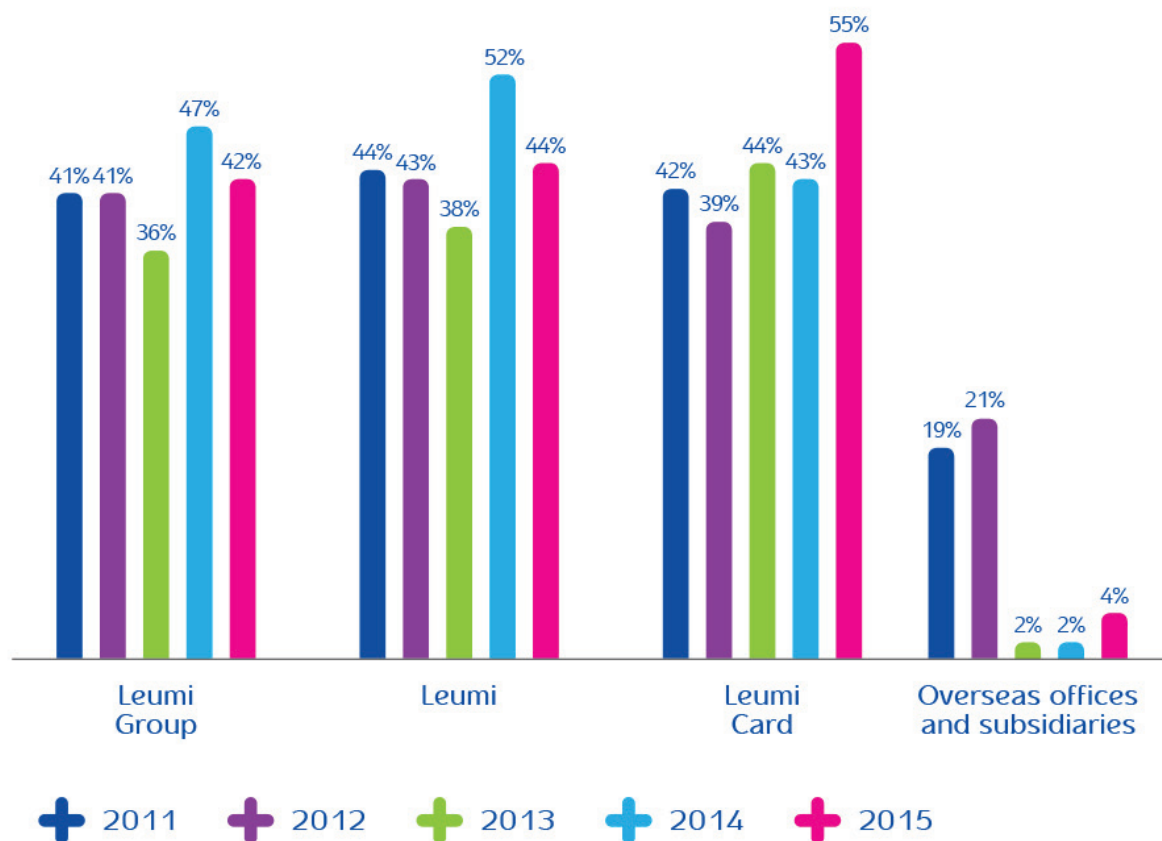
**Maglan IDF Unit:** During the year, Leumi Card employees volunteer regularly in peak activities and ongoing and permanent volunteer activities with the Unit's soldiers.



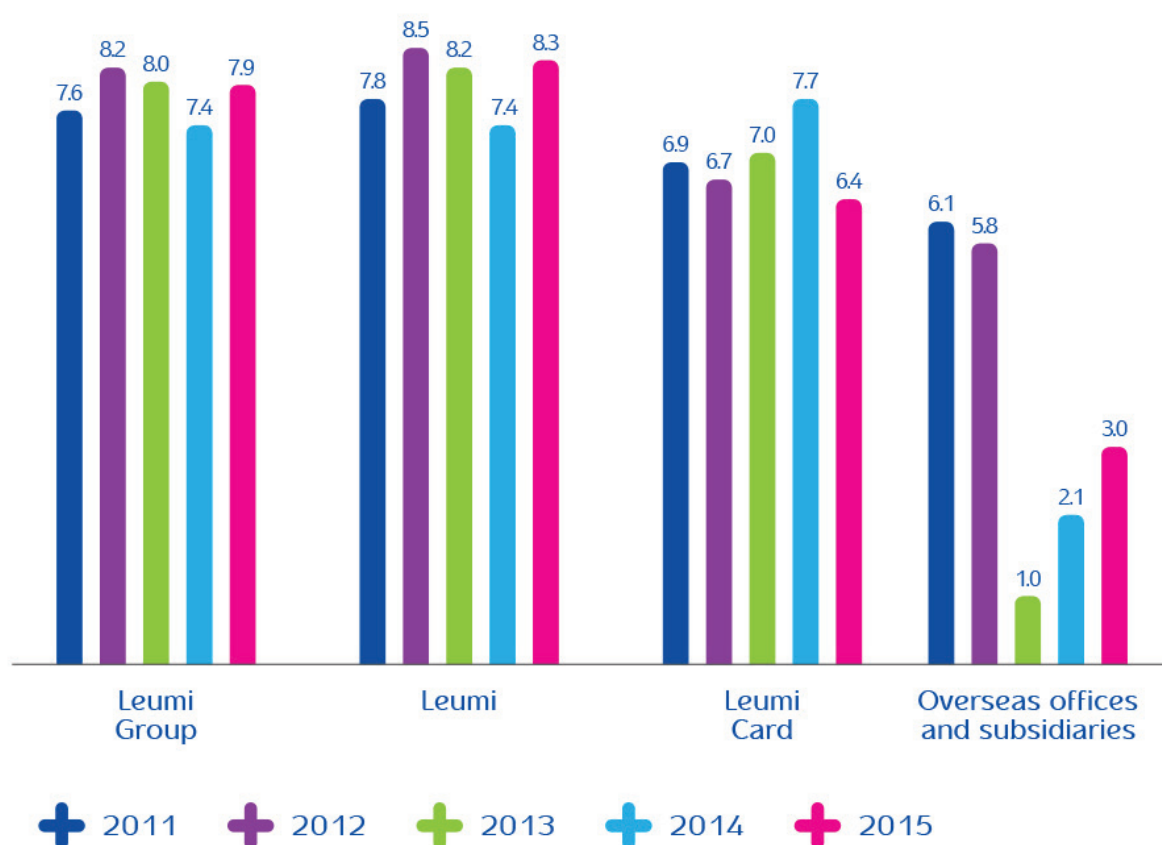
## Total No. of Volunteers and Volunteer Hours by Leumi Group



## Percentage of Volunteers from among Employees



## Average Hours per Volunteer



## Objectives Results – creating value for the community

Investing in the community			
Company	Objective as at end of 2015	Status	Explanation
Leumi	Establishing a forum for investing in the community that will manage Leumi's main financial investments in the community (Leumi Tomorrow organization, the Donation Committee and the Sponsorship Committee) – in order to integrate and streamline the activities.	Done	

## Volunteering by employees

Company	Objective as at end of 2015	Status	Explanation
Leumi	Increasing the number of volunteers working with Aharai! members to 400.	Done	A total of 928 employees volunteered to work with the NGO.
	Supporting volunteers, refreshing content, and saluting social leaders and volunteers in order to preserve, strengthen and enhance the ongoing activities in the community.	Done	Meetings were held, content was added, as were volunteer programs.
Arab Israel Bank	Increasing the number of volunteers to 50 - about 11% of all bank employees.	Done	In 2015, 88 employees volunteered.

Company	Objective as at end of 2015	Status	Explanation
Leumi Card	Launching the “Book – a Success Story” project in the 2015-2016 school year, for the fifth consecutive year.	Done	In 2015, the project was launched for the fifth consecutive year, with permanent volunteers recruited for year-long mentoring work, and new group peak activities were added to the ongoing volunteering activities taking place throughout the year.
	Maintaining a volunteer rate of 40% of the Company’s employees.	Done	In 2015, there was a 25% increase in the number of volunteers – for a total of 55% of the employees doing volunteer work. Furthermore, joint projects were launched with new NGOs and new activities were added to ongoing projects with the regular NGOs. Extensive use was made of inter-organizational communication channels to recruit new volunteers and publicize the employees’ volunteer work in the community.
Subsidiaries and overseas offices			
The Trust Company	Maintaining a volunteer rate of at least 80% of the company’s employees.	Done	90% of the company’s employees participated in volunteer activities.

## Future Objectives

Investing in the community		
Objectives for 2016		Main actions planned
Leumi	Professional guidance of the “Aharai! – Youth Leading Change” NGO due to enhancement of the strategic cooperation.	Leumi professionals will assist the NGO’s managers.
Volunteering by employees		
Objectives for 2016		Main actions planned
Leumi	Having at least 600 employees volunteer with “Aharai!”	Retention of volunteers and creation of volunteering infrastructure and opportunities.
	A new partnership with the Israel Association of Community Centers.	Creating connections and matching volunteer programs with relevant partners.
Leumi Card	Launching the “Book – a Success Story” project in the 2016–2017 school year, for the seventh consecutive year.	Recruiting regular volunteers for weekly tutoring activities; adding value-added peak group activities (in addition to personal mentoring).
	Maintaining a volunteer rate of 40% of the company’s employees.	Managing relations with volunteers on the ground and recruiting new volunteers, refreshing the volunteer program and providing support through intra-organizational communications.
The Trust Company	Maintaining a volunteer rate of at least 80% of the company’s employees.	Retention of volunteers and the creation of volunteering infrastructure and opportunities.

# Integrating social and environmental considerations into procurement practices



# Supply chain

Procurement activity at Leumi is comprised of, among other things, the purchase of products and services on an ongoing basis and of equipment for projects as needed. Procurement is carried out in a centralized manner for all of Bank Leumi's units, including for some of the subsidiaries. The Bank Leumi Procurement Sub-Division is responsible for identifying suitable suppliers, screening vendors, requests for proposals, conducting negotiations, contracting suppliers and managing the ongoing relations with them. Procurement at Leumi is divided into technology procurement (hardware, software, product maintenance, and consultants), general procurement (office equipment, security and safety, deliveries, mailing, miscellaneous) and construction and maintenance procurement. The Group works with several suppliers that provide products specific to the banking industry, such as ATMs and machines for counting banknotes. More than 90% of the purchases is from local suppliers registered in Israel. The Leumi Group strives to maintain long-term, proper, and responsible relations with suitable suppliers, while maintaining an open dialogue with them in all areas of activity.

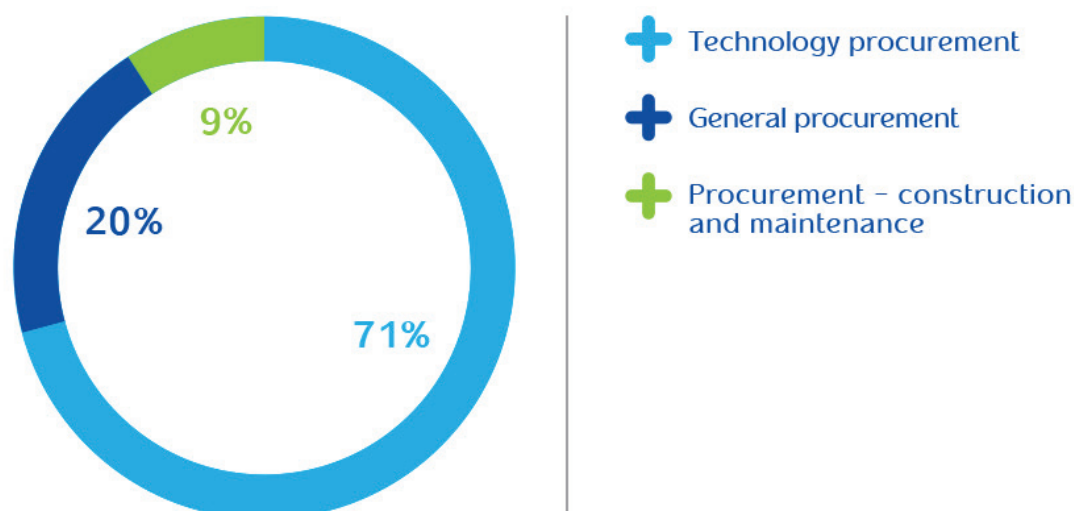
## Procurement data<sup>26</sup>

- + In 2015, the Group contracted more than 1,400 suppliers.
- + About 130 new suppliers joined the Leumi Group's supplier pool this year.
- + All the new suppliers were screened according to employment environment criteria (terms of employment, safety, etc.).
- + As applicable, and depending on the type and extent of engagement, Leumi's contracts with its suppliers include clauses regarding commitment to employee rights.
- + All of Leumi's construction and maintenance suppliers were screened according to environmental criteria.

Implementing corporate social responsibility in procurement and in the supply chain requires taking into account two key aspects: responsible conduct with suppliers and enhancing the positive impact on the community through procurement.

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26 The 2015 figures include overseas offices.



