

**SOCIAL, ENVIRONMENTAL,  
AND ECONOMIC  
RESPONSIBILITY REPORT  
2018**





**SOCIAL, ENVIRONMENTAL, AND ECONOMIC  
RESPONSIBILITY REPORT, 2018**

Full Report

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## Chairman and CEO Letter

We are proud to present the annual corporate responsibility report of Bank Hapoalim for 2018, summarizing a year of social, environmental, and economic activity. This is the bank's twelfth CSR report, evidence of our awareness that along with maintaining the bank's leadership and excellence in the business sphere, we have an obligation to act responsibly and to generate added value for the community and society within which we operate.

Over the year, we took action through various significant measures to advance the multi-year strategic plan resolved upon by the bank in 2017, centered on providing significant value to customers while maintaining the bank's leadership in the Israeli banking system and maximizing value for all of its stakeholders. The customer-centric approach is also reflected in our new branding, launched this year: "With You

in Every Decision." This promise is an expression of our ambition to be the first and most professional resource sought by our customers when they approach important financial decisions. To realize this aspiration, we offer customers professional solutions consisting of advanced digital tools combined with personal service and advice from the bank's experts.

Beyond our commitment to deliver a high-quality professional response to our customers, we are also committed to the promotion of financial freedom for everyone in Israel. The Financial Growth Center successfully completed its first year of activity in 2018. The center, another element of this commitment, serves as a repository for financial knowledge and tools. The Financial Growth Center offers a wide range of content, free of charge, with full academic supervision, adapted to the

needs of various population groups and to key milestones in peoples' lives.

One of the main challenges we face is the need to anticipate future changes in the banking arena and prepare appropriately. True preparation means adopting innovation in all areas of our activity. We must instill agile, rapid development processes; work to modernize core banking systems; use big-data methods to provide value offers for customers; and, of course, continue to develop innovative technological platforms and advanced digital services to benefit our customers. Alongside the digital revolution and the need to improve efficiency through new technologies, we are diligent about remaining sensitive to our customers' needs, with special attention to customers who need assistance with the transition to the banking world of tomorrow. This approach is reflected in various digital empowerment activities,

and in our package of services adapted for senior citizens. The bank's branch network is the broadest in the banking system. Branch merging processes are conducted at a measured pace, with consideration for population segments who struggle to adjust to the use of digital means for everyday banking activities; extensive efforts are invested in giving customers the guidance they need in order to navigate the digital sphere.

The ambition to provide meaningful value to our customers requires us to map the unique needs of different communities and sectors, in order to provide a response adapted to each group and help them grow and thrive. For example, we offer a widely distributed branch network with targeted, adapted products and services in Arab communities and in ultra-orthodox (Haredi) communities. This year, we were pleased to learn that a Marketest survey named Bank Hapoalim the leading bank in the promotion of small businesses in Israel. Satisfaction levels with the Bank Hapoalim website and business application were also the highest among the banks. These results are the direct outcome of a strategic focus on the small-business segment over many years, in recognition of the fact that the flourishing of this sector leads to overall growth and strengthens the Israeli economy.

Recognizing that well-developed infrastructures are a prerequisite for a strong economy, the bank finances

dozens of infrastructure projects in various areas, at a total volume of tens of billions of shekels. The bank is the leader in the banking system in financing for projects that promote environmental sustainability and renewable energy.

The bank employs thousands of workers throughout Israel, including employees from population groups underrepresented in the employment market; it is rated one of the ten leading employers on the 100 Best Workplaces list in Israel. We see human capital as a key component of the bank's ability to continue to grow and thrive. Bank Hapoalim works continually to nurture and develop its human capital. The unique volunteering spirit of the bank's employees, who participate in a wide range of community-oriented activities, is a source of great pride and a reflection of the bank's corporate DNA.

Investment in society and in the community has always been a highly significant element of the bank's activity. We support a wide range of organizations working to benefit the community and confront various social challenges. This year, we chose to increase our activities aimed at promoting accessibility and empowering people with disabilities, based on the belief that this is not only a moral imperative but also a business necessity. We are therefore committed to contributing our part in order to transform Israel into a country that removes obstacles from the paths of people with disabilities.

Our extensive activity in the various areas of corporate responsibility has earned the recognition of both local and international rating organizations, positioning us on a par with the world's leading banks in this field. The bank remains committed to the ten principles of the UNGC (United Nations Global Compact), which promotes economic development that is beneficial to the community and to future generations. In this year's CSR report, we chose to measure the impacts of the bank's activity on the Israeli economy. The results of the study we conducted through BDO for this purpose illustrate the overall economic impact of the bank on GDP. We learned that the total effect of Bank Hapoalim on GDP is NIS 19.5 billion, or 1.5% of Israel's gross domestic product, and that the activity of the bank creates approximately 51,500 jobs in Israel, through direct employment as well as through suppliers and their employees. Further, we found that the bank's contribution to the alleviation of credit shortages for small and mid-sized businesses led to an added NIS 24.8 billion in GDP arising from these businesses. We would like to thank each and every one of the bank's employees, our customers, and all of the partners in our work and in our mission. Together, we will continue to work in the coming years to achieve economic growth and to benefit the society and environment of Israel.

**Oded Eran**  
Chairman of the Board of Directors

**Arik Pinto**  
CEO



## Corporate Responsibility at Bank Hapoalim<sup>1</sup>

This is the twelfth report published by Bank Hapoalim for its stakeholders. The sustainability and CSR reports published over the years reflect the distance traveled by the bank in embedding social responsibility in its activity. In 2018, as part of the strategy of the bank, we continued to identify and realize business opportunities in this area, while promoting social and environmental benefits; maintain fair and ethical conduct; form partnerships with stakeholders in Israeli society and in the community; and improve environmental and social risk management. These activities contribute to progress on a substantial number of the UN Sustainable Development Goals (SDGs), as reflected in this report.

The Stakeholder Relations Area, which is unique to Bank Hapoalim, is in its third year, leading an advanced business approach based on the creation of sustainable shared value for the bank and its stakeholders. The results of the Stakeholder Relations Area's activity have made it clear that this approach enhances our trust-based relationship with stakeholders and strengthens our bonds with them for the long term. Further support for this view was provided by the measurement process, described extensively below, which concluded in the welcome news of an increase in positive public sentiment and in the level of trust in the bank. One of the Stakeholder Relations Area's efforts

contributing to stronger trust in the bank was the establishment of the Financial Growth Center, designed as a hub for learning and tools on financial growth for the general public. The Financial Growth Center was fully operational nationwide in 2018.

We consider listening to our customers the key to solidifying and strengthening trust and to building long-term customer relationships. Genuine listening requires the ability to conduct dialogue with customers continually, with the ambition to quickly implement in-depth measures that arise from this dialogue. Accordingly, in 2018, we opened the Customer Insight Center, to continuously provide the insights forming the foundation for processes that contribute to improvement of the service and value we offer our customers.

In the aspiration to create more meaningful value for the community in which we operate and exert a more significant impact, we chose to focus our community activity in several areas aligned with the core business of the bank, giving optimal expression to the strengths of the bank and of its employees. Towards that end, we established the Social Banking Center, last year, to promote initiatives and partnerships for social and business impact, focusing on leadership of nationwide endeavors in two main areas: digital literacy for senior citizens, and accessibility and empowerment for people with disabilities. These processes were developed in 2018, and are planned to roll out in 2019.

Alongside the focus on these nationwide efforts, in 2018 we continued to promote additional activities and initiatives with social, environmental, and economic value, which are described extensively in this report, including the establishment of the Opportunity Fund, for customers without access to credit; establishment of a dedicated consumer club for new immigrants; granting credit for energy efficiency; and more. We are proud to serve as leaders for meaningful action with shared value for the bank and the community, and it is our ambition to continue to develop these activities over the coming years.

This CSR report refers to the calendar year 2018. This report has been prepared in accordance with the GRI Standards: Comprehensive option. Readers of this report – our stakeholders – are invited to offer feedback regarding the extent to which we have met their expectations. We are committed to making use of the comments and responses we receive from our stakeholders in order to learn from them and continue to examine ourselves. This year's extensive sustainability and corporate social responsibility report is available in Hebrew and in English, and on a dedicated CSR mini-site, with an accessible version for people with disabilities. We would like to thank all of the employees and managers involved in every level of the bank's work, who contribute to these activities each day, and who helped create this report.

**Yael Dromi**  
Head of Stakeholder  
Relation Division

**Naama Halevy-Peer**  
Head of Social Banking Center,  
Stakeholder Relations Division

**Sharon Alaluf**  
Head of Corporate Social Responsibility  
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1. 102-46; 102-48; 102-49

## About Bank Hapoalim

### Mission of the bank

Helping people, communities, and businesses achieve well-being and thrive.

### Our role

To enable people to make sound financial decisions. We offer guidance to customers, businesses, employees, and communities in all important decisions, helping them make astute choices, achieve progress, evolve, and lead better lives.

### Our promise to our customers

We are with you in every decision.

### The values that guide our actions

**Humanity and caring** – Being respectful, listening, and showing empathy.

**Fairness and responsibility** – Doing what is worthy.

**Professionalism, initiative, and innovation** – Learning and adding value; driving the bank and its customers forward.

**Simplicity** – Making the complex financial world simple, accessible, and clear.

### The economic and social impact of Bank Hapoalim in Israel

In 2018, the bank performed an in-depth analysis, through the economic consulting firm at BDO, of the socioeconomic impacts arising from its activity in Israel, including its effect on GDP and employment. Findings of the survey were verified in external academic assurance by Dr. Yoram Ida of Tel Aviv University.

The economic analysis in the study is based on an input-output model and on a multiplier model developed by Nobel-winning economist Wassily Leontief. This is the most prevalent and common methodology, in Israel and worldwide, for the examination of derived and comprehensive impacts of companies and sectors on the economy. The research indicates the share of Bank Hapoalim in the national total, in terms of its effect on national product and employment.

### The overall impact of the bank on product is composed of three types of effects:

- ◆ **Direct effect** – The effect of Bank Hapoalim itself on product (net profit plus amortization expenses plus salary expenses plus taxes);
- ◆ **Derived effect** – Direct effect plus the effect on product generated by the bank's suppliers and all of their suppliers;
- ◆ **Comprehensive effect** – Derived effect plus the effect of private consumption by the bank's employees and by its suppliers' employees on economic product.