## Responsible conduct with suppliers

- + **Fair and ethical conduct when dealing with suppliers:** In 2013, a charter was formulated based on the Leumi Way, outlining the Group's conduct with its suppliers, with an emphasis on equality, transparency, sensitivity to conflicts of interest, exercising discretion, confidentiality, fairness, professionalism and protecting the environment.
- + **Monitoring payments to suppliers:** Leumi's payment policy to its suppliers is "EOM + 30" (payment of up to 30 days after the end of the month in which the supplier issued the invoice). The Payments Unit in the Finance Division conducts monitoring of the payment process to reduce possible arrears to suppliers. The process is examined frequently and measures are taken for its improvement as part of the dialogue with suppliers and adherence to good relations with them.
- + **Bringing forward payments to suppliers:** At the request of the suppliers and at the Bank's discretion, Leumi sometimes brings forward payments to suppliers. For example:
  1. Making down payments where large projects are concerned: In large projects, suppliers are paid against receipt of deliverables. Sometimes, and when necessary, the Bank allows a down payment before receiving the initial deliverable in order to help the supplier finance initial costs.
  2. Independent consultants are paid within 10 days of invoicing.
  3. Prepayments are made in case of a supplier experiencing liquidity problems and by special request.
- + **Dialogue with suppliers:** Leumi operates a secure supplier portal, allowing the exchange of contract documents and invoices for payment in an efficient, rapid, and transparent manner between Leumi



and its suppliers. In addition, Leumi operates a web page for suppliers on the Leumi website, with general information on contracting with the Bank and other issues.

## Initiatives to promote responsible conduct with suppliers

Procurement processes in the Procurement Sub-Division are performed while maintaining strict transparency with suppliers:

- + Price quotes are received through an online system, which allows for the submission of questions and giving a uniform response to all the suppliers participating in the procurement process. In addition, the phase of selecting the winning supplier is conducted while maintaining separation between aspects of quality and cost.
- + Some of the procurement procedures – such as real time tenders – take place online, in order to increase transparency.
- + The Procurement Sub-Division at Leumi insists on having the procurement process managed by two Bank representatives.

# Enhancing positive impact on the community through procurement

Rising awareness about managing the supply chain and its impact on the environment and community is instilled in the selection process of suppliers and products. Suppliers are required to state, as applicable, their compliance with issues such as air and water pollution, ground contamination, noise, odor, ionized and non-ionized radiation, waste, hazardous materials, business license, causing nuisances, harm to public health and the environment, liability for damage, and liability for employee safety and hygiene.

Currently, supplier evaluation includes three main subjects:

- + **The supplier's conduct with respect to employment:** Fair and lawful employment.
- + **The supplier's conduct with respect to the environment, if relevant:** air pollution, waste in production processes, use of green materials.
- + **Proper and ethical conduct by the supplier:** When collecting information about suppliers and, if relevant, warning signs are checked, including prior convictions of the supplier.

Following a thorough evaluation of considerations related to corporate responsibility, social and environmentally-friendly procurement, the possibility of expanding the criteria for selecting suppliers and diversifying suppliers is being examined, including the supplier's conduct with respect to human rights.

Bank Leumi's Procurement Sub-Division is responsible for managing relations with suppliers. The choice of suppliers is jointly made with other bank units. Below are the relevant procurement processes and actions applied by the Group:

- + **Employment conditions oversight:** The Leumi Group takes care that the signing of contracts procedure include a declaration by companies providing services such as cleaning, security and catering, that they comply with the provisions of labor laws. The Leumi Group periodically uses an accountant on its behalf to sample service providers to verify that their employment conditions comply with the law. If the reviews uncover deficiencies, the companies are required to amend them. Cleaning, guarding, and catering service providers are required to issue assurances to keep the terms of the contract. These assurances are saved and used, inter alia, to ensure that the suppliers correct deficiencies that they were requested to correct, and to guarantee payments in accordance with the law and the protection of workers' rights. Furthermore, by law, the Bank's Public Complaints Bureau is a key factor in the handling of complaints by suppliers' employees (if such complaints are received). If a supplier is replaced for any reason, the replaced supplier's employees have the legal right to switch to the new supplier and keep their seniority. The outgoing supplier must pay

the employees severance by law and the new supplier signs an agreement stipulating that it must comply with the law.

- + **Weighted assessment of suppliers:** Bank Leumi uses an automated method for assessing suppliers, which helps assess their performance and document the assessment score in the database. The Bank uses the data as an aid to assess suppliers in its procedures from time to time.
- + **Giving construction suppliers an opportunity to participate in the procurement process:** New suppliers are invited to present their operations before the construction suppliers search committee, which convenes from time to time, with the objective of giving numerous and diverse suppliers an opportunity to provide services to Bank Leumi. The committee examines new suppliers according to the standards set and on the basis of business information. Following the committee's approval, the supplier is recorded in the Bank's automated suppliers database, from which suppliers are chosen in various procurement processes.
- + **Procurement from local suppliers at "price-list transactions":** Bank Leumi has about 100 "price-list suppliers", which provide services or equipment (building or maintenance) according to the Bank's price list. This method enables the bank to procure specific services from mid-sized local suppliers.

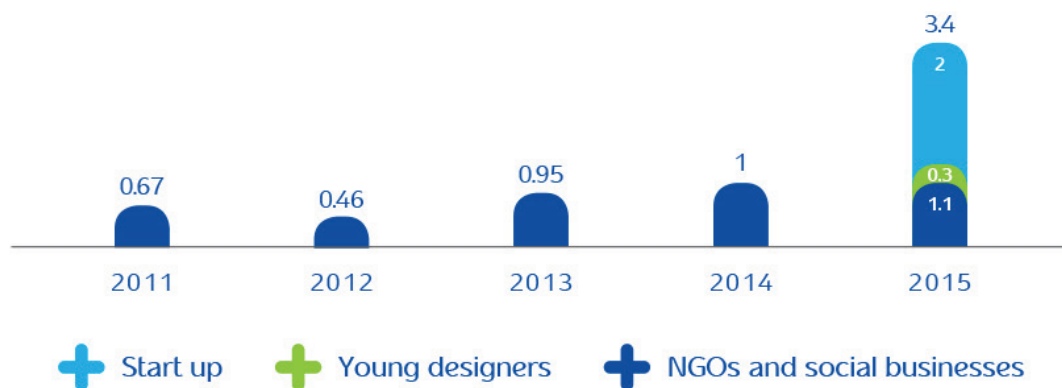
The Leumi Group also seeks to expand its positive impacts on the community by promoting local procurement by contracting suppliers which employ people with disabilities, suppliers which employ people from the ultra-orthodox community, and suppliers that operate in the periphery.

## Promoting social procurement

In 2015, Bank Leumi's Central Procurement Unit procured products and services from businesses and NGOs, initiated procurement from young Israeli designers, and made NIS 3.4 million in purchases from Israeli start-ups, with the objective of supporting and developing these businesses. These data do not include independent procurement from NGOs by Bank Leumi units and divisions.

Since 2008, Bank Leumi has procured services from high-tech companies which promote the hiring of people from underemployed sectors, primarily ultra-orthodox women. Procurement from these companies totaled approximately NIS 12 million In 2015.

## Social Procurement (in NIS millions), 2011–2015



## Initiatives to enhance positive impact on the community through procurement

### Leumi

- + **Defining green procurement criteria:** In 2015, the recommended environmental criteria for construction, maintenance, and electronic products procedures were updated with the objective of reducing the Bank's environmental impact. The list mentions cleaning detergents, product packaging, biodegradation rate of the materials, use of recycled or easily recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more.
- + In 2015, a process was jointly created with Maala, under which Bank Leumi asked 30 suppliers to fill out the Maala questionnaire for mid-sized businesses, to check their compliance with corporate responsibility norms, and to promote the issues among suppliers

### Leumi Card

**Employment conditions oversight at Leumi Card:** In 2015, as part of routine activity, satisfaction of contract workers with their employers' conduct was sampled. Two complaints against employers were investigated during the year.

In one case, the employer established an orderly response mechanism to employees' questions and inquiries. In the second case, Leumi Card decided to replace the supplier.

## Procurements procedure revision

In 2015, the company's procurements procedure was revised; various changes and additions were made, including the addition of a reference to outsourcing, the setting of the principles for reporting

deficiencies, and the revision of work procedures for checking the economic background of suppliers. Rules related to aspects of social corporate responsibility in procurement were also included in the procedure.

## Objectives Results

Impact on the community through procurement			
Company	Objective as at end of 2015	Status	Explanation
Leumi	Cooperation with the Maala organization in examining suppliers' compliance with corporate social responsibility norms.	Done	About 30 suppliers were asked to complete Ma'ala's rating questionnaire for mid-sized companies. Several companies will join Ma'ala's rating in 2016.
Leumi Card	Promote aspects of corporate social responsibility in procurement processes.	Done	The procurement procedure was updated and training was provided to procurement managers and the company's Head of Procurement.

## Future Objectives

Objectives for 2016		Main actions planned
Leumi	Promoting a process for integrating social and environmental considerations in procurement policies.	Mapping and understanding the issue in similar organizations. Evaluation of the potential for integrating environmental and social issues in purchases.
Leumi Card	Promote aspects of corporate social responsibility in procurement processes.	<ul style="list-style-type: none"> <li>+ Review the wording of the Suppliers' Code as an appendix.</li> <li>+ Instill with purchasing coordinators and managers in the company.</li> </ul>

# Creating environmental Value





The Leumi Group is aware that environmental issues are an inseparable part of the worldwide system of financial and business considerations, and the impact of these issues on its current and future markets.

The Group recognizes its environmental responsibility and the fact that its business activity can impact the environment, both directly and indirectly. All Group companies aim to conduct their activity in such a way as to consistently diminish adverse impacts on the environment, in compliance with legal obligations and, in the absence of legislation, with the aim of voluntarily adopting the accepted and leading standards in the sector.

The main impact of the Leumi Group on the environment is derived from three main factors:

- + **Energy consumption:** consumption of electricity, consumption of gasoline for transportation and consumption of diesel fuel for transport and emergency generators.
- + **Carbon footprint:** derived from direct emissions (fuel consumption) and indirect emissions (consumption of electricity).
- + **Waste and water:** responsible removal of electronic waste and paper waste, and total water consumption.

The Group's operations are characterized mainly by office activity, and most of the energy consumption is derived from the consumption of electricity in the main office buildings of Group companies, branches, and units. The Leumi Group makes significant efforts to identify actions that will improve efficiency and conserve energy. These efforts are reflected in steps taken to increase energy efficiency, which not only benefit the environment but also streamline operations regarding power consumption, air conditioning, lighting and fuel consumption. Leumi promotes energy savings when designing new facilities, and improves energy efficiency in existing facilities.

The Building and Maintenance Sub-Division at Leumi is responsible for systematic annual measurement and the management of environmental issues by the Bank (at the Head Office level and branches) and for directing the subsidiaries. As part of this, a large amount of data is gathered, such as on power consumption, fuel consumption, water consumption, paper consumption, and about recycling of paper and of electronic waste.

Furthermore, the Sub-Division leads processes to install systems and solutions leading to power savings and savings in fuel consumption, in collaboration with other units:

- + Installation of control systems for power consumption
- + Installation of an innovative computerized system that allows optimal use of the air conditioning system
- + Installation of energy-saving lighting systems

- + Implementation of green building elements in new construction and renovation of existing branches
- + Operation of an employee shuttle system between the main two headquarters buildings
- + Installation of computerized systems for control of water consumption (including the overall management of water consumption, identifying leaks and abnormal consumption)

This streamlining allows for a substantial reduction in both emissions of pollutants and the consumption of non-renewable resources.

Bank Leumi and Leumi Card are certified for Environmental Management Standard ISO 14001 (in 2012 and 2009, respectively). As part of managing this issue, quarterly discussions are held regularly by the Group on its environmental impacts, accompanied by external parties (a consultancy company and the Standards Institution of Israel). Leumi is also certified for Energy Systems Management Standard ISO 50001, Safety Standard ISO 18001, and Quality Standard ISO 9001. Furthermore, in 2014 the Bank was the first financial institution in Israel to be certified for the Green Label for Service by the Standards Institution of Israel and the Ministry of Environmental Protection. The certifications for the standards were renewed in 2015.

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

- + **Environmental Trustees:** Environmental trustees have been appointed for all of Leumi's branches as well as for headquarters. They are responsible for managing environmental issues (including energy conservation), and for monitoring power and water consumption data in their respective units.
- + **The Green Forum:** The Green Forum was established in 2007 with the aim of promoting and developing environmental issues at the Leumi Group, with a focus on the direct impacts of the Group's activities. The Forum includes representatives from all units of the Bank and the relevant subsidiaries, and meets once a quarter. The Forum is led by the Environment Supervisor at Leumi. Environmental issues are reported to the Group's management and the board of directors once a year, as part of the discussions on corporate social responsibility.
- + **Employee training:** Leumi Group attaches great importance to instilling environmental content among employees. In addition to the activities of the environmental trustees and the Green Forum, Group employees are required to undergo training and refresher courses on environmental issues from time to time.



In addition to managing direct environmental impacts as a result of the Bank's activities, the Bank also examines the indirect impacts of its activities. These impacts, derived from the development of products of environmental value (for more information, please see the [Customers](#) chapter, under Development of environmentally-friendly products) and environmental risk management (for more information, please see the chapter [Economic Impacts and Responsible Management](#), under Risk Management).

Leumi is also working to reduce indirect impacts resulting from energy consumption. In this context, the Bank offers digital solutions that allow customers to receive service without having to visit the branch. This helps to reduce the distance driven by customers in order to receive service at the branches and to reduce air pollution and fuel consumption by the customers as well as paper usage .

Note: The data in the chapter "Creating Environmental Value" refer to the environmental performance of Bank Leumi (including Arab Israel Bank) and Leumi Card. References in this chapter to "Leumi Group" include these companies only, unless otherwise stated.

## Energy consumption

The total energy consumption of the Leumi Group in 2015 was 390,686 gigajoules.

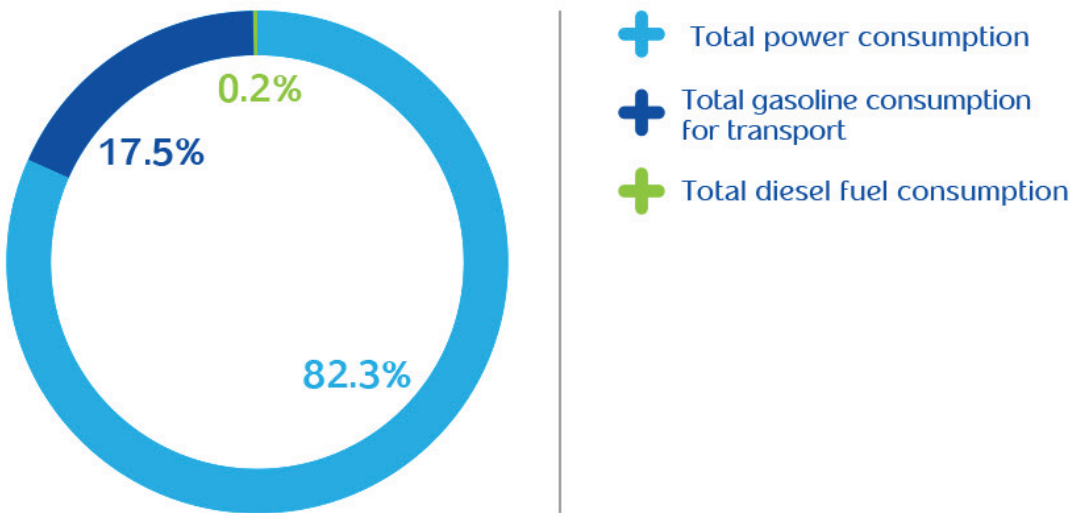
Year	Total power consumption (GJ) <sup>3</sup>	Total gasoline consumption for transport (GJ)	Total diesel fuel consumption (GJ)	Total energy consumption (GJ)	Energy intensity (total energy consumption per employee)
2010	323,039	66,404	41	<b>389,484</b>	
2011	350,834	69,892	5,960	<b>426,686</b>	
2012	350,950	72,881	6,377	<b>430,208</b>	<b>36.74</b>
2013	335,034	72,623	3,694	<b>411,351</b>	<b>35.65</b>
2014	310,518	67,962	2,733	<b>381,214</b>	<b>33.68</b>
2015	321,675	68,402	610	<b>390,686</b>	<b>35.19</b>

\* Diesel fuel consumption by the Israel Arab Bank is an estimate, based on consumption data in 2014.

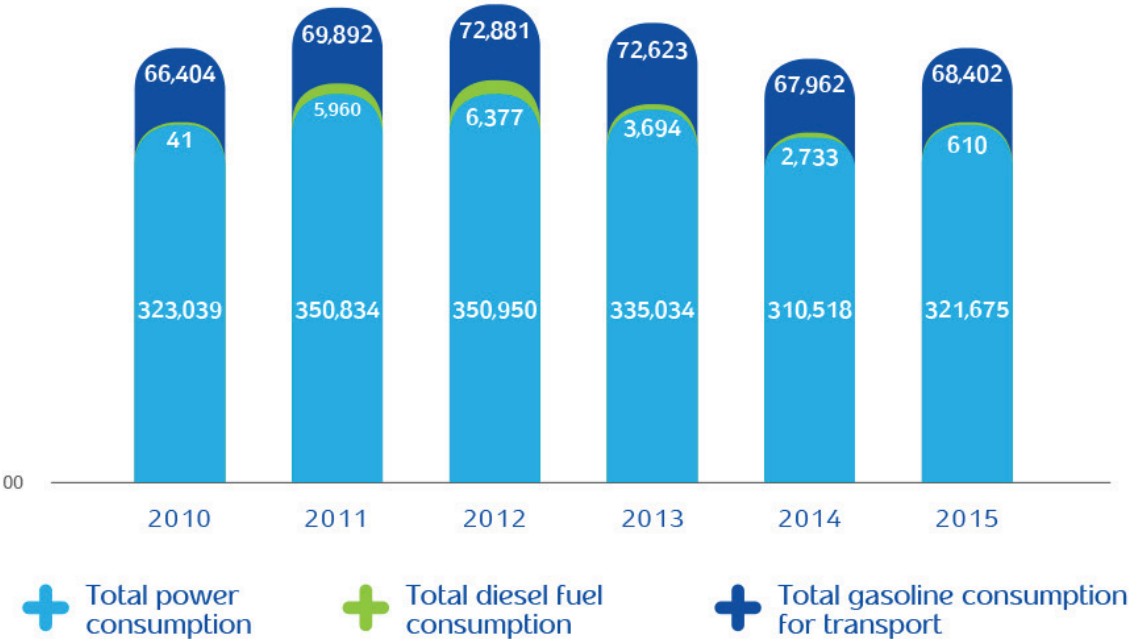
As of 2015, data on measuring power consumption were cleansed and was reinforced with measured and reported data on power consumption in the branches and in properties in which the electric charge is paid directly to the property management company.

It is evident that the Group’s diesel consumption has been significantly reduced (approximately 78%), due to the purchase of heating and cooling units that runs on gas.

Segmentation of Energy Consumption by Source in 2015 (GJ)



Segmentation of Energy Consumption by Source (in GJ), 2010–2015

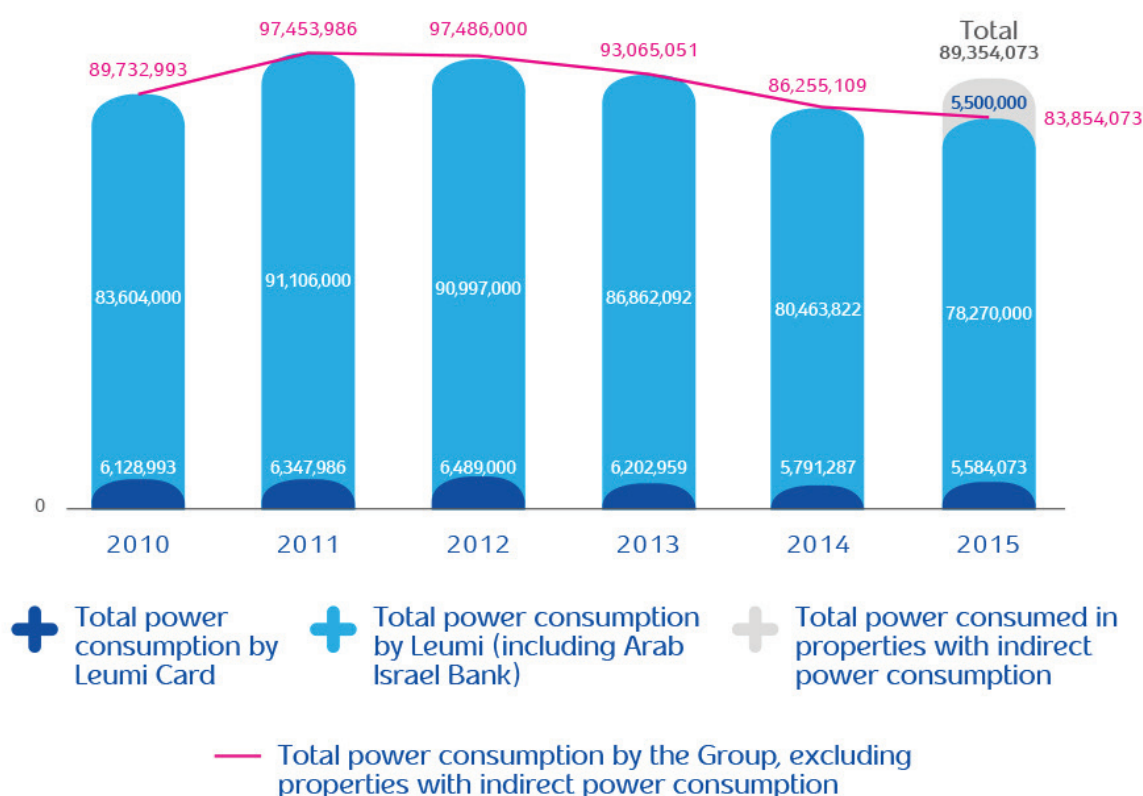


## Power consumption

Due to the nature of banking activity, most of the Group's energy consumption (82%) arises from power consumption. Accordingly, the Leumi Group implements projects and processes aimed at reducing its power consumption alongside projects to reduce its use of fuel.

As of 2015, data on measuring power consumption were cleansed and was reinforced with measured and reported data on power consumption in the branches and in properties in which the electric charge is paid directly to the property management company. A comparison of the direct consumption data in 2015 to 2014 indicates a 3% decrease in the Group's electricity consumption.

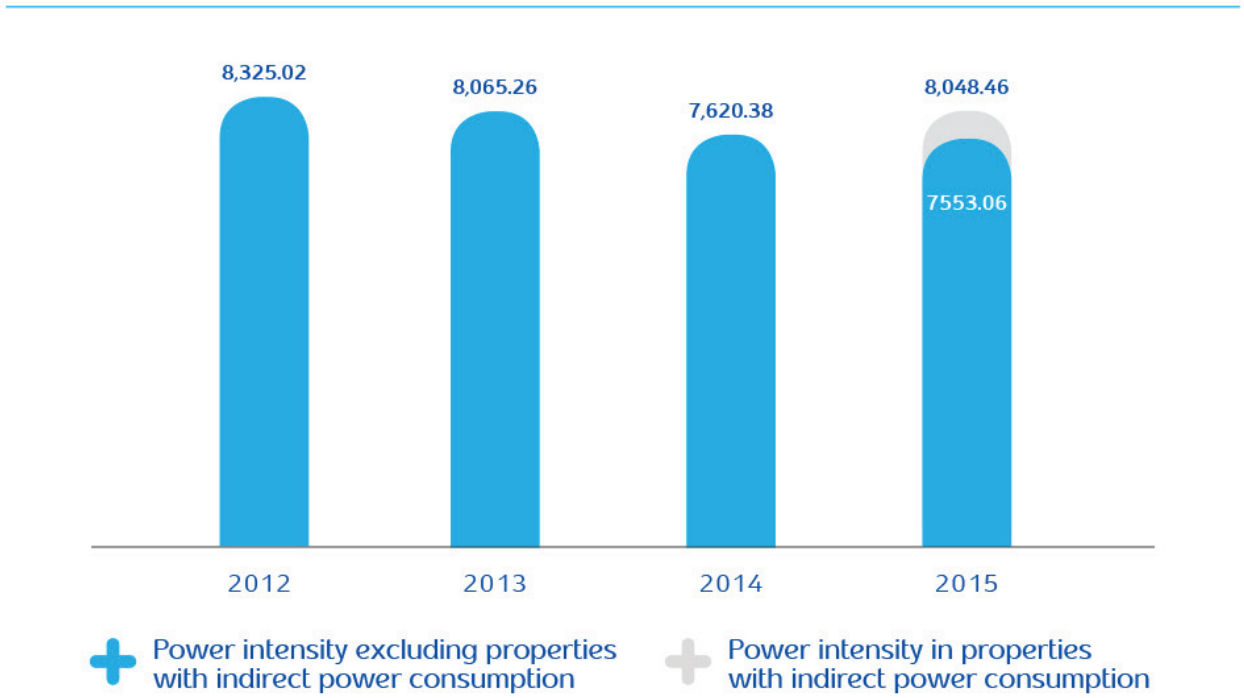
Power Consumption (kWh) by Leumi Group, 2010–2015



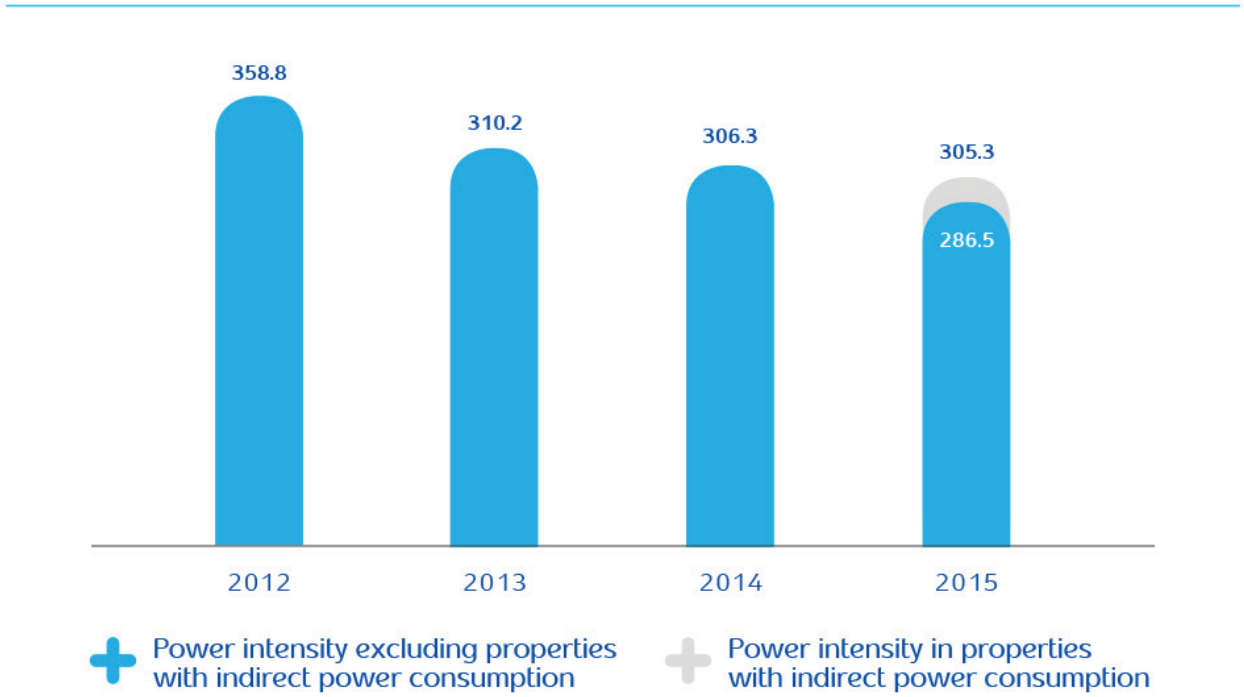
Total electricity consumption includes 85,000 kWh that were produced by photovoltaic cells and were sold back to Israel Electric Company.