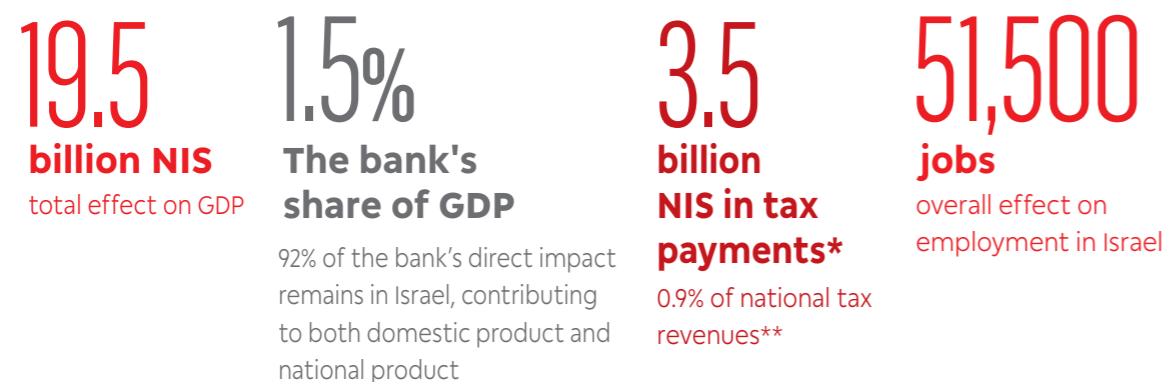
### The overall impact of the bank on employment is also composed of three types of effects:

- ◆ **Direct effect** – The number of workers employed directly by the bank;
- ◆ **Derived effect** – Direct effect plus the number of workers employed by the bank's suppliers and all of their suppliers;

◆ **Comprehensive effect** – Derived effect plus the number of jobs generated by private consumption of the bank's employees and its suppliers' employees. The study also examined the socioeconomic impacts of the bank's activities focused on the society and environment in Israel, with an emphasis on its contribution to the advancement of peripheral regions, financial education, and growth of small and mid-sized businesses, as well as the contribution stemming from financing of projects that promote environmental sustainability. The impact of the bank's monetary contributions to social causes on the Israeli economy was also estimated using the input-output model, which makes it possible to assess the overall effect of these contributions on the economy beyond their direct monetary value. The measurement of the economic impacts of the bank is based on the bank's data for 2018. The measurement of the impact of the social contributions of the bank is based on data for 2014-2018.



### Economic impact of Bank Hapoalim on GDP and employment in Israel, 2018



Calculation based on data from Bank Hapoalim stand-alone financial statements for 2018 and data submitted by the bank.  
 \* Tax payments are part of the bank's direct contribution to GDP.  
 \*\* Includes state tax revenues, municipal tax revenues of local authorities, and collection of National Insurance fees and health tax from the public by the National Insurance Institute.



### Contribution of the bank to tax payments

Total tax paid by the bank – NIS 3,547 million

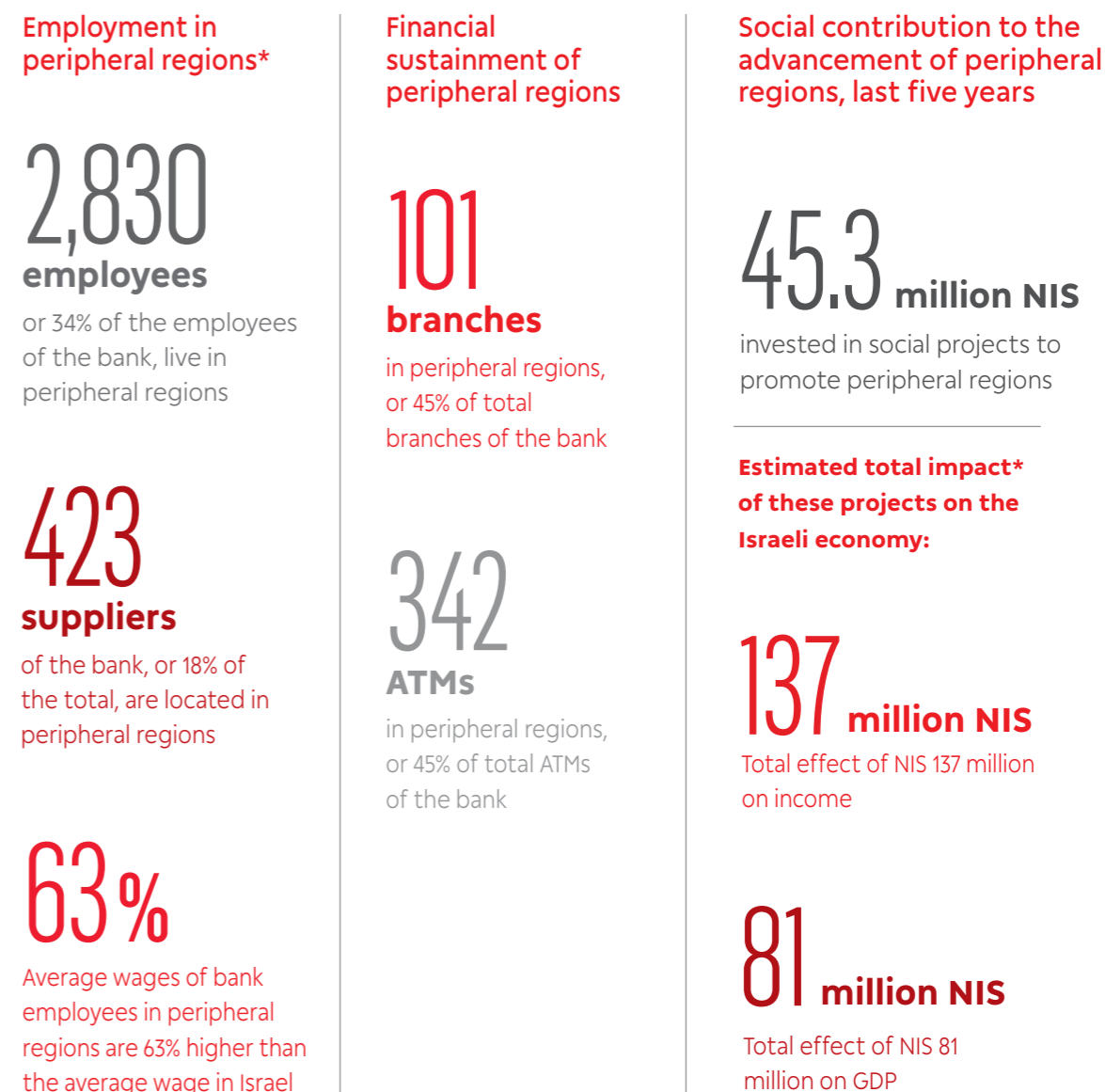


Total tax payments of the bank constitute approximately 0.9% of national tax revenues in 2018

\*Income tax, National Insurance, and health tax in respect of bank employees' income.



### Contribution of the activity of the bank to the advancement of peripheral regions



\* The total calculated effects are not included in the calculation of the derived and comprehensive impact of Bank Hapoalim on the Israeli economy in 2018.



### Contribution to the growth of small and mid-sized businesses and to the alleviation of credit shortages in the Israeli economy

Based on data from the Ministry of Economics report on small and mid-sized businesses<sup>2</sup>, the credit shortage in the small and mid-sized business sector stands at approximately NIS 127 million. In line with its strategic decision to promote the growth of small and mid-sized businesses in Israel, Bank Hapoalim provides credit to these businesses at a volume 6.8% higher than the average for banks in Israel<sup>3</sup>. The added credit supplied by Bank Hapoalim to small and mid-sized businesses, in the amount of NIS 20.35 billion and sparked significant economic activity.

**66.2**  
billion NIS

in added revenue for small and mid-sized businesses

**24.8**  
billion NIS

in added GDP from small and mid-sized businesses

**160,500** jobs

added jobs at small and mid-sized businesses

From analysis of the effect of credit in NIS on each indicator.



### Social contribution of the bank to financial education and astute financial behavior, last five years

- ◆ **Financial Growth Center** – established to promote financial education and financial freedom. In 2018, approximately 500,000 people viewed a wide range of digital content on the Financial Growth Center website, and approximately 9,200 people participated in 230 in-person workshops.
- ◆ **Financial education programs for high-school students in collaboration with the ORT Network** – approximately 28,500 students participated in programs consisting of 20 hours of instruction per class.
- ◆ Monetary donations to a broad range of non-profit foundations and organizations working in the areas of financial education and astute financial behavior.

Estimated economic impact of monetary donations by the bank in the amount of NIS 33.5 million to financial education projects and non-profit organizations

**102** million NIS  
Effect on revenues

**60** million NIS  
Effect on GDP

\*The total calculated effects are not included in the calculation of the derived and comprehensive impact of Bank Hapoalim on the Israeli economy in 2018.

## Corporate social responsibility and sustainability at Bank Hapoalim

Corporate social responsibility (CSR) and sustainability are a strategic and social philosophy for managing a business while creating economic, social, and environmental value. This section presents the bank's CSR and sustainability philosophy, its organizing model for management in this area, and the implementation of these values in its activity. Bank Hapoalim was one of the first business institutions in Israel to decide to apply this approach as a strategic element of its operations. The bank views this area as a source of business opportunities, which also promote social and environmental benefits, and as a foundation for innovation and competitive advantages, improvement of service, fair and ethical conduct, management of environmental and social risks, and partnership with stakeholders in the community, which position the bank as a leading economic and social organization. The bank is working to implement this approach in depth, while continually addressing the concomitant challenges, based on high international standards, using various methods and tools. CSR management and implementation help to achieve results in the business, social, and environmental spheres that contribute to the bank's success and to the expansion of its positive impact on all of its stakeholders, both internal and external to the organization.

### Implementing and instilling CSR values on all levels of activity

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

**Structure and authority** – The head of CSR is the strategic leader for this area, in coordination and cooperation with the various unit heads. Each unit is responsible for implementing certain aspects under its authority, using its own resources.

**Processes, metrics, and information** – Measurement is a fundamental element of management, allowing goals to be set, progress to be monitored, and performance to be compared. Improvement

of the measurement infrastructure allows enhanced controls to be applied to the various activities, and is aimed at promoting efficient, effective management of the plan.

**Broad implementation** – The various CSR initiatives and projects at the bank are implemented and administered using a broad, organization-wide approach, with the participation of many units and encouragement for units to develop initiatives in these areas.

**Communication and developing awareness** – Every initiative carried out within this activity is communicated extensively across the various levels of managers and employees. The annual sustainability and CSR report is available and accessible to all stakeholders in the Israeli and international economy: businesses, government agencies, non-profit organizations, academia, analysts, etc. The CSR zone of the bank's website, at [www.bankhapoalim.co.il/csr](http://www.bankhapoalim.co.il/csr), is the main public window to the bank's sustainability and CSR activities. The website presents an appropriate level of transparency for stakeholders with regard to events at the bank and delivers the maximum possible amount of information, which is essential to dialogue and feedback.

**Dialogue and collaboration with stakeholders** – The bank has a range of channels for dialogue with various groups of stakeholders, with the aim of identifying needs and providing an optimal response to sustainability challenges in the bank's dynamic, complex environment.

### Stakeholder Relations Area

The Stakeholder Relations Area was founded in 2016, in order to lead an advanced business philosophy based on the creation of shared economic, social, and environmental value for the bank and its stakeholders and to fortify its sustainable business success, rooted in social, human, and environmental values. The area's work emphasizes meaningful impact on the environment and on society as a whole, with the aim

of exerting a beneficial influence and strengthening the trust-based relationship between the bank and its stakeholders.

The area operates in three fields:

- ◆ Representing the voice of stakeholders at the bank, while reflecting gaps and public responses to the bank's actions;
- ◆ Leading and initiating measures aimed at strengthening trust and relationships with the various stakeholders, with a focus on dialogue, fairness, and value added;
- ◆ Leading and initiating processes and actions aimed at generating shared value to benefit all stakeholders, in collaboration with the various areas of the bank.