# Energy intensity

Energy Intensity (kwh/employees) of Leumi Group, 2012–2015



Energy Intensity (kWh/m²), Leumi Group, 2012–2015



Leumi began to measure its energy intensity to test the effectiveness of measures taken to reduce the consumption of electricity and fuel. The intensity is measured by area (square meters)<sup>27</sup> and by the number of employees at Bank Leumi (including the former Arab Israel Bank) and Leumi Card<sup>28</sup>. Between 2012 and 2015, there was a decrease in energy intensity, explained by the steps taken to increase energy efficiency.

## Initiatives to reduce energy consumption

### Leumi

**Transition to consumption of electricity produced from natural gas:** As of 2014, Leumi consumes most of its electricity from a company generating power using natural gas. This move greatly reduced Leumi's carbon footprint and negative environmental impact.

**Optimization of air conditioning systems:** Improving the efficiency of existing air conditioning systems and turning off air conditioners at a designated time.

**Replacement of lighting fixtures with cost-effective lighting:** In 2015, several steps were taken in this area in the branches and headquarters buildings. Obsolete and inefficient lighting fixtures were replaced with new, more efficient fixtures. Furthermore, several LED-type lighting fixtures were installed, which are characterized by high-energy efficiency and a very long life span.

**Energy surveys:** An energy survey was carried out by an external company in the Bank's secondary computer site and internal energy surveys were carried out at branches (by Bank staff).

**Remote energy monitoring:** Installing remote monitoring and control systems for electricity consumption at the branches and expanding existing systems for building control in the management buildings and headquarters units.

**Analysis of energy consumption characteristics at the branches:** The Bank frequently installs energy monitoring systems and intelligent building systems at the branches and headquarters buildings, that allow for the analysis of energy consumption characteristics at the headquarters and branches.

**Thermal coating of windows:** The Bank installs a transparent coating with thermal insulation properties

27 A total of 292,686 square meters in 2015. The area of the Arab Israel Bank in 2015 is based on the Bank's operating areas in 2014.

28 The total number of employees in 2015 was 11,102.

in order to reduce the penetration of radiant heat through the windows.

**Circulated air treatment system:** A circulated air filtering system was installed in the existing air conditioning system in order to reduce the entry of warm and moist air from the outside. This system leads to energy savings. The Bank intends to install additional systems.

**Green building:** When opening a new branch and in a massive renovation of an existing branch, environmental aspects are integrated such as thermal window coating on warm facades, remote control systems and more.

## Leumi Card

**Carbon offsetting:** As part of setting goals to reduce energy consumption, and taking into account that it leases space in shared buildings, the Company decided to invest in carbon offsetting. Carbon offsetting can be done by funding projects that reduce greenhouse gas emissions outside the organization – for example, by funding energy efficiency projects, improving waste management or planting trees that absorb carbon dioxide). Leumi Card chose to support one of the entities that the Company has adopted as part of its investment in the community. The selected initiative is funding of an installation of a solar roof in Kfar Ofarim, a home for autistic adults in Ramat Hasharon.

**Energy efficiency:** It has been decided that, in every renovation or construction of a new building, light bulbs are to be replaced with T5 type energy saving light bulbs; a Virtualization Desktop Infrastructure (VDI) system was installed – which virtualizes desktops across all computers in the organization; times were set to turn off air conditioning and lighting on certain hours at the end of each workday; and controllers were purchased to reduce energy consumption by lighting circuits.

## Fuel consumption

The Leumi Group's fuel consumption is mainly for its fleet of vehicles. In 2015, 2,089,422 liters of gasoline and 16,931 liters of diesel fuel were consumed.

## Initiatives to reduce fuel consumption

### Leumi

**Leumi Shuttle service for employees:** In order to save fuel and optimize employees' transit between the two management and service centers, located in Tel Aviv and Lod, Leumi contracted a transportation company to provide a regular shuttle service between the two sites.

**Transportation service for employees:** Leumi operates a transportation service for hundreds of headquarters employees to and from work in a coordinated, planned and effective manner.

**Bicycle parking and showers for cyclists:** As part of the promotion of sustainable transport at Leumi, bicycle parking spaces were built at headquarters in Tel Aviv and in the Leumi Service Campus in Lod (where Administration and Operations are located). Showers were also installed for employees who choose to come to work by bicycle and wish to freshen up after a morning's ride. Some Leumi employees indeed prefer to come to work every day by bicycle and give up on travel by car.

## Leumi Card

**Reducing the distance driven by employees:** As part of its efforts to reduce the distance driven by employees, Leumi Card has set a limit on mileage in leisure time for employees using company vehicles. Under this procedure, the Company allows its employees a maximum of 2,000 km per month for driving during leisure time. If an employee exceeds this average, he/she is charged for the extra mileage. In addition, Leumi Card encourages employees to come to work by bicycle, and has installed dedicated parking spaces for this purpose.

# Carbon footprint

As part of its environmental policy, in addition to monitoring processes and measurement of its resource consumption, there is a regular calculation of greenhouse gas emissions as a result of the Group's activities (energy consumption, fuel combustion, kilometers traveled, etc.). Data is reported by Bank Leumi as part of several reporting platforms: the international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental Protection's voluntary Greenhouse Gas Emissions Registry in Israel, the annual Social Corporate Responsibility Report and the Maala rating.

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

- + **direct emissions:** In accordance with the reporting standard<sup>29</sup> of greenhouse gas emissions, the Leumi Group's direct impact (Scope 1) of greenhouse gases stem mainly from the combustion of gasoline by the organization's vehicle fleet, from the combustion of diesel fuel generators used for emergencies, and from emissions of refrigerant gases from the air conditioning systems in the Group's facilities.

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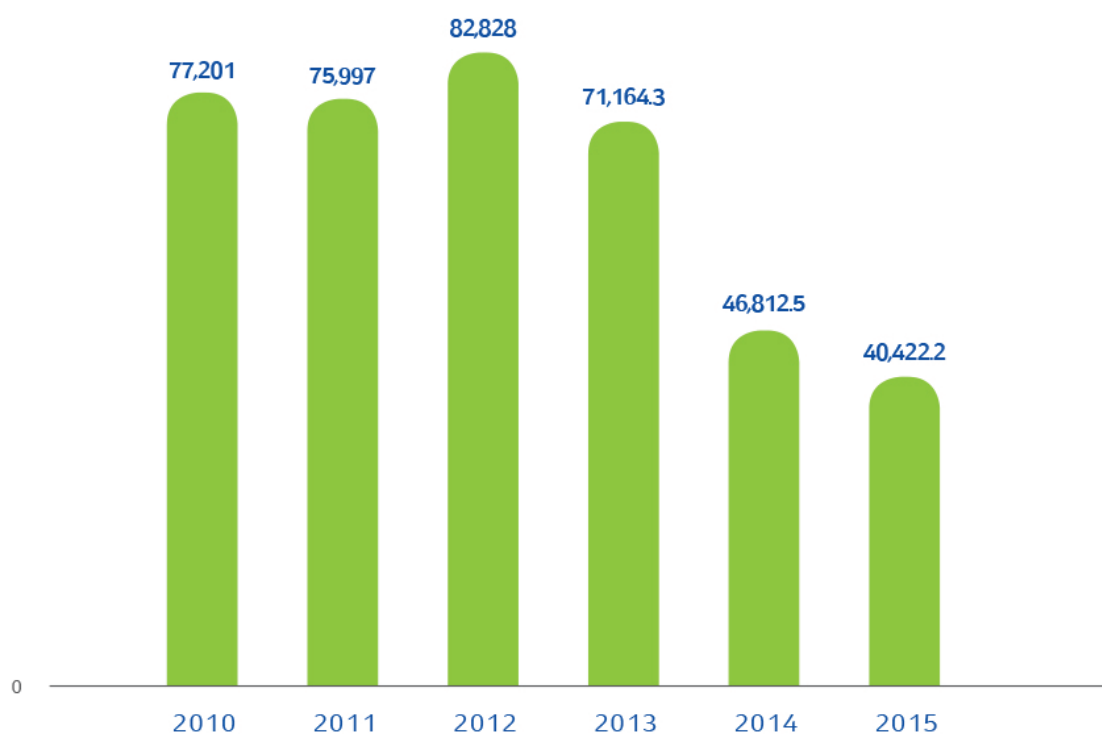
29 <http://www.ghgprotocol.org/about-ghgp>

+ **indirect emissions:** Indirect emissions (Scope 2) stem from power consumption. Indirect emissions depend on the composition of fuels and the technologies with which the electricity is produced.

The carbon footprint of the Leumi Group in 2015 is 40,422 tons of CO<sub>2</sub>eq. The footprint is considerably smaller (13.7%) than that measured in 2014, due to a significant reduction in indirect (Scope 2) emissions, which represent about 84% of the carbon footprint of Group companies in Israel. The reduction of the Group's carbon footprint is due to the widespread transition to consumption of electricity produced by natural gas and energy efficiency measures. About 76% of the electricity consumed by Leumi In 2015 was produced by independent power producers using efficient technologies and natural gas.

In 2015, the Bank began measuring the emissions caused by its use of cooling gas. As a result, an increase can be seen in emissions associated with Scope 1<sup>30</sup>.

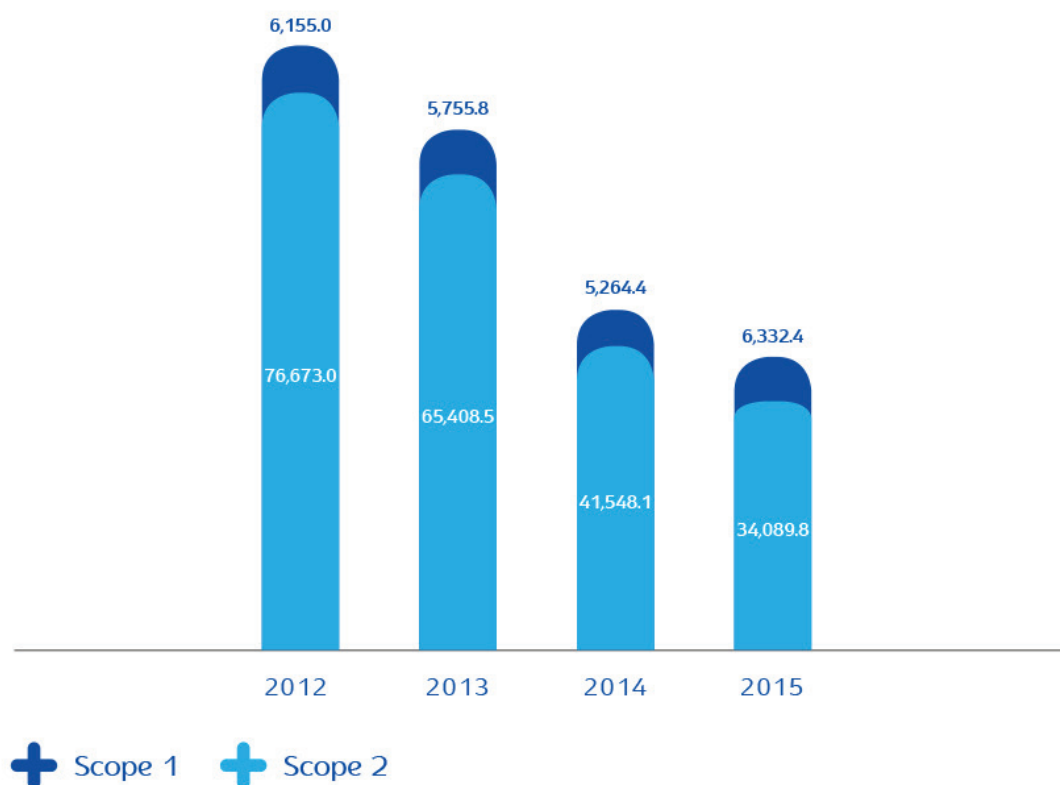
### Total Carbon Footprint (ton equivalent of CO<sub>2</sub>eq)



30 In 2015, Bank Leumi was the only group company to measure emissions originating from cooling gas.



## Segmentation of Carbon Footprint, by Scope (total ton equivalent of CO<sub>2</sub>eq), 2012–2015

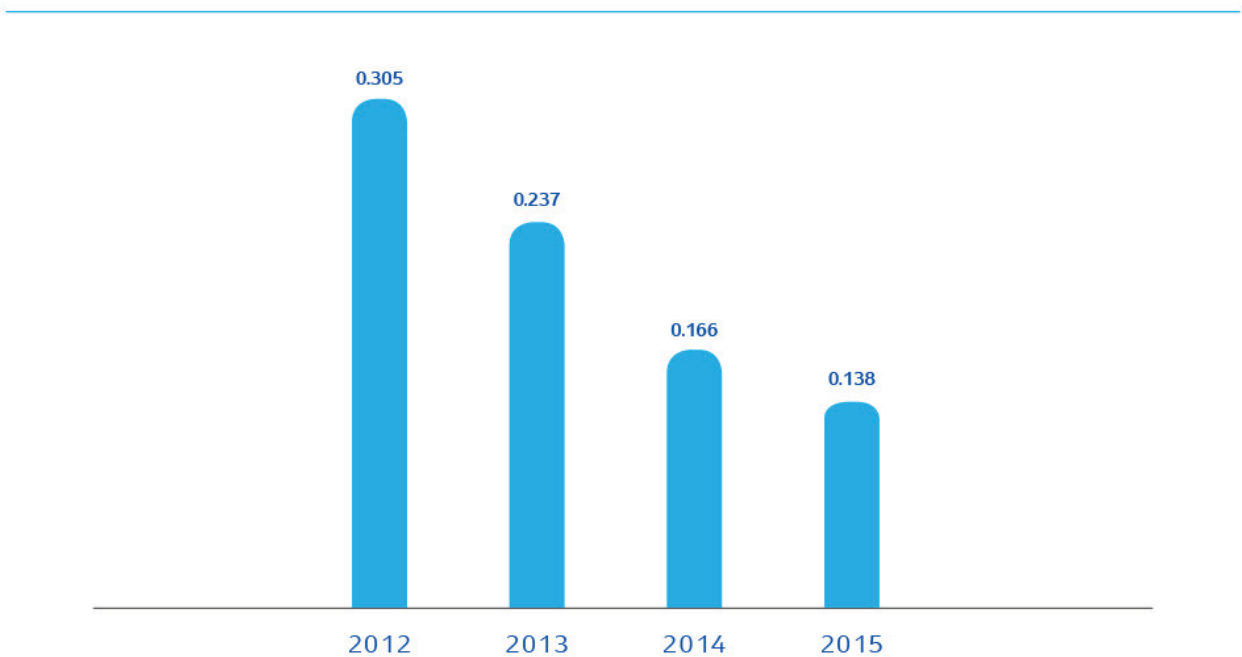


		2012	2013	2014	2015
Scope 1	Bank Leumi & former Arab Israel Bank	4375	4154	3718	4942
	Leumi Card	1,780	1,602	1,546	1,390
Scope 2	Bank Leumi & former Arab Israel Bank	71,567	61,049	37,478	32,181
	Leumi Card	5,106	4,360	4,070	1,909
Total	Bank Leumi & former Arab Israel Bank	75,942	65,203	41,196	37,123
	Leumi Card	6,886			

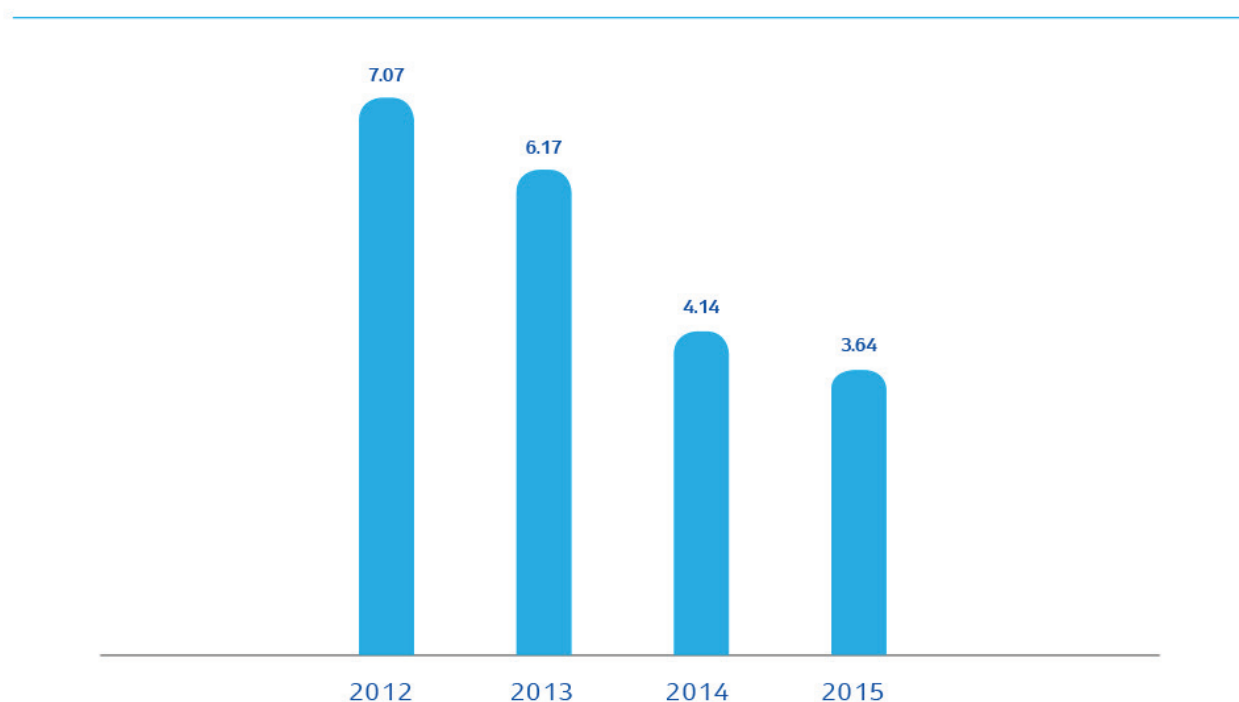
## Carbon footprint reduction

As mentioned above, the Leumi Group invests significant efforts in identifying measures that would result in greater efficiency and energy savings which would have direct impact on the Group's carbon footprint and on climate change. These efforts are mainly reflected in steps such as transition to electricity produced by natural gas. The results of the process are evident in the decline in carbon footprint intensity (ton of CO<sub>2</sub>eq per square meter) for the Leumi Group between 2012 and 2015.

Carbon Footprint Intensity (total ton equivalent of CO<sub>2</sub>eq/m<sup>2</sup>),  
Leumi Group, 2012–2015



## Carbon footprint intensity (total ton equivalent of CO<sub>2</sub>eq/no. of employees), Leumi Group, 2012–2015



## Recycling and responsible evacuation

The Group's commitment to environmental protection includes responsible disposal of its waste. Most of the waste generated by the Group is electronic waste and paper waste. The waste is collected and sent for evacuation by licensed contractors

In 2015, paper consumption by Bank Leumi and Leumi Card totaled 1,032 tons and 10 tons, respectively. Paper recycling exceeded paper consumption because of archive reduction and the closing of branches.

### Leumi

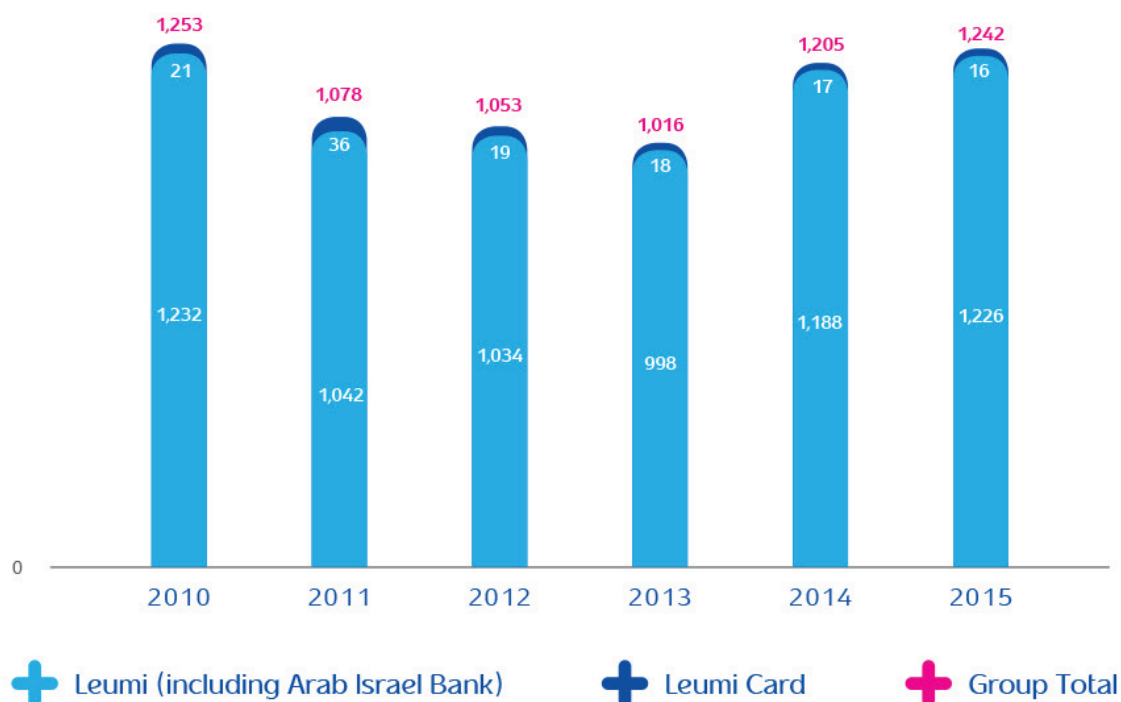
- + **The paperless bank project:** In 2015, Bank Leumi announced the "paperless bank project", with the objective of substantially reducing the Bank's paper consumption. Leumi defined an innovative organizational concept, which includes the use of advanced paper-saving technologies. These include signing up customers to "green mails", where they receive digital mail instead of paper-based mail; the launch of the digital check service – online payment of bills; and automation of in-house work procedures. Major paper-intensive work procedures at the branches were also identified in order to reduce paper consumption in 2016.

- + **Use of recycled paper:** The full use of printers recycled paper began at several Bank Leumi units in 2015, and its use will be expanded in the coming years.

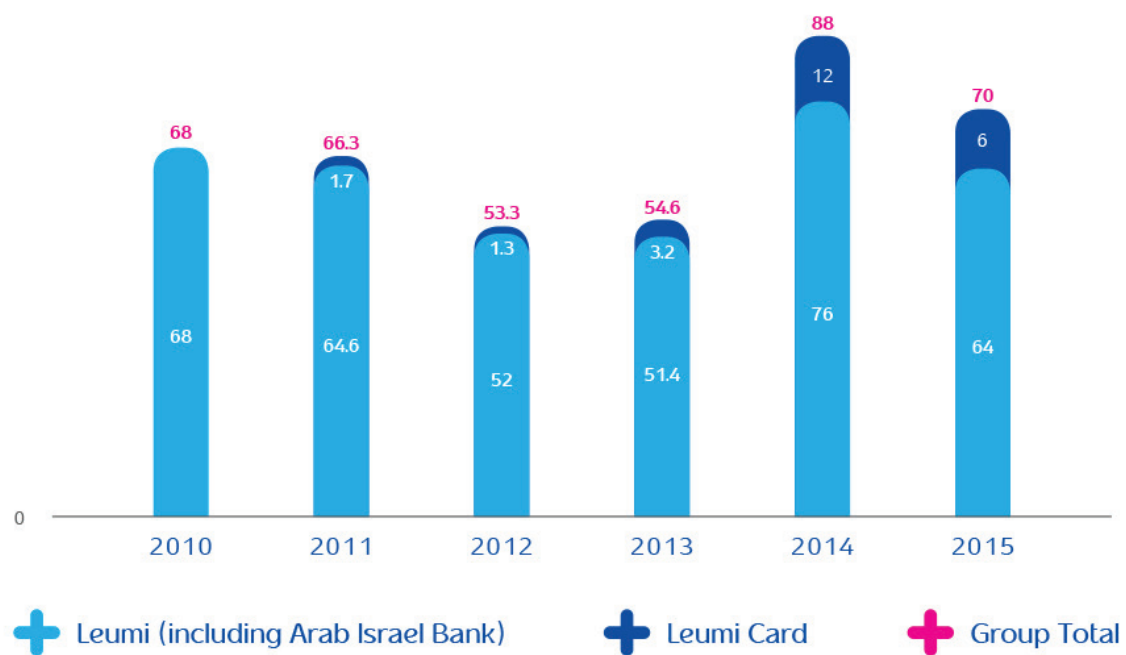
## Leumi Card

Leumi Card has handled waste in accordance with the working procedures defined in the ISO 14001 Standard since 2009. The company's waste is sent for recycling and eco-safe disposal. The organization has placed special containers for the collection of paper, batteries, beverage containers, toners, feminine hygiene products, electronic equipment, and medication. In addition, there are clear working procedures regarding the removal of construction waste (in licensed landfill sites and collection of used light bulbs for recycling).