The following units operate within the Stakeholder Relations Area: the Social Banking Center, Social Networks, the Customer Insight Center, the Ombudsman, Poalim Volunteers, the Poalim Campus, and the Financial Growth Center. The wide-ranging activities of these units are described in detail throughout this report.

### Social Banking Center

The Social Banking Center is an arena for initiatives and partnerships designed to create social and business impacts. The center consists of three sections, working synergetically: Corporate Responsibility, Poalim for the Community, and Shared Value Initiatives. The goal of the Social Banking Center is to create new business opportunities through social and environmental impacts, focusing on the following social goals: promotion of accessibility and empowerment of people with disabilities in Israel; promotion of digital literacy for the elderly population; promotion of social mobility and employment in peripheral regions; increasing the use of renewable energy; and empowering target population groups (the Arab community, the Ultra-orthodox, Haredi community, and new immigrants). The center promotes its social goals through multi-sector cooperation encompassing social non-profit foundations and organizations, business organizations, and relevant government ministries.

2. Periodic report on the condition of small and mid-sized businesses in Israel, 2018: <https://www.sba.org.il/hb/PolicyAndInformation/Researches/Pages/sr32.aspx>

3. Examined relative to the following banks: Mizrahi, FIBI, Leumi, and Discount, as a percentage of total credit of the bank.



In 2018, the Social Banking Center led a range of social business initiatives, such as the establishment of the Hizdamnut (Opportunity) Fund for credit-excluded customers, development of a digital-empowerment program for senior citizens, raising awareness and promoting empowerment of people with disabilities in Israel, establishing a club for new immigrants, granting credit for energy efficiency, and more. These initiatives are described in detail in this report.

**Stakeholder dialogues and listening to stakeholders<sup>4</sup>**

Different stakeholders have different expectations for the bank, according to their unique characteristics and diverse needs. Ultimately, it is the bank's stakeholders who grant it its "social license to operate" (SLTO); this social license is continually under challenge in the business environment in

which the bank operates. Accordingly, and in order to build and strengthen public trust over time, the bank accords high importance to listening to stakeholder expectations and to continuously addressing the challenges they present.

Within the process of listening to its stakeholders, the bank examined public sentiment towards the bank and trust in the bank, and the impact on the public of its routine conduct and of the social and environmental processes under its leadership. The bank developed a sentiment and trust index for this purpose, incorporating perceptions, attitudes, and emotions towards the bank, as expressed in the public sphere (such as in the news media and social media) and on the level of individual direct interactions with the bank.

The results of this measurement in 2018 indicated improved sentiment and trust, compared with the baseline measurement

from 2017. The increase is attributed to a wide range of activities and processes led by the bank, such as support for small businesses, professional services and individual advising services for customers, the activity of the Financial Growth Center, and the bank's significant community engagement, particularly its efforts dedicated to people with disabilities. The bank accords high importance to continued measurement of sentiment and trust in the coming years, in order to attain further improvement. Concurrently, the bank continued to maintain and conduct ongoing dialogue with stakeholders through the various channels developed over the years. The following are selected examples of key groups of stakeholders and the nature of this dialogue in 2018 (further details regarding the dialogue channels and outcomes are presented throughout this report).

Stakeholder	Selected dialogue and listening channels in 2018 <sup>5</sup>
<b>Customers and general public</b>	<ul style="list-style-type: none"> <li>The Customer Insight Center acts to reflect the voice of the customer to the management of the bank, on a regular basis, as it emerges from customer-bank interactions in aggregate.</li> <li>Meetings and in-depth interviews with members of the bank's Customer Board, which consists of long-standing regular customers.</li> <li>Meetings with customers at the Usability Lab in the Innovation Area. The lab tests bank products prior to launch and throughout the life of the product, in order to ensure that the products optimally meet customer needs.</li> <li>Israel Business Trail – a one-month journey across Israeli communities, to visit hundreds of small and mid-sized businesses.</li> <li>A wide range of digital empowerment meetings and workshops for senior citizens.</li> <li>Unmediated communication at the bank's extensive network of branches.</li> <li>Active dialogue channels on four social networks: Facebook, LinkedIn, Twitter, and Telegram.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Feedback meetings with all employees of the bank; midterm meetings to track objectives.</li> <li>An organizational climate survey to examine the level of employees' sense of connectedness and satisfaction.</li> <li>The revamped organizational portal and the portal application.</li> <li>Onboarding meetings; orientation days; course opening, midterm, and closing sessions for introductions and mutual coordination of expectations.</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Conferences for the bank's suppliers, attended by hundreds of suppliers from various fields (consulting, transportation, construction, printing, sales promotion, office supplies, food, and more).</li> <li>Communication of the bank's CSR values to the general population of suppliers of the bank through periodic letters and the code of ethics for suppliers.</li> </ul>

4. 102-42; 102-43  
5. 102-40; 102-44

Stakeholder	Selected dialogue and listening channels in 2018 <sup>6</sup>
<b>Regulators, government agencies, and local authorities</b>	<ul style="list-style-type: none"> <li>Meetings and lectures for the exchange of knowledge and insights with representatives of government and municipal agencies. Joint projects aimed at addressing environmental and social issues are promoted in this context.</li> <li>Collaboration with the Bank of Israel and the Association of Banks on various initiatives to benefit the public, such as in the area of financial education, Shlishi Beshleikes ("Tuesdays in Suspenders") discounts for senior citizens, and more.</li> <li>Promotion of accessibility, in cooperation with the Equal Rights for Persons with Disabilities Commission at the Ministry of Justice.</li> </ul>
<b>Community and environmental organizations</b>	<ul style="list-style-type: none"> <li>Dialogue and collaboration with a wide range of non-profits and social organizations working to promote various causes.</li> <li>Collaborations with companies operating in areas such as recycling, transition to natural gas, energy efficiency, solar energy, water, etc.</li> <li>Knowledge sharing and collaboration with approximately fifty non-profits and social organizations working in the area of diverse human capital and employment of population groups under-represented in the labor market, in order to promote diverse employment at the bank.</li> </ul>
<b>Academia</b>	<ul style="list-style-type: none"> <li>Management and professors at universities and colleges, including the Technion, Tel Aviv University, the College of Management Academic Studies, the Academic College of Tel Aviv Yaffo, and Bar Ilan University.</li> </ul>
<b>CSR community</b>	<ul style="list-style-type: none"> <li>Contact and professional dialogue with Israel's leading business organizations and CSR managers.</li> <li>Maala – Shared discussion and mutual assistance in facing professional problems and challenges.</li> <li>Lectures on CSR at relevant venues (courses, academic institutions, conferences, etc.).</li> </ul>

The dialogue and listening processes were used to derive strategic focus areas for the various groups of stakeholders. These focus areas are included in the work plans of the bank for the coming years (some are reflected in the Looking Ahead sections of this report), with the aim of responding optimally to needs, further improving positive sentiment, and strengthening and solidifying the trust-based relationship between the bank and its stakeholders.

**Identifying material reporting topics<sup>7</sup>**

The bank has reported on its impact and activities in the areas of sustainability and CSR since 2007, in compliance with the recognized GRI international reporting guidelines. Since 2016, reports have been prepared in accordance with the GRI Standards: Comprehensive option. According to the GRI guidelines, the bank is required to focus its report on the topics most material to its activity, while including the expectations of the various stakeholders, in alignment with its strategic approach. Material topics are defined as areas of activity in which the bank has a significant impact on its various stakeholders in the areas of CSR and sustainability, within and outside the bank.

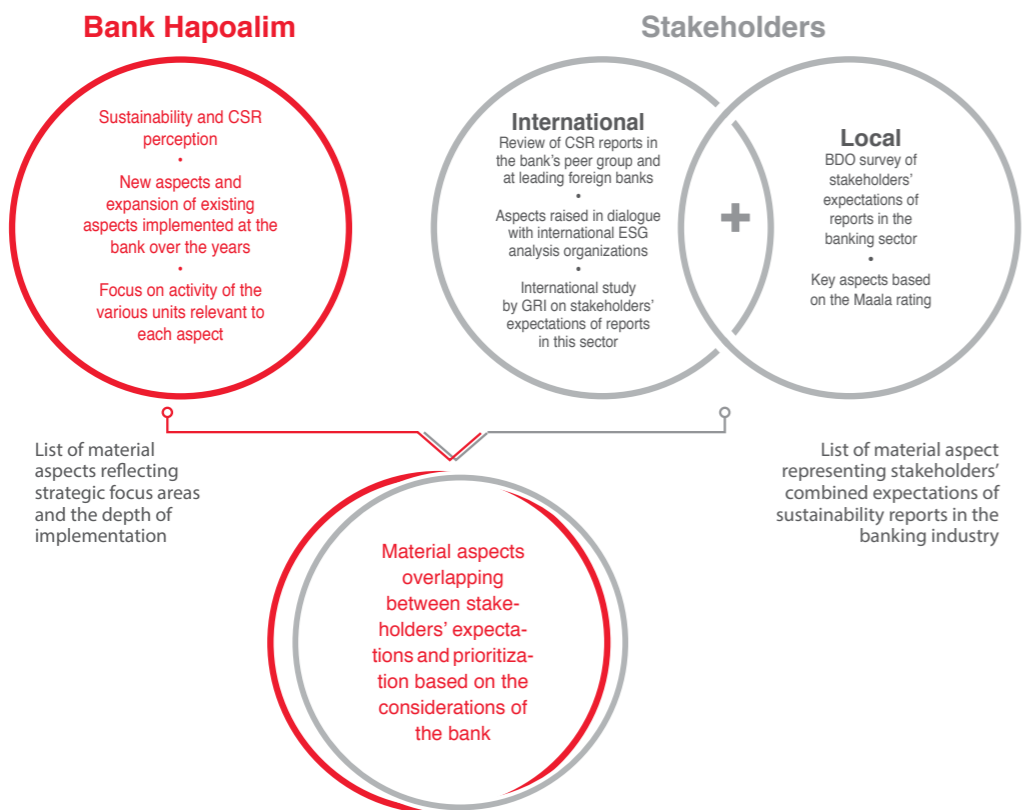
The material topics presented in this report are the product of prolonged continuous dialogue by the Stakeholder Relations Area with a wide range of stakeholders, and are based on regular dialogue with the stakeholders of the Bank and on topics identified as material for local and international analysis and rating organizations. The material topics in this report are the same as those presented in the bank's last report, for 2017, with the addition of one new topic at the core of the bank's strategy for the coming years: accessibility. The topic "Developing products and services to promote environmental sustainability and examining environmental risks in financing" has been split into two topics, due to the importance of each of these issues for the bank as a financier. To maintain consistency, the report also covers matters not included in the material topics, such as innovation.

**List of material topics for sustainability reporting at Bank Hapoalim**

The material topics represent four content areas: **the best interests of the customer, empowerment of the community, employees' quality of life and well-being, and living with the environment.** As each group of stakeholders perceives each of the material topics somewhat differently, and naturally accords greater importance to topics by which it is affected, a decision was made to refrain from presenting a hierarchical division of topics in this report. Instead, the report describes the field of topics material to the bank and its stakeholders.

6. 102-40; 102-44  
7. 102-46





**Material reporting topics<sup>8</sup>:**

A table showing the connections between the topics material to the bank, presented here, and the topics defined in the GRI standard appears on p.118.