Total Paper Recycling (tons) in 2010–2015



## Total Evacuation of Electronic Waste (tons), 2010–2015



## Objectives Results

Creating environmental value			
Company	Objective as at end of 2015	Status	Explanation
Leumi	Overall reduction of 1% in power consumption compared to 2014.	Done	There was a 2.8% decrease in electricity consumption in comparison with 2014; excludes electricity consumption in properties where the electricity is consumed indirectly - which was first measured in 2015.
	"Green mail": Sending automated emails to the banking division's customers instead of letters - increasing the number of customers who have joined the service by 28,000.	Done	

## Creating environmental value

Company	Objective as at end of 2015	Status	Explanation
Leumi Card	Holding an “awareness week” on reducing environmental impacts by employees in the workplace and in private homes.	Not performed	Delayed for 2016.
	Creating dedicated content on environmental activities for the organizational portal.	Not performed	Delayed for 2016.
	Employee training on environmental protection.	Done	Each year, all employees undergo refresher training on protecting the environment. Also, each new employee in the organization is required to undergo such training.
	Reducing paper consumption by 10% by switching to printing centers.	partial	Actions are taken to monitor the work processes at the print centers. By generating reports for managers, paper consumption fell by 9%.
	Continuation of control and monitoring of the 2,000 km procedure to reduce fuel consumption in leisure time.	Done	A decrease of 9% in fuel consumption during leisure time compared to the previous year. The number of vehicles deviating from quota was reduced by two.
	Passing the annual inspection conducted by the Standards Institution of Israel.	Done	Each year, an in-house inspection is conducted by the Standards Institution on regulatory compliance.

Objective for 2016		Main actions planned
Leumi	Overall reduction of 1% in power consumption compared to 2015.	Refitting of old air conditioning systems, replacement of light bulbs, use of control systems, etc.
	Ongoing rapport with all environmental trustees.	Establishing a training system for environmental trustees through courses, tutorials, etc., in accordance with an annual work plan.
	Increasing the use of recycled paper consumption measured in 2015 by 10%.	Encouraging the branches and headquarters to transition to recycled paper.
Leumi Card	Passing the annual inspection conducted by the Standards Institution of Israel.	Compliance with ISO 14001 procedures and protecting the environment in all organizational activities.
	Holding an “awareness week” on reducing environmental impacts by employees in the workplace and in private homes.	Editing content and holding an “awareness week”.
	Creating dedicated content on environmental activities for the organizational portal.	Creating dedicated content for the organizational portal.
	Employee training on environmental protection.	Updating content and distributing the tutorial at the beginning of the year.
	Continued control and monitoring of the 2,000 km procedure for reducing fuel consumption in leisure time.	Monitor and control the use of leisure time fuel consumption and notify non-compliant drivers.



# Corporate governance



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

Leumi is a limited liability company under the Companies Law, 1999, a reporting company under the Securities Law, 1968, and a banking corporation. As such it operates according to the law, which includes a list of laws and regulations, including the Companies Law, the Securities Law, Banking Laws, Directives of the Supervisor of Banks, including Proper Conduct of Banking Business Directive 301 – “Board of Directors” (hereinafter: “Directive 301”) and the Articles of Association of Leumi published on the website of the Israel Securities Authority, Magna System ([www.magna.isa.gov.il](http://www.magna.isa.gov.il)). These rules and procedures govern the corporate governance aspects of Leumi’s activity, including risk management, capital management and the granting of credit, fairness in customer service, proper disclosure of information, conduct of the board of directors and more.

It shall be clarified that the board of directors mentioned in this chapter refers to Leumi’s board of directors, and not its subsidiaries and foreign offices, unless stated otherwise.

## Leumi’s Board of Directors

Leumi’s business and financial stability is the responsibility of Leumi’s board of directors, pursuant to Directive 301. The board of directors outlines Leumi’s strategy, including the Group’s risk appetite, and approves the policies that guides its ongoing operations; the board of directors oversees management’s actions and ensures that they are consistent with the policies it established; the board of directors verifies the existence of clearly defined areas of responsibility and clear reporting; the board of directors defines the roles, powers, and duties of the President and Chief Executive Officer and her reporting to the board of directors; the President and Chief Executive Officer is responsible for guiding and coordinating the activities of the members of management. In addition, the board of directors outlines the organizational culture, which requires the implementation of high standards of professional conduct and integrity, and approves the Bank’s Code of Ethics; the board of directors ensures that Leumi acts in compliance with the law and regulations. The member of management responsible for corporate social responsibility is the Head of the Human Resources Division. The board of directors and its committees receive reports from management regarding the positions of stakeholders such as the Bank’s employees and customers.

The board of directors has approved the Bank’s Code of Ethics and the Bank’s Vision and discussed the Bank’s donations policy.

## Appointment and qualification of board members

The Bank is defined as a banking corporation without a controlling core, and no shareholder is defined as the Bank's controlling shareholder. Upon becoming a bank without a controlling core, only a statutory committee, established under the Banking Law (Legislative Amendments), 2012, shareholders holding more than 2.5% of the means of control in the Bank, or a group of shareholders, according to the definition of this term in the Banking Ordinance, 1941 are permitted to propose candidates for the board of directors at general meetings.

Appointment of directors: In a banking corporation without a controlling core, only the following may propose to the general meeting candidates to be voted as directors: (1) a committee for appointing directors in banking corporations, established under the Banking Law (Licensing), 1981 (hereinafter, the "Committee"); (2) anyone holding more than 2.5% of the means of control (hereinafter, "Holder"); (3) a group of holders comprising two or three holders, each of whom holds more than 1% but no less than 2.5%, and together – no more than 5%, of a certain means of control in the Bank, as aforesaid (hereinafter – a "Group of Holders") and has complied with the reporting requirements regarding its holdings in accordance with the Banking Law and Banking Ordinance. Thus, the Bank has no influence over the identity of the candidates and their selection.

As of May 2016, 14 directors serve on Leumi's board of directors: including 8 that are external directors as defined in Directive 301 (hereinafter: "External Directors"), and are also independent, as defined in the Companies Law, four of them are external directors under the Companies Law. All directors, including external directors, are subject to the provisions of the law, including the Companies Law and Directive 301, the Banking Law (Licensing), 1981 and the Banking Ordinance, 1941, including in the matter of their appointment, qualifications, requirements regarding absence of interest, the majority required for their election, their term of office, and more. A candidate for the board of directors is required to comply with a due diligence process of his/her suitability, and his/her appointment is subject to approval by the Bank of Israel.

The composition of the board of directors complies with the requirements of Directive 301, pursuant to which, among other matters, the board of directors shall have adequate collective knowledge about each type of substantive activity that the Bank intends to carry out, and at least one fifth of the directors shall have proven experience in banking. In addition, the majority of the members of the board of directors have accounting and financial expertise, and the Bank complies with Section 239 (d) of the Companies Law, which establishes the right of representation for both genders in the board of directors. In 2015 and to date, one of the directors is of Arab extraction. The directors do not report to the President and Chief Executive Officer.

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

In 2016, directors are scheduled to undergo training, inter alia in the field of corporate social responsibility.

**Audit Committee:** Seven directors currently serve on the Audit Committee, including three external directors under the Companies Law, one of whom is the Chairperson of the Committee. Two committee members are external directors, all of whom are independent directors. In addition, all of the committee members have accounting and financial expertise.

**Resource Committee of the board of directors:** This Committee also functions as the Corporate Social Responsibility Committee; it discusses and approves the Corporate Social Responsibility Report and the corporate social responsibility objectives of the Bank and the Group for the coming years. It discusses the planning versus performance report of the corporate social responsibility objectives of the Bank and the Group, and the management of corporate social responsibility of the Bank and the Group.

The board of directors also discusses the Bank's donations policy.

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

It shall be emphasized that each of Leumi's subsidiaries has its own board of directors. Corporate governance in the subsidiaries is conducted in accordance with relevant laws and regulations, and in the spirit of conduct at Leumi.

The board of directors of Leumi and the subsidiaries operate, inter alia, by means of standing committees and ad hoc committees, in addition to the committees required by law. Information on the committees of the board of directors, their composition and functions, can be found on the Leumi website: [www.leumi.co.il](http://www.leumi.co.il).

## Data on the Boards of Directors of Leumi Group:

The Company	No. of directors	No. of external directors	No. of directors with accounting and financial expertise	No. of women on the board	Up to age 30	Aged 31-50	Aged 51+	Main committees
Leumi	14	8	14	4	0	1	13	Audit, Risk Management, Remuneration, Credit
Leumi Card	9	4	7	3	0	3	6	Audit, Risk Management & Remuneration
Leumi Partners	5	-	4	1	0	2	3	Audit, Risk Management
The Trust Company	3		2	2	0	2	1	

Full details on the members of the board of directors can be found in the 2015 Annual Report of Leumi on the Israel Securities Authority's website, the Magna System: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

## Activity of the board of directors

During 2015, Leumi's board of directors continued to carry out its duties, including – but not limited to – formulating strategy, approving financial statements, approving of policy in various areas, and more. In 2015, 37 meetings of Leumi's board of directors and 97 meetings of the board of directors' committees were held.

## Raising issues for the board of directors' agenda and general meeting

The agenda for Leumi's board of directors' is determined by the Chairman of the Board, in coordination with the President and Chief Executive Officer of the Bank, taking into account the relevant regulatory requirements. However, the agenda and raising the issues for the agenda of the meetings of the Audit Committee or the Remuneration Committee is subject to the sole discretion of the chairpersons of the Audit Committee or Remuneration Committee, as applicable.

Social and environmental issues, as well as aspects of corporate governance, are discussed by the board



of directors and its committees as necessary and/or as required by law. In general, the President and Chief Executive Officer, with the assistance of the Head of the Human Resources Division, manages all interactions regarding employees, subject to the receipt of appropriate approvals from the board of directors, if required. The Audit Committee of the board of directors has approved a procedure governing mechanisms for reporting on unusual activity by employees, inter alia, to the Chairman of the Audit Committee, as well as mechanisms to protect the identity of whistleblowers. It also receives periodic reports from the compliance officer regarding various issues, inter alia, on significant compliance and money laundering violations.

**Shareholders' meeting:** The agenda of the general meeting is set by the board of directors. Certain shareholders may request that the board of directors include additional issues in the general meeting's agenda. By law, the Bank must publish a prior notice regarding the convening of a general meeting if its agenda includes the election of directors, and may also include in the notice other topics on the agenda, at least 21 days prior to publication of the notice regarding the convening of the general meeting. The Bank publishes timely invitations to general meetings, according to law. The notice includes the proposed agenda and the majority required for the various decisions. In accordance with the law, all General meeting resolutions are published through the Magna System by way of an immediate report.

## Preventing conflicts of interest

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

At the time of their appointment and periodically, all directors are asked to provide information about positions held by them or their relatives and/or their holdings, or their relatives' holdings, in corporations, which may be considered as being in conflict with the Bank's interests.

In addition, Leumi's Chairman of the Board does not serve as a manager at the Bank, and the chairpersons of the subsidiaries' boards of directors in Israel do not serve, as a rule, as managers in those companies.

## Monitoring performance and risk management

The board of directors oversees the management's actions and monitors them by means of several mechanisms, including:

- + Every six weeks, the board of directors receives a monthly report on the Bank's financial position, submitted in writing by Leumi's President and Chief Executive Officer, and discusses it.
- + Following the Audit Committee's recommendation, the Board discusses the Bank's annual and quarterly financial statements and approves them.
- + Every quarter, the board of directors discusses Leumi's financial position according to the quarterly financial statements, as well as a quarterly risk document which presents the Bank's and Group's risk profile. In addition, each new significant product requires approval by the board of directors.
- + Every six months, the board of directors discusses the report of Leumi's President and Chief Executive Officer on the implementation of her decisions. The board of directors has various tools for maintaining proper supervision, including deliverables of the internal audit and control functions (such as the Internal Auditor, Risk Manager, Compliance Officer), and external functions (such as the independent auditor).
- + The board of directors has defined a list of unusual events about which it wishes to receive reports. In accordance with the work plan approved by the board of directors, the Internal Audit Division, as part of the audits carried out at a predetermined frequency, also examines implementation of the Board's resolutions on the matters being examined and the process for monitoring the board of directors' decisions.
- + Any material deviation from limits approved by the board of directors is brought to the board of directors for approval.
- + The board of directors maintains supervision and control mechanisms over the Leumi Group's subsidiaries.
- + The Risk Management Committee of the board of directors receives regular periodic reports on relevant issues, including from the Chief Risk Officer, and submits its recommendations on these issues to the board of directors plenum. In addition, the Chief Risk Officer reports to the Committee effective immediately, and if necessary – to the board of directors as well – on any issue, finding, or deficiency under her purview that could materially affect Leumi's risk management and/or business. The Chief Risk Officer may decide on other issues that are to be brought for further discussion and examination by the Risk Management Committee.

## Assessing the board of directors' performance

Leumi has a process of self-assessment of the board of directors through questionnaires relating to various management aspects of its work and committees, including responsibility for the Bank's and

the Group's strategy, the delegating of tasks to the committees, issues relating to management, the remuneration policy, and the Code of Ethics. As part of this control and internal governance, the board of directors reviews findings arising from the self-assessment questionnaires. In addition, the board of directors periodically updates the board of directors' working procedure, which is also based on the provisions of the law that apply to it. This procedure stipulates, inter alia, the duties of the board of directors and its powers, and the Board's committees, the work methods of the board of directors and of its committees, including the reports presented to them, as well as matters and transactions that are to be brought for approval by the board of directors.

## Remuneration of officeholders

All directors serving on Leumi's board of directors, excluding the Chairman of the Board, receive remuneration and reimbursement of expenses in accordance with the law regarding external directors' remuneration. The Chairman of the Board's terms of employment were approved by the Audit Committee, the Remuneration Committee, the board of directors, and the general meeting.

In February 2014, Bank Leumi's general meeting approved a remuneration policy for Bank's officeholders for the years 2013–2016 (following approval by the board of directors and in accordance with the approval and recommendations of the Remuneration Committee). The remuneration policy is based on the provisions of Amendment 20 to the Companies Law regarding terms of service and employment of officeholders at a Bank and that stipulated in the Proper Conduct of Banking Business Directive No. 301A (hereinafter, Directive 301A) concerning remuneration policy in a banking corporation. The remuneration policy is designed to reward officeholders in the Bank in accordance with the Bank's performance and profitability over time, including according to the Bank's and Group's long-term targets, and according to the actual contribution of the officeholders to achieving these performance targets. The remuneration policy includes, among other things, a reference to the salary component, additional benefits, retirement terms and annual bonus component.

The Remuneration Committee gives its recommendation to the board of directors on the Bank's Remuneration Policy and the remuneration of officeholders and executives of the Bank. The Committee comprises EDs and external directors pursuant to the provisions of the Bank of Israel. If necessary, the Remuneration Committee is assisted, inter alia, by external independent consultants.

Further information on the remuneration policy of officeholders can be found in the Bank's remuneration policy, which is published as Appendix A to the Bank's immediate report dated April 5, 2014, regarding the convening of a special meeting which approved the remuneration policy (reference: 2014-01-003985).

On April 12, 2016 the Law of Officeholder Remuneration in Financial Corporations (Special Permit and



Non Tax-Deductible Expenses Due to Exceptional Remuneration), 2016 was published in the Official Gazette, (hereinafter: the "Law of Remuneration Limit") which provides, inter alia, that the determination of remuneration for a bank employee (including an officeholder of the bank), the expected expenditure for which (in accordance with GAAP) is expected to be more than NIS 2.5 million per year, is subject to approval by the competent organs of the bank (in accordance with the approval mechanisms provided for this purpose in the law), and that in this case, a bank employee's remuneration the cost of which is expected to be 35 times (or higher than) that of the lowest paid bank employee (including contract workers working at the bank) in the year preceding the date of approval of the contract, may not be approved. Under the Remuneration Limit Law, a transitory provision was included, whereby the provisions shall apply to any officeholder whose contract was approved from 12 April 2016 and the agreements approved prior to this date will be updated and will be adapted to the contracts approved prior to that date, updated and adapted to the Remuneration Limit Law until October 11.

Accordingly, the Bank is working to adapt the remuneration policy to the requirements of the Remuneration Limit Law and revised provision A301.

# External Assurance and Index



# External assurance

## External assurance:

Bank Leumi Group, Corporate Social Responsibility Report for 2015

### Introduction

The Corporate Social Responsibility Institute is an independent public entity promoting corporate social responsibility among corporations. The Institute is part of the College of Law and Business, a private law and business management college (accredited by the National Council for Higher Education). The Institute holds professional meetings, writes reports, studies and market surveys, and localizes applicative methodologies from around the world, etc. Corporations' transparency and accountability regarding their social and environmental impacts is one of the issues at the heart of the Institute's activity. In June 2016, the Leumi Group asked the Center to perform a quality assurance process on its 2015 corporate social responsibility report.

The quality assurance process is conducted by Mr. Liad Ortar, who is Director of the Institute. In addition to this role, Mr. Ortar is a researcher who publishes papers on sustainability reporting, a lecturer at universities in Israel and around the world, and a major figure in the area of corporate social responsibility and transparency in Israel.

It is hereby declared that the Institute receives payment to cover the time invested in this process. In addition, it is hereby noted that neither the Institute nor Mr. Liad Ortar (who performed the work) have business relationships with the Leumi Group and that the quality assurance process was independent. During the quality assurance process, a draft of the report was examined and several work meetings were held to clarify various issues. Some have already been addressed in this report, and some may be incorporated into future reports.

## Methodology

The aim of the quality assurance process for corporate responsibility reports is, first and foremost, to improve the final reporting product by providing professional feedback. For the avoidance of doubt, it is a process that is integral to the reporting process and aims at rapid and correct implementation, as far as possible, of the professional comments which are provided during the work process. The assurance process for this report was carried out in accordance with the principles of quality assurance standard AA1000 of the AccountAbility organization. Liad Ortar is a certified assurance provider by this organization. In addition, we examine whether the report is in line with three key principles:

1. **Inclusiveness** - full coverage of the topics from the reporting process and reporting parties and inclusion of a wide range of stakeholders in the report.
2. **Materiality** - coverage of the topics material to the company's activity.
3. **Responsiveness** - reporting on topics raised by stakeholders.



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This report was found to be in line with these principles.

It should be noted that the process for identifying materiality, which Leumi participated in, is particularly noteworthy in terms of its stakeholder engagement approach. It is a comprehensive, in-depth report that is on a par with the world's leading banks' reports.

## Findings

This is the Leumi Group's seventh published SCR report. It is in line with the entire local banking segment's adoption of SCR reporting, as required by the Supervisor of Banks. The company has adopted the Global Reporting Initiative's (GRI) new reporting guidelines, G4, complying with the Comprehensive reporting requirements. I hereby declare that the Leumi Group does comply with the disclosure and reporting scope required for this level.

Here are the main recommendations for the continued improvement of the Leumi Group's reporting:

- The process of determining material aspects for reporting – as rightly noted in the report, the Leumi Group is one of the largest and most influential financial corporations in Israel. It is recommended that, in addition to the global and domestic research it carries out, the Group will examine macro- and micro-economic policy papers published by official state bodies such as the Ministry of Finance, Bank of Israel and OECD. It is also recommended that the policy documents of non-governmental organizations be taken into account. These papers can provide a snapshot of Israeli society and

identify the economic challenges faced by it. It is clear to all that in order to meet these challenges, the banking sector should be an integral part of the effort.

- (Direct) dialogue with stakeholders – engaging (or dialoguing) with stakeholders is an essential part of the process of prioritizing the reporting aspects (hereinafter: materiality). In recent years, the banking sector is leading the trend of non-financial reporting in Israel, mainly due to regulatory requirements, but it was a leader in that area even before these requirements were issued. The Bank is therefore expected to be directly involved in every dialogue process. Any activity carried out on its behalf but without its presence, however important, cannot be included or presented as a dialogue process.
- Implementation of social responsibility in real corporations held by the Group – the Leumi Group is a shareholder in several real corporations. These holdings are substantial and the Group has its own representatives on these corporations' boards of directors. As a leader in the field of corporate responsibility in Israel, the Leumi Group's impact should be expressed in the administrative functions it uses in these corporations. Moreover, these representatives have official responsibility as officers. This topic is not, but should be, covered by the report.

Sincerely,

**Liad Ortar**

Manager

Corporate Social Responsibility Institute

# Corporate social responsibility performance table

Aspect	2014	2015	change
<b>Economic performance</b>			
Total revenues (in NIS millions)	12,504	13,415	7.3%
No. of branches	268	252	-6%
No. of employees	12,243	11,998	-2%
Operating expenses (in NIS millions)	9,371	8,836	-5.7%
Salaries (including pension contributions, in NIS millions)	5,151	5,448	5.8%
Total credit granted to customers (in NIS millions)	311,551	319,247	2.5%
Social procurement (in NIS millions)	1	3.4	improved measurement

## Social performance

<b>Customers</b>			
Credit to SMEs (in NIS billions)	76.7	79.5	3.7%
Total credit for social projects (in NIS billions)	0.29	0.42	improved measurement
Total credit for environmental projects and products (in NIS billions)	0.43	1.43	improved measurement
No. of branches in the Arab sector	46	45	-2.2%
No. of branches in communities with significant religious and ultra-orthodox population	25	25	-
No. of branches in geographic periphery	43	42	-2.3%
No. of fully accessible branches	66	211	219.7%
% of accessible branches	25%	84%	234.9%

Aspect	2014	2015	change
Number of accessible ATMs (both via “talking ATMs” and by adjusting to short stature persons and persons in wheelchairs)	161	245	52.2%
No. of surveys to monitor customer satisfaction in Leumi and Leumi Card	112,300	112,100	-0.2%
<b>Employees</b>			
% of employees with college education	64%	65%	1.6%
Average training hours per employee	28	32	14.3%
% of women at the Bank	62%	62%	-
% of women managers in the Bank’s managers cadre	52.1%	52.4%	0.6%
% of women on the board	20%	29%	45%
Median wage gaps between men and women (in favor of men)	17%	16.8%	-1.2%
% of recruitment from among under-employed populations out of total annual recruits	11%	8%	-27.3%
% of Arab employees and from other minorities (%)	Not reported	6%	New figure
% of turnover among employees aged up to 30	44%	43%	-2.3%
% of turnover among employees aged 30-50	22%	33%	50%
% of turnover among employees aged 50+	8%	4%	-50%
% of resigned employees out of total exiters	26%	20%	-23.1%
No. of work-related accidents and on the job road accidents	121	131	-8.3%
Absorption of contract workers out of total contract workers	14%	22%	57.1%
<b>Community</b>			
Community contributions (in NIS millions)	29.4	32.6	10.9%

Aspect	2014	2015	change
Annual volunteering hours	42,843	40,686	-5%
Average no. of volunteering hours per volunteer	7.43	7.99	-7.5%
Average no. of volunteering hours per employee	3.50	3.39	-3.1%
<b>Business ethics</b>			
No. of inquiries to the ethics hotline	45	30	-33.3%
% of employees who have completed the tutorial on compliance and money laundering	83%	91%	9.6%
<b>Environmental performance</b>			
Power consumption in properties, excluding indirect consumption - total (kWh)	86,255,109	83,854,073	-2.8%
Total power consumption (kwh)	86,255,109	83,354,073	3.6%
Power consumption (Kwh) per employee*	7,045	8,048	14.2%
Power consumption (Kwh) per m2	306	305.29	-0.2%
Total carbon footprint (ton equivalent of CO2eq)	46,812	40,422	-13.7%

\*Leumi and Leumi Card employees only



# GRI G4 Content Index



This report successfully completed the GRI Materiality Disclosure Service

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
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## Profile aspects

### STRATEGY AND ANALYSIS

G4-1	A statement from the most senior decision-maker of the organization (such as CEO or chairman) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Full	4-5	✓	There is no specific COP requirement
G4-2	Description of the organization's key impacts, risks, and opportunities	Full	4-5,39,68	✓	There is no specific COP requirement

### ORGANIZATIONAL PROFILE

G4-3	Name of the organization and its organizational profile	Full	8,14,142	✓	There is no specific COP requirement
G4-4	Description of the primary brands, products, and services	Full	9	✓	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-5	Geographic location of the organization's headquarters	Full	8	✓	There is no specific COP requirement
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the topics covered in the report	Full	12-13	✓	There is no specific COP requirement
G4-7	Nature of ownership and legal form	Full	8	✓	There is no specific COP requirement
G4-8	Markets served by the company (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Full	12	✓	There is no specific COP requirement
G4-9	Scale of, and information about, the reporting organization	Full	12	✓	There is no specific COP requirement
G4-10	No. of employees by type of employment, type of contract and geographical area, by gender	Full	72-75	✓	6
G4-11	Percentage of total employees covered by collective bargaining agreements	Full	81	✓	3

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-12	Description of the main components of the organization's supply chain	Full	118-119	✓	There is no specific COP requirement
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Full	11	✓	There is no specific COP requirement
G4-14	Explanation regarding the implementation of the precautionary approach according to the Rio Declaration on Environment and Development	Full	68	✓	7
G4-15	List of externally developed economic, social or environmental principles, or other initiatives to which the organization subscribes	Full	23	✓	1-10
G4-16	List of memberships of associations, organizations and national or international advocacy organizations	Full	23	✓	1-10
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	List of all entities included in the organization's consolidated financial statements	Full	8,12-13	✓	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-18	Description of the process for defining the report content and the material Aspect boundaries	Full	14,16,20-21	✓	
G4-19	List of the material Aspects identified in the process for defining the report content	Full	20-21	✓	
G4-20	Definition of the material Aspects in the organization and the Aspects' boundaries	Full	20-21	✓	
G4-21	Definition of the material Aspects outside the organization and the Aspects' boundaries	Full	20-21	✓	
G4-22	Explanation of any restatements of information provided in previous reports and their consequences	Full	14	✓	
G4-23	significant changes from previous reporting periods in the Scope and Aspect boundaries	Full	14	✓	
STAKEHOLDER ENGAGEMENT					
G4-24	List of stakeholder groups engaged by the organization	Full	24	✓	There is no specific COP requirement
G4-25	Detailed process for identification and selection of stakeholders with whom to engage	Full	24	✓	