- 1. Promotion of financial freedom for customers** – Providing information, products and tools, and individually adapted service and advice; financial education and literacy for various customer segments.
- 2. Service for a diverse range of customers and promotion of sectors of the economy** - Service targeted to specific customer segments, including small and mid-sized businesses, "new seniors," the Arab community, the Ultra-orthodox (Haredi) community, and people with disabilities; establishing a service approach; implementation and measurement of excellence in service; and presentation of the various service channels (branches, website, mobile, etc.).
- 3. Information security and privacy** – Management of information security at the bank and instilling principles for the protection of customers' privacy.
- 4. Poalim Accessibility** – A drive to promote physical accessibility for people with disabilities,

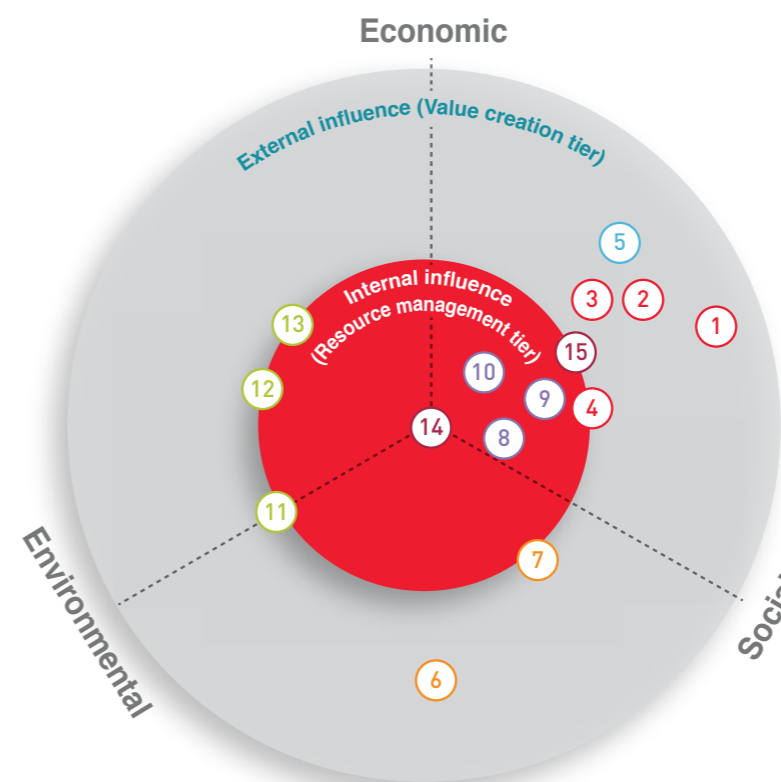
- and digital empowerment to improve the accessibility of technological means.
- 5. Responsible supply-chain management** - Including social responsibility and sustainability considerations in purchasing.
- 6. Expansion of spheres of influence** - Direct and indirect influence on the economy and society of Israel and on various stakeholders, with the presentation of the bank's activity in the public sphere.
- 7. Investment in the community** - Promotion of the policies of Poalim for the Community and Poalim Volunteers for management of the bank's social action and involvement, its donation policy, and employee volunteering.
- 8. Promotion of appropriate work environments** - Development and promotion of human capital at the bank; instilling fair policies on remuneration and benefits, well-being, and caring for employees, in various aspects of the work environment and of their lives; intra-organizational communication channels; and partnership with employees in organizational and professional processes at the bank.
- 9. Promotion of diversity, equal opportunities, and transparency** - Promotion of gender and sector equality,

- prevention of discrimination, and promotion of diverse employment.
- 10. Training and individual development** - Presentation of the area of training and learning at the bank.
- 11. Reduction of environmental impacts** - Management of the protection of the environment at the bank: responsible consumption of resources (energy and paper); reduction of environmental impacts and carbon footprint.
- 12. Developing products and services to promote environmental sustainability** - Investment in infrastructures, products, and services with environmental value.
- 13. Examination of environmental risks in financing** - Management of environmental risks when granting financing for projects.
- 14. Corporate governance and ethics** - Presentation of the structure and activity of the board of directors, and instilling ethics at the bank.
- 15. Prevention of corruption** - The bank's commitment to the prevention of corruption and money laundering; presentation of the activity of the bank's compliance unit.

8. 102-47

The bank views business continuity as an important, critical topic, but it is reported extensively in the bank's financial statements, making its presentation in this report unnecessary (for details regarding this topic, see p.116 in the annual financial statements of the bank for 2018). The topic of dialogue with employees, which is not defined as material in the GRI standard, is presented in this report within the topic of the promotion of an appropriate work environment. As the bank is an office-based organization rather than an industrial organization by nature, its impact on the environment as a result of the operational aspect of the organization is insignificant, in contrast to its role in financing infrastructure and industrial projects; the bank has therefore continued to reduce the environmental section of the report, while expanding the sections on the development of products and services with social and/or environmental added value and on environmental risk management in financing.

**Material topics map**



**customers**

- 1. Promotion of financial freedom for customers
- 2. Service for a diverse range of customers and promotion of sectors of the economy
- 3. Information security and privacy
- 4. Poalim Accessibility

**Supply-chain:**

- 5. Responsible supply-chain management

**Community**

- 6. Expansion of spheres of influence
- 7. Investment in the community

**Employees**

- 8. Promotion of appropriate work environments
- 9. Promotion of diversity, equal opportunities, and transparency
- 10. Training and individual development

**Environment**

- 11. Reduction of environmental impacts
- 12. Developing products and services to promote environmental sustainability
- 13. Examination of environmental risks in financing

**Ethic**

- 14. Corporate governance and ethics
- 15. Prevention of corruption



**Methodology for the preparation of this report: measurement, evaluation, and control**

Most of the data in the report were generated by information systems at the bank, in accordance with GRI reporting requirements. Information was collected regularly and routinely throughout the year. However, some of the data were collected after the end of the reported period. The information is organized in a comprehensive database encompassing data on the reported period as well as multi-year data. Data are presented using comparative analyses referring to the reported period and to long-term trends. Some of the quantitative data in this report referring to previous years are restated, in accordance with the annual financial statements for 2018, due to improvement of data at the bank. A small part of the data involves the use of estimates and evaluations. Estimates and evaluations, where used, were stringently checked and validated, and are clearly noted in the report. The report does not address CSR impacts of Isracard Ltd. in 2018. We recognize the importance of auditing and external assurance of our work and of the accuracy of the presented data. Accordingly, we have decided to continue to maintain external auditing of the implementation of processes and of the fairness of our reporting,

on four levels: the corporate social responsibility implementation process; control over the fairness of the report; the completeness of the report on our carbon footprint; and compliance with GRI criteria for reporting on material topics. GRI has found that the process of determining the topics to be reported complies with the directives of the new reporting standard (with regard to controls, see p. 126).

**Bank Hapoalim and the Sustainable Development Goals (SDGs)**




The Sustainable Development Goals (SDGs) consist of seventeen goals and 169 secondary goals for the closure of global development gaps by 2030. In September 2015, Israel joined 192 members of the United Nations in adopting a resolution to take part in realizing these goals. There is broad international consensus that achieving the goals will require collaboration among the public, business, and civil sectors. The SDGs refer to issues including reduction of inequalities, education, infrastructures, economic growth, fighting climate change, and more. Helping people, businesses, and communities thrive and grow is a priority for the bank in its business and social

actions, with all of its stakeholders. As one of the largest financial entities in Israel, the bank's routine activity contributes to the realization of some of the global objectives for sustainable development. Among other means, the bank achieves this by making financial services accessible, financing renewable-energy and infrastructure projects, investing in the community, and promoting financial education. Initiatives and actions of the Bank that contribute to the realization of the global goals on a local level are described extensively in this report. The bank chose the goals on which it would focus based on two parameters: the bank's ability to have an impact on each goal, and the relevance of each goal to its business. These parameters were rated based on both present and potential activities. As part of its commitment to this issue, the bank also supports the Sustainability Compass, an Israeli social project modeled on the global SDG Compass project. The goal of the Sustainability Compass is to adapt the seventeen development goals to Israeli society in general, and to the Israeli business sector in particular.


**1. Objectives chosen as focus areas by the bank**



Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (detailed in the report)
 <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b></p> <p>Promote inclusive and sustainable economic growth, employment and decent work for all</p>	<p>As a leading financial entity, the bank makes financial services accessible, while promoting the idea of financial freedom for its customers. The bank is also a major employer in the Israeli economy, and contributes indirectly to employment through additional channels (financing, suppliers, support for the community, etc.).</p>	<ul style="list-style-type: none"> <li>The direct impact of the bank on gross domestic product is NIS 19.5 billion, or approximately 1.5% of the GDP of Israel. 92% of the bank's direct impact on GDP remains in Israel, contributing to both domestic product and national product.</li> <li>The bank has a direct and indirect impact on employment in Israel estimated at approximately 51,000 jobs, in central and peripheral regions (through direct employment as well as indirectly, through the bank's suppliers and their employees).</li> <li>Ensuring accessibility of banking services (personal, human, and technological) for the entire population of Israel, with an emphasis on populations suffering from a lack of access to full banking services.</li> <li>Guidance and financial tools for small businesses through targeted credit funds, financing solutions for small and mid-sized businesses, tools to assist financial management, and tools to support growth, including workshops targeted to small businesses at the Financial Growth Center.</li> </ul>
 <p><b>10 REDUCED INEQUALITIES</b></p> <p>Reduce inequality within and among countries</p>	<p>The bank works to adapt financial tools and services for diverse audiences, including senior citizens, the Arab community, the Ultra-orthodox (Haredi) community, people with disabilities, and more. The bank also promotes diverse employment among its employees and in the supply chain</p>	<ul style="list-style-type: none"> <li>Promotion of employment of workers from population groups characterized by underemployment.</li> <li>Making banking services accessible, and initiating programs and solutions for financial inclusion.</li> <li>Extensive educational and communications activity on the subject of astute financial conduct for various customer segments and population groups, aimed at promoting financial freedom for the bank's employees and customers, and for the general public in Israel.</li> </ul>
 <p><b>4 QUALITY EDUCATION</b></p> <p>Ensure inclusive and quality education for all and promote lifelong learning</p>	<p>Within its community engagement, the bank invests resources in a range of educational initiatives, and in donations of cash and cash equivalents to educational and cultural institutions. The bank also conducts extensive educational activity on the subject of astute financial behavior.</p>	<ul style="list-style-type: none"> <li>Hundreds of workshops and extensive digital content on astute financial behavior are offered free of charge to the general public through the Financial Growth Center.</li> <li>Investment of resources in education, with an emphasis on financial education, and granting scholarships for higher education to thousands of students.</li> <li>Read and Succeed activities aimed at boosting reading and writing skills among children, in the Arab and Ultra-orthodox (Haredi) communities.</li> <li>Investment of cash and cash equivalents in cultural and artistic institutions, in order to promote education complementary to formal learning.</li> </ul>



Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (detailed in the report)
 <p><b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b></p> <p>Build resilient infrastructure, promote sustainable industrialization and foster innovation</p>	<p>The bank grants credit for investment in infrastructures, development, and construction in Israel. This investment is crucial to economic growth and to the improvement of services accessible to the population in the areas of welfare, education, and health care</p>	<ul style="list-style-type: none"> <li>Financing significant infrastructure projects, such as the Light Rail, development of the "Karish" natural-gas field, the Cross-Israel Highway, and more.</li> <li>Development of innovative financial products, led by the Innovation Area at the bank, such as the Bit application, which contributes significantly to time and money savings for customers of all banks.</li> <li>Managing environmental risks in financing and credit for infrastructure and real-estate projects in order to ensure sustainable development.</li> </ul>
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b></p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>The bank's involvement in leading financing solutions for its customers for projects in the areas of renewable energy and energy efficiency is highly important to the feasibility of such projects.</p>	<ul style="list-style-type: none"> <li>Over NIS 4 billion was invested in 2018 in financing of various renewable-energy projects, including solar energy, wind energy, and pumped storage.</li> </ul>
 <p><b>6 CLEAN WATER AND SANITATION</b></p> <p>Ensure access to water and sanitation for all</p>	<p>Access to water and sanitation is an essential challenge for sustainable development today. The bank is a leader in financing of water desalination and waste treatment facilities in Israel.</p>	<ul style="list-style-type: none"> <li>Financing of 80% of water desalination plants in Israel.</li> <li>Financing of operators of waste treatment facilities, mainly producing water used in agriculture.</li> </ul>

**2. Additional goals promoted by the bank in its routine activities for stakeholders**

SDG	Examples of activities (detailed in the report)
 <p><b>5 GENDER EQUALITY</b></p> <p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> <li>The bank establishes baseline salaries and benefits according to the employee's position and rank, regardless of gender.</li> <li>53% of the bank's management tier are women.</li> <li>In 2018, the bank expanded its involvement in initiatives aimed at empowering women, such as the project "A Business of Your Own" for the development of women's entrepreneurship in the Arab community.</li> <li>The bank has set a goal of increasing the representation of women in its senior management.</li> </ul>

SDG	Examples of activities (detailed in the report)
 <p><b>11 SUSTAINABLE CITIES AND COMMUNITIES</b></p> <p>Make cities inclusive, safe, resilient and sustainable</p>	<ul style="list-style-type: none"> <li>Granting credit and mortgages for the construction of housing.</li> <li>Development of products such as housing loans for the Arab community.</li> <li>A targeted loan for private and business customers, with preferred terms, for the purchase of solar-energy systems to produce electricity for personal consumption from renewable energy sources.</li> </ul>
 <p><b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b></p> <p>Ensure sustainable consumption and production patterns</p>	<ul style="list-style-type: none"> <li>The bank has a green purchasing policy, in which environment-friendly product purchasing alternatives are examined for products and services.</li> <li>Mapping the various types of waste generated by the bank's activity, and examining the environmentally safest ways of treating the waste. Responsible waste collection and removal, including collection of electronic waste and construction waste, and recycling of bottles and cans.</li> </ul>

**Adoption of responsible initiatives, promotion of partnerships, and transparent reporting**

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

**Maala** – Bank Hapoalim joined Maala in 2006 as a member of the organization's business leadership. In ratings assigned by Maala for 2018, based on reported data for 2017, Bank Hapoalim was ranked at the top of the Platinum Plus class, the highest rating category in the Maala charts. The bank also appears on Maala's stock-market index, which consists of all of the public companies rated by Maala and traded on the TASE.

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

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

**Sustainability and CSR performance of Bank Hapoalim** – analysts' perspective Capital-market analysts, both internationally and in Israel, include sustainability and CSR components in their evaluations of the performance of business firms and organizations, which are presented to investors around the world. Over the last two decades, the implementation of corporate responsibility has expanded in the Israeli and global financial sectors. Consequently, information has accumulated that allows financial corporations to be examined and compared based on their performance in this field.

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

1. Dialogue with international analysts who are in routine contact with corporations all over the world offers the bank valuable insights regarding current trends in the global CSR field and material issues for the banking sector;
2. An examination of the bank's scores on the various rating scales allows ongoing mapping of gap analysis in the management of CSR issues and promotes the improvement of performance on the various parameters. The bank examines its performance from a broad perspective, aligned with the standards defined in this field for the global financial sector, in order to understand its position relative to banks worldwide. Towards that end, reviews of the bank by analysts and based on key international metrics are compared. Bank Hapoalim is rated in the top 5% on the Bloomberg and MSCI CSR indices for the banking sector



**ACTING IN THE  
CLIENTS' BEST  
INTEREST**



## With the customer in every decision

This section describes the bank's relationships with its customers, the services and products offered to customers by the bank, and the ways in which the bank identifies opportunities and manages risks in the area of social responsibility in a changing business environment. The bank strives to develop banking services and products based on a shared value approach, creating value for its stakeholders while simultaneously generating economic value for the bank. Bank Hapoalim operates in an evolving business environment, where awareness of the social and environmental impact of the actions of both the bank and its customers is growing. The bank's role is to provide professional solutions on the financial plane while strictly adhering to responsible conduct aligned with sustainability values. Accordingly, the bank invests extensive resources in the development of financing solutions, deposits, and various investment products that encourage sustainable consumption and investment, and concurrently promote the financial freedom of the bank's customers and the prosperity of the economy.

### Enhancing value for customers –the core of the bank's strategic approach

Bank Hapoalim is committed to providing its customers with meaningful added value by integrating personal, human service with technological innovation, based on the belief that this combination creates optimal service and a high-quality banking experience individually adapted to each customer. As part of this commitment, the bank aspires to be the first resource its customers turn to when they need to make financial decisions. This ambition is rooted in the understanding that financial decisions at important crossroads in customers' lives may have far-reaching implications for their future, and for the future of everyone around them.

The bank is working on the following two levels to promote and strengthen this approach:

- ◆ **Personal and human banking** - Beyond its digital banking services, Bank Hapoalim aims to be there for its customers when they need it, providing service that relies on in-depth knowledge of their needs, listening, professional expertise, and dedication, and building a long-term, trust-based relationship. Accordingly, the bank offers a range of services delivered in face-to-face meetings, through the most extensive network of branches and centers in the banking system.
- ◆ **Digital empowerment** - In order to enable customers to enjoy maximum convenience and accessibility, the bank works to teach and inform its customers about the advanced digital tools it has developed in recent years to improve financial conduct and save time. The branches of the bank conducted a digital empowerment process consisting of guidance, coaching, and instruction for customers on the variety of digital tools offered by the bank.

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Bank Hapoalim was chosen as Israel's best bank by Global Finance magazine for the seventh consecutive year in 2018.

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## With the customer in every decision on the path to financial freedom

Bank Hapoalim, as a leading financial institution drawing its strength from the society within which it operates, views the promotion of financial freedom as a key goal. The bank aspires to enable its customers and the general public in Israel to make sound financial decisions leading to financial freedom, which is expressed as the liberty and will to take action based in responsibility and an understanding of the existing economic possibilities at any given moment. The promotion of financial freedom creates shared value for the bank and its customers, and drives shared growth. Customers who conduct their financial affairs wisely create positive value for themselves, for the bank, and for society as a whole, which benefits from well-being and growth.

The bank works on three main levels to promote financial freedom among its customers and the general public in Israel: providing information and imparting financial knowledge; developing services, products, and tools to support behavioral change for the promotion of astute financial conduct; and raising awareness.

### Providing information and imparting knowledge for the promotion of financial freedom

The bank provides its customers with extensive information in various financial areas, as part of its efforts to enhance financial freedom. This includes detailed information about transactions executed

by the customer, as well as current market data and key trends in areas such as pensions, savings, the capital market, and more. The information is accessible to customers through a variety of channels: the digital channels (the bank's website, call center, and smartphone and tablet applications), bankers at the branches, and the bank's experts in each financial field. The Financial Growth Center began full operations in 2018, further to a successful pilot project in 2017. For additional information, see the section "Responsible action to benefit Israeli society and communities."

### Tools and services to promote astute financial conduct

Over the last few years, the bank has developed a series of products and tools designed to help its customers make informed financial decisions. These tools enable customers to understand and analyze information, and to obtain control and flexibility in managing accounts and family budgets and in creating long-term savings. The tools are accessible through innovative digital channels that can be used at any time and place.

Examples of tools that support the enhancement of customers' financial freedom:

- ◆ **The bank's website** - Offers a wide range of possibilities for accessible, immediate account management online. In addition to the presentation of the usual information regarding customers' accounts, the website offers various tools for improved management of their finances, such as dynamic comparisons of income to expenses, alerts when approaching the limit of a credit facility, and a feature for setting and tracking goals;

- ◆ **Poalim UP** - A set of services and products that help customers with smart management of their monthly budget, according to their income and financial goals. The service includes various digital budget-management tools;

- ◆ **Budget management** - The bank has developed a series of unique tools designed to offer ongoing guidance and assistance to its customers in managing their finances. This includes online tools for budget construction and management, which customers can use to examine their financial conduct in comparison to the behavior of customers with a similar profile (the Poalim Like Me application);

- ◆ **Save & Go** - Customers of the bank can transfer money into savings using the account management application, and set up reminders to perform recurring transfers. Customers can choose when the reminders are displayed: periodically, or, using a feature that supports both savings and a more athletic lifestyle, after the customer walks a specified number of steps;

- ◆ **Personalized service and consulting** - The bank offers its private and business customers personalized service in the areas of credit, savings, and mortgages. Subject to the provisions of the Law for Regularization of the Occupation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995, the bank also provides customers who have signed advising agreements with investment advising matched to their needs, based on its familiarity with the customers' individual needs, preferences, and goals;

- ◆ **Comprehensive pension advising** - The bank endeavors to raise awareness of astute financial conduct after retirement among new seniors (see details in the subsection, "New seniors").



~  
**854,000**

customers use the bank's budget management application.

~  
**480,000**

customers learned about the use of the bank's digital services from bankers and attendants at the branches.

~  
**800,000**

pension advising sessions were held with customers who signed advising agreements.

**Examining Achievement of Objectives**

2018 Objectives	Status
Launch of a large-scale marketing drive: "Poalim - With You in Every Decision." This campaign reflects the bank's commitment to being the most significant resource for customers facing important financial decisions, at every life stage.	<p>✓ <b>Completed.</b></p> <p>The bank's marketing campaign won first place in a competition held by the Israel Marketing Association. The award described the campaign as groundbreaking and innovative, combining values of professionalism and expertise with a human, sensitive component and inclusive representation of the diverse mosaic of Israeli society.</p>

**LOOKING AHEAD**

- Launch of the Smart Advice system in the capital-market application and on the bank's website. The system will allow customers who have signed an advising agreement to receive personalized investment recommendations;
- Inclusion of ESG (Environmental, Social, Governance) considerations in the financial consulting process – the consulting system will display ESG ratings of global stock picks for interested customers.

**Working to benefit a diverse clientele**

**Sectors served by the bank**

The activity of the bank is managed through several segments of activity. The division into segments of activity is based on types of products and services or on types of customers. The management of the bank uses this division to make decisions and to analyze business results. The division into segments based on the approach of the management of the bank, in accordance with the directives of the Banking Supervision Department, is presented below. A banking corporation wherein the activity segments based on the approach of its management are substantially different from the supervisory activity segments is required to provide additional disclosure of segments of activity based on the management approach (for

segment definitions and more extensive information, see the annual financial statements of the bank for 2018, p.54-63).

**Segmentation of borrowers**

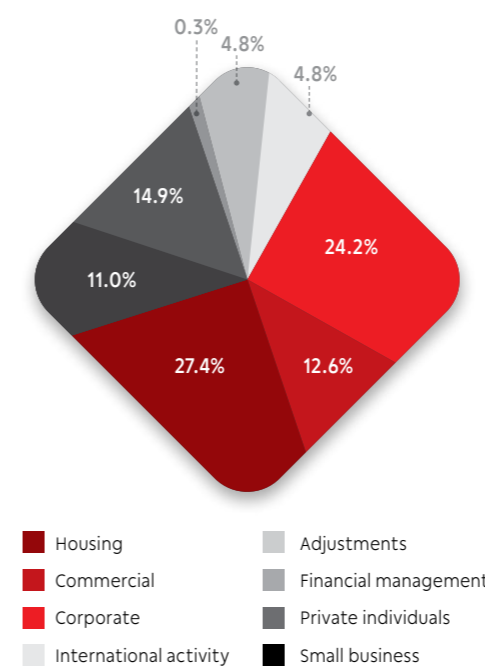
Total credit to the public in 2018 stood at approximately NIS 282.5 billion, 6% more than in 2017 (for information regarding developments in balance-sheet balances of credit to the public by segment of activity based on the management approach, see the financial statements for 2018).

**Granting credit to promote shared business and social value**

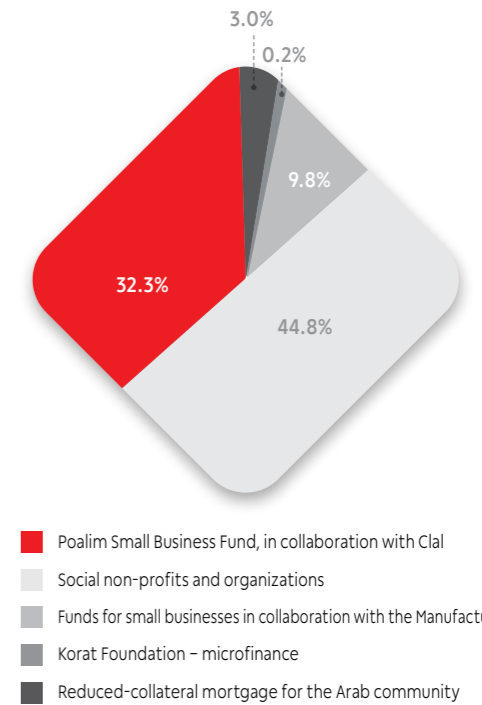
Within the bank's core business of granting credit, some of the financing supports the promotion of social and/or environmental causes, concurrently with the benefit to the

business of the entity or organization that receives the credit. In 2018, the bank granted credit through funds for small businesses, microfinance for microbusinesses, financing of non-profits and community organizations, and housing loans designed to resolve a need in the area of housing in the Arab community. Total credit in these channels reached NIS 642 million. In addition, the bank allocated credit in the amount of NIS 8.7 billion for infrastructures, products, and services with environmental value (for additional information, see the Environment chapter, p. 90).

**Net credit to the public by segment of activity**



**Segmentation of credit with shared business and social value**





### Quality of life for senior citizens

The senior-citizen population in Israel numbers approximately one million<sup>1</sup>. Retirement is a new and exciting period in senior citizen's lives, when they can enjoy the fruits of their labor after long years of work. However, retirement also entails a drop in income; expenses shift to align with new needs, and financial routines are deeply transformed.

Another challenge confronting this population group is the rapidly evolving presence of digital means in every area of life. While the constant technological changes create opportunities for personal growth, relief of loneliness, and connectedness, the sheer magnitude of possibilities and information can be overwhelming, leading to feelings of disorientation and loss of control.

As part of the shared-value approach, Bank Hapoalim has launched a broad strategic drive targeted to the pre- and post-retirement population, consisting of a range of adapted services and value offers designed to respond to the unique challenges and needs facing this group:

- ◆ **Dedicated rapid call center** - The bank has introduced a call line exclusively for customers above the age of 70, which provides a human response by a banker within approximately ten seconds. This is an extended implementation of the Senior Citizens Law, which mandates the provision of public services without queues for customers above the age of 75;
- ◆ **Mobile branch** - The mobile branch of the bank visits 22 towns across Israel to deliver banking services to those who have difficulty reaching the bank's branches, and to supply mobile-banking services to the general

population during emergencies. The activity of the mobile branch expanded in 2018, and it now also visits eleven elderly residential care facilities each month. The branch has been made accessible to people with disabilities and equipped with a wide range of devices for the convenience of customers who use a wheelchair;

- ◆ **Assistance for the seniors sector by attendants at branches** - Attendants have been stationed at branches of the bank that tend to serve an elderly population, to assist and guide these customers, and to provide information and digital empowerment through familiarization and experience with the direct channels;

- ◆ **Notification of customers during structural changes of branches** - The bank conducts telephone conversations with customers in cases of branch mergers, in order to notify them and clarify their needs. If the new branch is not suitable for the customer, for any reason, the bank transfers the customer to another branch, through dialogue and an understanding of needs.

### Poalim Digital Independence

Alongside the bank's aspiration to operational excellence and innovation in the adoption of new technologies, and the operational efficiency achieved through branch mergers, Bank Hapoalim recognizes that the senior-citizen population requires assistance with the transition from traditional banking to the banking of tomorrow. The bank is committed to the accessibility of banking services for this population segment, and has chosen the enhancement of

digital capabilities for elderly customers as a strategic focus area. The Poalim Digital Independence drive, launched in 2018, is aimed at improving the digital independence of senior citizens in every sphere. This effort, led by the Social Banking Center, involves multi-sector cooperation (business, public, and third sector), including the Ministry of Social Equality, JDC Eshel, business partners, elderly residential care facilities, specialized non-profits, and more.

The initiative began with a process of listening and learning about the needs of this population segment through focus groups, surveys and research in Israel and overseas, tours of elderly residential care facilities and senior citizen population centers, and meetings at bank branches and the mobile branch. During the dialogue process, representatives of the bank encountered an extensive range of usage patterns of digital means by elderly customers, and studied them in depth. Key conclusions of the dialogue process:

- ◆ Senior citizens are aware that a lack of familiarity with digital language may lead to growing dependence on their relatives, particularly their children and grandchildren;
- ◆ Difficulty orienting themselves in the digital space, especially on smartphones, damages senior citizens' sense of confidence and personal independence;
- ◆ The digital platform presents an opportunity to communicate with the younger generations and maintain independence and a youthful image;
- ◆ The most significant worry is the fear of malicious use of personal information and online fraud.

In response to these issues, Poalim Digital Independence offers digital training programs on various subjects, including the use of e-mail and search engines, use of social media, safe browsing, and use of online banking products and services. Instructional pamphlets and videos for use at home were produced as part of this initiative. In-person instruction is provided at bank branches, dedicated centers, and elderly residential care facilities.

In addition, the Shlishi Beshleikes ("Tuesdays in Suspenders") initiative continued, as a collaboration of the Bank of Israel, the Ministry of Social Equality, and the banking system. As part of this effort, lectures on digital banking empowerment were held across Israel in October 2018; in November and December 2018, senior citizens were invited to visit branches of the bank and participate in individual instruction sessions to experience the use of the digital services.

**550**  
**senior citizens**  
 participated in digital courses in a pilot project held at approximately 50 elderly residential and day care facilities nationwide, in collaboration with the non-profit organization Unistream. Further to this successful pilot project, the program will be expanded in 2019.

### Pension advising services

Bank Hapoalim has developed a package of professional pension advising services designed to offer guidance to customers of all banks at crossroads they encounter while working, ahead of retirement, and post-retirement.

- ◆ **Pension advising and retirement planning centers** - The pension advising and retirement planning service was expanded during 2018 to encompass the 22 pension advising centers located at branches of the bank nationwide. The pension advisors offer professional, objective advice for customers of all banks who are employees in Israel. During the advisory process, customers benefit from the use of information drawn from the pension clearing house, thorough investigation of their financial needs and the needs of their families, and the presentation of various solutions to meet future needs. The bank also offers advisory services for retirement planning, which include the examination of possible tax solutions, aimed at finding the optimal combination of a monthly allowance and a lump sum for the retiree to receive, based on each customer's needs;
- ◆ **Presentation of pension portfolios on the bank's website** - Customers can use this feature to track their pension portfolios and any changes made to them, and to receive detailed, up-to-date monthly information about savings products, insurance coverage, the amounts deposited in their plans, and retirement forecasts.

- ◆ **Poalim Advisor for pensions** - An advanced advisory system for pensions is available to the bank's advisors. The system presents customers' pension portfolios and allows examination of their various pension needs, in order to help them understand their present position and plan ahead for their own and their families' financial goals.

1. Based on data of the Central Bureau of Statistics for 2018



Examining achievement of objectives

2018 Objectives	Status
Expansion of activity of the mobile branch, in terms of the frequency of the service as well as its geographical distribution.	✓ <b>Completed.</b>
More in-depth enrichment activities for senior citizens, in collaboration with the new Financial Growth Center at the Poalim Campus.	✓ <b>Completed.</b>
Increased presence of attendants at branches oriented to the elderly customer segment.	✓ <b>Completed.</b>
Opening six new pension advising centers and expansion of the service offered at the pension advising centers to encompass retirement planning.	✓ <b>Completed.</b> Seven new pension advising centers opened in 2018.
Opening two additional offices specializing in general teller and cash services, adjacent to branches in Jerusalem and Beer Sheba.	✓ <b>Completed.</b>
Automation of the dedicated rapid-response call line, so that customers do not need to identify themselves in order to advance in the queue.	✓ <b>Completed.</b>

Working to help the Arab community thrive

The Arab community is experiencing continual change and growth processes; Bank Hapoalim sees strategic importance and a values-driven commitment in being active in this community and supporting its development. This commitment is also rooted in recognition of the national importance of inclusive and diverse employment in the Israeli economy and development of peripheral regions. The bank has 28 branches in towns in the Arab community, and fifteen additional branches located in mixed cities or adjacent to Arab towns. A website presenting up-to-date information about services and products in Arabic is available to the customers of the bank. The bank introduced several initiatives

targeted to the Arab community in 2018, and launched products and services dedicated to this population. These include the development of housing loans designed for situations, commonplace in Arab communities, in which problems arise with property liens due to multiple owners of land, absence of current records of rights, etc. The value offer was accompanied by a campaign to explain the product and its advantages.

Promotion of employment and small businesses

◆ **A Business of Your Own** - A unique training program launched by the bank in collaboration with the non-profit organization Economic Empowerment for Women in Israel, aimed at supporting the inclusion of Arab women in employment and business. The program is designed for women interested in starting a business, turning a talent into a source of income,

LOOKING AHEAD

- Launch of the National Pension Advising and Retirement Planning Center in Ramat Gan, the first of its kind in the banking system, in 2019. The center will offer retirement planning advisory services to all employees in Israel, including customers of all banks;
- Expansion of the Poalim Digital Independence initiative to all parts of Israel.

or developing an existing business. 77 women participated in the second year of A Business of Your Own, in four regional centers: Ar'ara, Daburiyya, Tamra, and Nazareth. The program consisted of training and instruction sessions on many subjects related to the setup, development, and management of a business, as well as individual guidance from leading lecturers in this field. Approximately half of the graduates of the first session of the program have founded their own businesses. The women presented their businesses at the program's graduation ceremony;

◆ **Arab Economic Conference** - A large-scale business convention for the Arab community was held in early 2018, in collaboration with the Calcalist newspaper and Bank Hapoalim, concerning economic issues relevant to Arab society.