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-26	Description of the organization's approach to stakeholder engagement and to the process of identifying reporting topics	Full	24	✓	
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	Full	24	✓	
REPORT PROFILE					
G4-28	Reporting period	Full	14	✓	There is no specific COP requirement
G4-29	Statement that this is the first report or date of the most recent previous report	Full	14	✓	
G4-30	Reporting cycle (annual or biennial)	Full	14	✓	
G4-31	Contact point for questions regarding the report or its content	Full	15	✓	
G4-32	The 'in accordance' option the organization has chosen	Full	20	✓	

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report.	Full	15,148	✓	
GOVERNANCE					
G4-34	The governance structure of the organization	Full	142-147	✓	There is no specific COP requirement
G4-35	The process for delegating authority for economic, environmental and social topics from the board of directors to senior executives and other employees.	Full	142-146	✓	
G4-36	Whether the organization has appointed an executive-level position with responsibility for economic, environmental and social topics, and whether he/she reports directly to the board of directors	Full	22,142-145	✓	
G4-37	Description of the processes for consultations between stakeholders and the board of directors	Full	142-144	✓	
G4-38	Composition of the board of directors	Full	142	✓	

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-39	Whether the chairman of the board is also an executive officer (beyond the board of directors)	Full	146	✓	
G4-40	The processes for determining the composition, qualifications, and experience required of board members for the board of directors' committees	Full	144	✓	
G4-41	Processes for the board of directors to ensure conflicts of interest are avoided	Full	146-147	✓	
G4-42	Board members' and senior executives' roles in the development, approval, and updating of the organization's vision, values, strategies, policies, and goals related to environmental and corporate social responsibility	Full	142	✓	
G4-43	The measures taken by the organization to develop and enhance the board of directors' knowledge of corporate social responsibility topics	Full	22	✓	

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-44	The processes for evaluation of the board of directors' performance with respect to corporate social responsibility areas – economic, environmental and social	Full	147	✓	
G4-45	The board of directors' role in the identification and management of economic, environmental and social performance, including relevant risks and opportunities	Full	146-147	✓	
G4-46	The board of directors' role in reviewing the effectiveness of the organization's risk management processes in corporate social responsibility areas	Full	146-147	✓	
G4-47	Frequency of the board of directors' review of the identification and management of performance regarding corporate social responsibility	Full	22, 147	✓	
G4-48	The executive manager in the organization who approves the organization's sustainability report	Full	144	✓	



Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-49	Description of the process for communicating critical concerns to the board of directors (in the economic, social and environmental fields)	Full	142-146	✓	
G4-50	Description of the nature and total number of critical concerns that were communicated to the board of directors and the mechanism used to address and resolve them	Full	146	✓	
G4-51	Description of the relation between the remuneration of the directors and senior executives and the company's performance	Full	147	✓	
G4-52	Description of the process for determining remuneration in the organization	Full	147	✓	
G4-53	How stakeholders' views are taken into account regarding remuneration of the Bank's executives	Full	147	✓	
G4-54	The ratio of the annual total compensation for the organization's highest-paid individual and the median annual total compensation for all employees	Full	78	✓	

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-55	The ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees	Full	78	✓	

#### ETHICS AND INTEGRITY

G4-56	Description of the organization's values, principles, standards and norms of behavior	Full	6,34	✓	10
G4-57	The internal and external mechanisms for seeking advice on ethical or lawful behavior	Full	34	✓	10
G4-58	The organization's internal and external mechanisms for reporting concerns about unethical or unlawful behavior	Full	41	✓	10

#### Performance Indicators for Material Aspects

#### ECONOMIC PERFORMANCE

G4-DMA	Management approach – economic performance	Full	28-30	✓	There is no specific COP requirement
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Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-EC1	Direct economic value generated by the Bank	Full	28	✓	There is no specific COP requirement
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Full	134-135	✓	7
G4-EC3	The Bank's obligations in respect of retirement, compensation and pension plans	Full	28-30	✓	There is no specific COP requirement
G4-EC4	Financial support, grants and assistance the company received from government during the reporting period	Full	30	✓	There is no specific COP requirement
MARKET PRESENCE					
G4-DMA	Management approach - market presence	Full	28-30	✓	There is no specific COP requirement
G4-EC5	Range of standard entry level wage compared to local minimum wage by gender and locations of operation	Full	78	✓	6
G4-EC6	Proportion of senior management hired from local communities	-		X	6
INDIRECT ECONOMIC IMPACTS					

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-DMA	Management approach – indirect economic impacts	Full	28-30	✓	There is no specific COP requirement
G4-EC7	Development and impact of investments in infrastructure and services provided mainly for the public's benefit through trade arrangements, contributions in kind (in products) or pro bono (in services) activity	Full	30	✓	There is no specific COP requirement
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Full	28-30	✓	There is no specific COP requirement
PROCUREMENT PRACTICES					
G4-DMA	Management approach – procurement practices	Full	28-30	✓	There is no specific COP requirement
G4-EC9	Details regarding the policies, procedures and actual percentage of expenditure on procurement from local suppliers in significant locations of operation	Full	121-122	✓	There is no specific COP requirement
ENERGY					
G4-DMA	Management approach – energy	Full	126	✓	7,8,9

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-EN3	Energy consumption within the organization	Full	129-131	✓	7,8
G4-EN4	Energy consumption outside of the organization	N/R	The organization does not measure energy consumption outside of the organization	X	8
G4-EN5	The organization's energy consumption intensity	Full	133	✓	8
G4-EN6	The organization's energy consumption reduction	Full	130	✓	8,9
G4-EN7	Reductions in energy consumption through the organization's products or services	Full	68	✓	8,9
EMISSIONS					
G4-DMA	Management approach - emissions	Full	126	✓	7,8,9
G4-EN15	Direct emissions of greenhouse gases - Scope 1 (fuels)	Full	134-135	✓	7,8
G4-EN16	Indirect emissions of greenhouse gases - Scope 2 (electricity).	Full	134-135	✓	7,8

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-EN17	Weight of other indirect emissions of greenhouse gases – Scope 3 (flights).	N/R	The Group does not measure other indirect emissions of greenhouse gases (Scope 3). The Group will take measures to obtain such information in the future	X	7,8
G4-EN18	The organization's greenhouse gas emission intensity	Full	134	✓	8
G4-EN19	Reduction of greenhouse gas emissions	Full	135	✓	8,9
G4-EN20	Emissions of ozone-depleting substances	Full	The Group does not measure emissions of ozone-depleting substances because they are negligible	✓	7,8

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-EN21	NOx, SOx, and other significant air emissions	Full	The Group does not measure air emissions because they are negligible	✓	7,8
PRODUCTS AND SERVICES					
G4-DMA	Management approach – environmentally-friendly products and services	Full	68	✓	7,8,9
G4-EN27	Extent of impact of environmental products and services	Full	68	✓	7,8,9
G4-EN28	Responsible handling of packaging	N/R	Most of the Group's activity revolves around marketing and services that do not include packaging materials	X	8
SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	Management approach – supplier environmental assessment	Full	121	✓	8

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Full	118-119	✓	8
G4-EN33	Significant negative environmental impacts in the supply chain and actions taken	Full	121-122	✓	8
OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Management approach – occupational health and safety	Full	94, 97	✓	There is no specific COP requirement
G4-LA5	Percentage of total workforce represented in joint management-worker health and safety committees	Full	94-95	✓	There is no specific COP requirement
G4-LA6	Rates of injury, occupational diseases, and absenteeism, and total number of work-related fatalities, by region and by gender (including contract workers)	Full	94-97	✓	There is no specific COP requirement
G4-LA7	Risk of occupational diseases	Full	94-95	✓	There is no specific COP requirement
G4-LA8	Health and safety topics covered in formal collective bargaining agreements	Full	94-95	✓	There is no specific COP requirement



Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
TRAINING AND EDUCATION					
G4-DMA	Management approach – training	Full	86	✓	6
G4-LA9	Average hours of training per year per employee	Full	88	✓	6
G4-LA10	Programs for development that support the continued employability of employees	Full	86-88	✓	There is no specific COP requirement
G4-LA11	Percentage of employees receiving regular performance and career development reviews	Full	90-91	✓	6
DIVERSITY AND EQUAL OPPORTUNITY					
G4-DMA	Management approach – diversity and equal opportunity	Full		✓	6
G4-LA12	The board of directors' composition and breakdown of employees (by gender, age, minority, education)	Full		✓	6
EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	Management approach – gender equality	Full		✓	6

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-LA13	Processes to ensure gender equality and prevention of gender-only discrimination (including men's versus women's salaries); ratio of salary of women to men in each employee category	Full		✓	6
SUPPLIERS ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	Management approach - assessment of suppliers' work environment	Full		✓	There is no specific COP requirement
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Full		✓	There is no specific COP requirement
G4-LA15	Significant (and potential) impacts of the supply chain in relation to the employment environment and actions taken	Full		✓	There is no specific COP requirement
NON-DISCRIMINATION					
G4-DMA	Management approach - non-discrimination	Full		✓	6
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Full		✓	6
SUPPLIER HUMAN RIGHTS ASSESSMENT					

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-DMA	Management approach – supplier human rights assessment	Full		✓	2
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Full		✓	2
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Full		✓	2
LOCAL COMMUNITIES					
G4-DMA	Management approach – local communities	Full		✓	1
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Full		✓	1
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Full		✓	1
G4-FS13	Service points for disadvantaged populations by geographical area and type	Full		✓	There is no specific COP requirement
G4-FS14	Initiatives for making financial products more accessible to disadvantaged populations	Full		✓	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
ANTI-CORRUPTION					
G4-DMA	Management approach – anti-corruption	Full		✓	10
G4-SO3	Anti-corruption policies and actions, the percentage and number of units assessed for risks related to corruption	Full		✓	10
G4-SO4	Communication and training on anti-corruption policies and procedures	Full		✓	10
G4-SO5	Corruption incidents during the reporting period	Full		✓	10
SUPPLIER ASSESSMENT FOR IMPACT ON SOCIETY					
G4-DMA	Management approach – supplier assessment: Community	Full		✓	There is no specific COP requirement
G4-SO9	Percentage of new suppliers that were screened using impacts on society criteria	Full		✓	There is no specific COP requirement
G4-SO10	Handling significant negative impacts on society (corruption, bribes, lobbying)	Full		✓	There is no specific COP requirement
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-DMA	Management approach – grievance mechanisms in the community	Full		✓	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-SO11	The organization's formal mechanisms for handling grievances about community activity	Full		✓	There is no specific COP requirement
PRODUCT AND SERVICE LABELING					
G4-DMA	Management approach – product and service labeling: Policy for designing and selling fair financial products and services, initiatives for enhancing the financial understanding of various target audiences (FS15 & FS16)	Full		✓	There is no specific COP requirement
G4-PR3	The Bank's commitment to publish fair and full information about all of the Bank's products and services	Full		✓	There is no specific COP requirement
G4-PR4	Number of cases of non-compliance with voluntary regulations and codes regarding labelling of services or products, but category of the cases' results	Full		✓	There is no specific COP requirement
G4-PR5	The organization's conduct regarding customer satisfaction	Full		✓	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
MARKETING COMMUNICATIONS					
G4-DMA	Management approach – marketing communications	Full		✓	There is no specific COP requirement
G4-PR6	Sale of banned or disputed products	Full		✓	There is no specific COP requirement
G4-PR7	Description of the Bank's marketing policy: Boundaries of marketing, sponsorships and advertising, including complaints on the issue	Full		✓	There is no specific COP requirement
COMPLIANCE WITH SERVICE AND PRODUCT REGULATION					
G4-DMA	Management approach – compliance with service and product regulation	Full		✓	There is no specific COP requirement
G4-PR9	Policies and activities to ensure compliance with laws regarding marketing communications, monetary value of significant fines for non-compliance with laws and regulations regarding the provision and use of services	Full		✓	There is no specific COP requirement
SECTOR SPECIFIC ASPECT: PRODUCT PORTFOLIO					
G4-DMA	Management approach – product portfolio	Full		✓	8

Aspect no.	Aspect	Reporting	Page	Third Party Adequacy Assurance	UNGC
G4-FS6	The value of the organization's product and service portfolio	Full		✓	There is no specific COP requirement
G4-FS7	The value of products designed to promote social objectives or that includes social considerations	Full		✓	There is no specific COP requirement
G4-FS8	The value of products designed to promote environmental goals or that include environmental considerations	Full		✓	8
SECTOR SPECIFIC ASPECT: AUDIT					
G4-DMA	Management approach – Audit: coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures (former FS9)	Full		✓	8

# Principles of the UN Global Compact

Leumi expresses support for the 10 Principles of the United Nations Global Compact (UNGC) initiative and works to promote these principles. The UNGC principles are detailed below:

## Human Rights

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

## Labor

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

## Environment

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

## Anti-Corruption

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



Corporate Social Responsibility Site

[Plus.leumi.co.il](http://Plus.leumi.co.il)