Projects for Arab youth

- ◆ **Read and Succeed** - The Read and Succeed activities aimed at nurturing reading and writing skills of Arab children, conducted for the seventh consecutive year, expanded from 26 towns and cities to 33 in 2018, including the mixed cities Jaffa, Lod, Ramla, Haifa, Acco, and Nazareth Illit. The bank also held the Young Authors contest, in which a professional committee of the Academy of the Arabic Language in Israel selected ten winning short stories. A book of the collected stories was designed, printed, and distributed in 1,500 copies in Arab communities in Israel.
- ◆ **Scholarships for Arab students** - The bank collaborates with non-profit organizations in the Arab community to encourage higher learning through dozens of scholarships granted to students, in return for community volunteer work:
  - ◆ **Scholarship fund in collaboration with the non-profit organization Amanina** - A new fund granting scholarships to 50 Arab students. In return for the scholarships, the students participated in a program

on astute financial behavior, and then used the knowledge and skills they had learned to provide guidance to Arab families struggling financially;

- ◆ **Scholarship fund in collaboration with the Nazareth Foundation** - The foundation grants scholarships to students from disadvantaged families. Recipients of the scholarship attend a three-day training program on astute financial behavior for youth, and volunteer in return for the scholarship as instructors for high-school juniors and seniors on this subject, in preparation for adult life;
- ◆ **Saleh Falah Foundation scholarship fund** - The fund grants scholarships to Druze students.
- ◆ **Collaboration with Kav Mashve** - Kav Mashve is a non-profit organization engaged in job placement for Arab university graduates. In a mentoring project conducted in 2018 in collaboration with the bank, students completing their degrees received advice, guidance, and instruction in preparation for finding employment aligned with their education and skills;
- ◆ **Joint program with Bokra** - The

collaboration with Bokra, a well-known and popular Arabic website, was created in order to understand the needs of Arab students and provide suitable solutions for them. The coordinator of the program visited university campuses and spoke with students about the financial challenges they face. The bank developed value offers tailored to respond to these challenges, such as a product allowing students to defer tuition payments until after they begin working;

- ◆ **Financial education for high-school juniors and seniors in Tamra** - Within the bank's collaboration with the ORT Network, teachers attended a training program on financial education, in order to teach classes on this subject to high-school juniors and seniors in the town of Tamra.

Conferences and events

In 2018, the bank granted sponsorships to conferences on various subjects aimed at supporting the advancement and development of the Arab community in the areas of medicine, education, employment, sports, and more.

Examining achievement of objectives

2018 Objectives	Status
Expansion of the program A Business of Your Own for economic empowerment of women in the Arab community to additional towns.	✓ <b>Completed.</b>
Providing tools for astute financial behavior to Arab students, through lesson plans developed and translated into Arabic.	✓ <b>Completed.</b>
Increasing the amount of loans approved for Arab customers for purchases of homes and extension of the repayment period of mortgages.	✓ <b>Completed.</b>
Granting 50 scholarships in the amount of NIS 6,000 each for Arab youth, in collaboration with the non-profit organization Amanina.	✓ <b>Completed.</b>

LOOKING AHEAD

- Launch of the Financial Growth Center website in Arabic;
- Opening a Facebook page for the bank in the Arab community, including service responses in Arabic.





## Supporting growth in the Haredi sector

Bank Hapoalim has twenty branches in towns characterized by significant religious and ultra-orthodox (Haredi) populations. The bank respects religious lifestyles, and has adapted branches serving predominantly Haredi customers to this segment, in terms of the appearance of the branch, the videos played on screens, and the marketing materials displayed.

The bank's activity in the Haredi community has led to initiatives, development, and adaptation of a set of products and services targeted to this population in recent years. For example, the bank has a website adapted for observant customers, which can be used to log into accounts, receive routine banking information, and perform various account transactions. In order to increase the number of users of these features, the bank conducts digital empowerment activities for this population segment throughout the year.

### Unique projects in the Haredi sector in 2018

◆ **A range of credit solutions** - In order to provide a solution to the financing needs of Haredi customers ahead of the Jewish holidays in the autumn and spring, the bank introduced an initiative

offering a range of credit solutions designed to help finance the unusual expenses typical of the holiday seasons, enabling customers to begin the new year on Rosh Hashanah with their minds at ease, and experience Passover, also known as the feast of liberty, with full freedom. The bank also reinforced the staff of the branches operating in Haredi communities and prepared them for the high credit needs of the holiday months;

- ◆ **Wise Living project** - The Wise Living project, in its fourth year in 2018, is aimed at fostering deeper awareness of the importance of astute financial behavior in the Haredi population and imparting tools for financial growth. Within this project, held in collaboration with the newspaper Hamodia, five families representing the diversity within the target population were selected. Each family met with the manager of a branch of the bank, a financial advisor from the bank, and an external financial advisor for weekly consulting sessions to track their financial conduct. The Hamodia reporting on the project, which was accompanied by articles on astute financial behavior, resonated strongly with the Haredi community;
- ◆ **Read and Succeed** - This was the ninth consecutive year in which the Read and Succeed program has operated in the Haredi sector, with the aim of nurturing reading and writing skills

among children and adolescents. Within this program, the bank collaborated with Or Hachaim Books to sell selected children's books at affordable prices during the month preceding the holiday of Hanukkah. 65,000 books were sold in 2018, at a subsidized price of NIS 10. In addition, in the competition An Author is Born, Haredi children were invited to write a short story about "Havurat Taryag" (the "613 Mitzvah Crew"), well-known fictional characters in the Haredi community. 750 stories were submitted, and the ten winning stories were published in a booklet distributed at branches of the bank;

- ◆ **Financial workshops at Prog College** - Prog College is the largest educational institution serving the Haredi community in Israel offering professional training in the fields of design and visual communications. During 2018, workshops were held for students and graduates of the college, in collaboration with the Financial Growth Center, aimed at imparting tools for successfully coping with the financial challenges facing young entrepreneurs;
- ◆ **Conferences** - Conferences were held at the branches of the bank in 2018 for customers and for external financial advisors, to strengthen relationships with the Haredi population and formulate financial solutions adapted to the needs of this sector.

## Supporting the growth of small and mid-sized businesses

In recent years, the bank has worked extensively to empower the small and mid-sized business sector, in the understanding that these businesses are the backbone of the Israeli economy. The comprehensive value offer developed by the bank for small and mid-sized businesses positions it as a strategic partner at their side in every financial and business decision. Among other matters, the bank has developed tools and services to provide tailored solutions to the challenges confronting a business in the various stages of its life cycle,

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**A Marketest survey conducted in January 2019 named Bank Hapoalim the leading bank in the promotion of small businesses in Israel, the most accessible bank in granting credit to small businesses, and the best provider of personal service. Satisfaction levels with the Bank Hapoalim business website and application were also the highest among the banks.**

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with special emphasis on personal and professional service delivered in proximity to every business in Israel.

### Credit

The bank grants credit to small businesses, as part of its overall credit portfolio, which is the largest in the banking system, and through designated funds.

- ◆ **Poalim Business Fund** - A credit fund for small businesses, in collaboration with Clal Insurance, at a volume of approximately NIS 8 billion. The goal of the fund is to support small and mid-sized businesses that find it difficult to obtain credit in the ordinary course of business. The bank thereby helps many Israeli small businesses grow, develop, and create new jobs in Israel. In 2018, the fund granted 730 loans in a total amount of NIS 230 million. Businesses taking these loans were also offered consulting provided by the organization Lahav. The bank also has joint funds with the Manufacturers' Association - the Manufacturers' Association Fund, and with the Korat Foundation, offering microfinance loans with special terms for micro-businesses in amounts of NIS 1 million;
- ◆ **Instant Credit for Businesses** - This quick and simple service is available to customers through a brief procedure on the bank's website, via mobile, or at the branches, without additional

collateral and without delay. The service significantly shortens the process of submitting and approving credit applications. The bank thereby provides an immediate solution for small businesses, allowing continued routine operations and rapid decision-making at significant crossroads in the life of the business. **Up to the end of 2018, the bank granted approximately NIS 6.3 billion in credit through this service.**

### Comprehensive professional guidance and adapted tools and services

In accordance with the needs of small businesses, the bank has initiated a range of innovative services and information channels designed to promote the financial freedom of this sector, delivered through the direct channels and digital platforms, including the following:

- ◆ **Extensive distribution of expert business bankers** - In addition to the deployment of the business departments of the bank, eighty retail-banking branches have been declared anchor branches offering an especially broad range of solutions for small and mid-sized businesses;
- ◆ **Innovative digital channels for business account management** - A new website and application for businesses were launched in 2018 (see details in the Innovation chapter);

### Examining achievement of objectives

2018 Objectives	Status
Digital empowerment and development of digital services adapted to the Haredi way of life.	✓ <b>Completed.</b>

## LOOKING AHEAD

- Guidance by branch managers for an incubator for Prog College graduates, through mentoring of the participants and through workshops on financial management for small businesses, run by the Financial Growth Center.

# 31

billion NIS

**Credit for small businesses** - The total balance of credit granted to the small-business sector as at the end of 2018

# 1,096

million NIS

**Poalim Business Fund** - From the inception of the fund to the end of 2018, the bank granted 3,494 loans in a total amount of NIS 1,096 million through the fund



### Israel Business Trail

A unique initiative of the bank encompassing a one-month journey across Israel showcasing the rich variety of businesses in Israel and of the people behind the businesses. In November 2018, the Small Business Trail reached many communities in every part of Israel, and professional experts from the bank and the Financial Growth Center held enrichment workshops at selected small businesses in these towns. At the end of the month of the journey, the bank held its sixth consecutive annual Small Business Day. Small Business Day is a festive occasion in which all Israelis are urged to patronize small businesses, encouraging domestic growth. Opinion leaders and celebrities participated in the Small Business Trail project, visiting small businesses nationwide and posting about their activities on social media, in order to gain exposure to new audiences for the businesses. The Business Trail and the value offer delivered by the bank to small businesses drew extensive media coverage, which raised public awareness of the importance of supporting small and mid-sized businesses.

- ◆ **Current-account benefits for small businesses in the setup phase** - In order to strengthen new small businesses in Israel, Bank Hapoalim offers the Easy Start Package to small businesses in their first two years of existence. The package provides a one-year exemption from current-account fees for businesses in the setup phase, and offers assistance with financial management;
- ◆ **Value offer for small businesses at the end of the year** - The bank is aware that small and mid-sized businesses face many decisions as the end of the year approaches, and has therefore launched a targeted drive to invite business owners to meetings with bankers at the branches in which they receive guidance and financial solutions for end-of-year accounting and business issues;
- ◆ **Business Grow system by PBG** - The system provides a range of valuable tools for small and mid-sized businesses on a simple digital platform. Business Grow serves as a one-stop shop for managing the activity of a business, including a desktop used to oversee client management, sales management, digital promotion, financial management, accounting, and more;
- ◆ **Workshops for small and mid-sized businesses in collaboration with the Financial Growth Center** - In 2018, the Financial Growth Center offered fourteen types of workshops to owners of small and mid-sized businesses, free of charge, for customers of all banks. The workshops concern financial subjects such as the first steps in managing a business, online commerce and digital sales promotion, marketing, negotiations, first steps in importing, and more. In addition to the in-person workshops, the center's website contains a zone dedicated to the management of self-owned businesses, with articles, tutorials, and videos on subjects including setup and marketing of a business, budget management, working with suppliers, working with financiers, and more;
- ◆ **Business Setup Guide** - The bank offers the Business Setup Guide to small businesses taking their first steps. The Business Setup Guide provides guidance for the foundation stages of a business, encompassing all of the information and tools necessary for business owners, in the form of an online digital resource open to customers of all banks.

### Poalim High Tech

The Poalim High Tech program was established four years ago with the aim of responding to the needs of the start-up and high-tech industry, from the initial stages of development to advanced stages of growth. Poalim High Tech has locations in ten branches of the bank, across Israel, staffed by high-tech bankers specially trained to serve this sector. The extensive service and product offering is tailored to the needs of start-up companies, based on an understanding of entrepreneurs' language and DNA. Services include a personal banker; assistance in opening an account, addressing complex legal and regulatory aspects; connection to a dealing room; credit solutions for various stages; customized deposits; international banking services; direct

- banking; links to investors; and more. Additionally, Poalim High Tech acts in the following ways to create value for the entrepreneur community:
- ◆ **Meet-ups and conferences** - The bank harnesses its extensive network of relationships and holds dedicated conferences and meet-ups with venture-capital funds, accelerators, investors, hubs, and more, in order to expand the matrix of connections and collaborations between entrepreneurs and potential investors;
  - ◆ **Mentoring and advisory services** - Provided to entrepreneurs free of charge;
  - ◆ **Screening and mentoring** - The Poalim High Tech team has an important role in the process of screening companies for various accelerators. A large number of accelerators currently offer a wide range of programs for entrepreneurs. Team members participate in these programs

- as judges, lecturers, and mentors;
- ◆ **Investment in venture-capital funds** - The bank invests in venture-capital funds with the aim of promoting the ecosystem, expanding the bank's portfolio, and aiding the expansion of customers' network of relationships. These investments are performed in collaboration with Poalim Capital Markets;
- ◆ **Small Business Competition** - The competition was held for the eleventh year, in collaboration with the website Ynet. Hundreds of small businesses from across Israel participated; eleven businesses reached the final round and received professional financial consulting. Three winners were selected, as well as winners in the categories of Best Social Business and Audience Favorite. The winning businesses received monetary grants and an advertising package.

### Examining Achievement of Objectives

2018 Objectives	Status
Making the Business Grow system for small and mid-sized businesses accessible to customers of all banks.	✓ Completed.

## LOOKING AHEAD

- Establishment of a dedicated call center to allow business customers to gain available, professional service via telephone and perform a wide range of transactions, including when their branch is closed;
- Poalim Small Business Success - Guidance and mentoring for small businesses to support growth and astute financial conduct;
- Continuation of the Israel Business Trail project, with an emphasis on accessible businesses, and expansion to additional businesses.



## Accessibility for customers with disabilities

About one and a half million people with physical, mental, and/or cognitive disabilities live in Israel, or approximately 18% of the Israeli population. Bank Hapoalim views accessibility for people with disabilities as an essential value and a business necessity, an integral part of its approach to service and social responsibility. In addition to actions taken to make the bank's buildings and services accessible, the bank is committed to contributing its share to making Israel a country that removes obstacles from the path of people with disabilities. Accordingly, the bank works to improve quality of life for people with disabilities and the way they are treated, mainly through collaborations and projects aimed at raising awareness, developing technological products, and promoting employment of people with disabilities (for further reading, see the Employees chapter and the Community chapter).

**Access for people with disabilities is a crucial issue, in the eyes of the bank; it is an inseparable part of the bank's service philosophy. The bank takes action to realize the basic right of every customer with a disability to receive the full range of offered services, as independently as possible, while maintaining human dignity.**

### Leading the initiative to enable people with life-shortening disabilities to obtain mortgages

Until 2018, people with life-shortening disabilities were not eligible for mortgages in Israel, due to the refusal of insurance companies to provide them with coverage. Bank Hapoalim led an initiative in 2018, drawing in the banking system, the Israel Insurance Association, and the state, which resulted in eligibility for housing loans in amounts of up to NIS 1 million for this population. This program is backed by state guarantees to subsidize insurance premiums for eligible borrowers, thereby assisting them with routine payments.

The bank has an obligation, derived both from regulation and from the standards it has voluntarily adopted, to adapt and create dedicated solutions for various types of disabilities, in order to enable all customers to receive optimal service. Accessibility processes are performed routinely and continuously, including physical accessibilization of buildings and accessibilization of technological means for the customers and employees of the bank. The accessibility process is based on dialogue conducted by the bank with relevant stakeholders, regulatory agencies, and professionals in this field, and guided by the Access Israel foundation.

### Accessibilization of branches and buildings

**As of the end of 2018, 95% of the bank's buildings are accessible. The Equal Rights for Persons with Disabilities Commission at the Ministry of Justice has been apprised accordingly.** Due to an unforeseen delay in the receipt of construction permits from local authorities and municipalities, full accessibilization has not yet been completed in 5% of the buildings; approval proceedings are underway with local authorities. An expanded emergency

program has been implemented as an interim solution at these buildings, with the guidance of the Access Israel foundation. The emergency program includes establishment of accessible stations in each department, for every type of service, on the accessible ground floor of the branch; accessible restrooms; and accessible entryways and passages.

#### Every accessible branch has:

- ◆ Convenient accessible entry;
- ◆ Accessible parking; where there are no parking spaces owned by the bank, the local municipality has been contacted via official mail to request accessible parking;
- ◆ Signage in compliance with legal requirements;
- ◆ Accessible furniture;
- ◆ Accessible restrooms;
- ◆ At least one accessible ATM;
- ◆ Branches with more than one floor have elevators, wheelchair lifts, or elevating platforms;
- ◆ Accessible service stations for the various types of service, in each department of the branch, compliant with accessible service regulations and equipped with the following devices:
  - ◆ **Inductive Loopset** - A system designed to improve dialogue with customers who have auditory impairments, allowing them to hear

only the banker through a hearing aid, without superfluous background noise.

- ◆ **Step Hear aid system** - An active voice guidance system providing voice instructions for people with visual impairments, to help them locate branch entrance doors and accessible ATMs.
- ◆ **Call Hear** - A device designed to alert the banker stationed at the accessible service desk of the branch that a customer with vision impairment is at the entrance to the branch and in need of assistance.

#### Accessible ATMs and self-service devices for customers with vision impairments:

All of the bank's locations where self-service devices are available have been adapted for physical and technological accessibility. Self-service devices adapted for people with disabilities are marked with an accessibility symbol, and Step Hear voice instruction systems have been installed to easily guide customers to the accessible devices. In 2018, the bank installed accessible self-service deposit stations for business clients. These devices allow customers to enter the amount of their deposit using an accessible application and deposit checks and cash into the automated station, during and after the opening hours of the branch.

The accessible devices can also be operated by people with vision impairments: display and print fonts can be enlarged, and earphones can be used to receive voice instructions. These devices can also be operated using an accessible physical keyboard. Instructions are provided in four languages: Hebrew, English, Russian, and Arabic. At the end of 2018, 99% of the bank's ATMs were fully accessible.

#### Accessibility of banking services in the bank's digital channels:

Technological innovations, which are an integral part of the service offering for customers, allow access to the full range of products and services, at any place and time, through telephone call centers or through a computer or smartphone, using advanced, convenient interfaces. Accessibility of these channels represents a leap forward in possibilities for people with disabilities to consume banking services in ways convenient to them. **The bank's website, including marketing content and banking services, is in compliance with the requirements of the Israeli standard at Level AA, Grade 2.**

#### Additional solutions available to customers for accessibility of information and services:

- ◆ **Reading forms aloud** - At the customer's request, a banker at a branch will read the relevant forms aloud. Audio files of long forms have also been uploaded to the bank's website;
- ◆ **Accessible mail** - Customers who find it difficult to read mail received from the bank can contact their branch, or a banker at Poalim by Telephone, and ask for the document to be read aloud to them;
- ◆ **Translation into sign language** - On complex financial subjects that require extensive discussion, a meeting can be held at the branch in the presence of a sign-language interpreter;
- ◆ **Accessible print** - At the customer's request, forms will be supplied in accessible print or in Braille, in coordination with the relevant branch;
- ◆ **Accessible conferences** - The bank rigorously ensures full physical accessibility at its large conferences, in addition to accessibility tools for people with hearing impairments, such

as amplification devices, transcription, and sign-language interpreters;

- ◆ **Skipping the line** - The bank's personal service system offers a Direct Reception function for people with disabilities, who are exempt from waiting in line.

#### Banking products to encourage accessibility in Israel:

- ◆ Granting credit for the promotion of accessibility of small businesses - The bank offers credit in amounts of up to NIS 50,000, with preferred terms, for accessibilization of a business, thereby helping small businesses meet the requirements of the Accessibility Law. In addition, the bank has produced three videos on accessibility, for shops, restaurants, and offices. The videos are used by small-business owners to train their employees, according to the requirements of the law, and help with the adaptation and improvement of service for people with disabilities. The videos were distributed to the general public via social media and the press, and are available for viewing on the bank's marketing website, on the website of the Access Israel foundation, and on YouTube.

#### Poalim Accessibility social deposits

A unique product planned in 2018 and launched in early 2019, encouraging customers to save money in a deposit and receive interest while also generating social returns. Within this product, a collaboration of the bank with JDC Israel, the bank will donate an amount equal to the interest on the deposit to innovative social services for people with disabilities.

2. According to data of the Equal Rights for Persons with Disabilities Commission at the Ministry of Justice for 2019: [https://www.gov.il/he/departments/publications/reports/2018\\_statisticsbt](https://www.gov.il/he/departments/publications/reports/2018_statisticsbt).



**Training the employees of the bank to provide adapted service to people with disabilities:**

The bank accords high importance to improving the quality of service provided to customers with disabilities, and to familiarity of its employees with the full range of solutions available for accessible service. A dedicated content area has been established on the bank's portal for this purpose, with comprehensive, current, regularly updated information on accessibility and adapted tools at the bank; fundamentals of service for people with disabilities; and information about the accessibility of the bank's website. All employees of the bank also participate in training on this subject through tutorials, face-to-face instruction, and practice via simulations of service for people with disabilities. The bank ran mystery

**A day of experiences to raise awareness of accessibility for bank employees**

As part of the events held on the International Day of Persons with Disabilities, the bank led a first-of-its-kind social initiative to raise awareness and allow employees to experience service as received by people with disabilities. On the day of the event, held in collaboration with the Access Israel foundation, thousands of employees experienced using a wheelchair, "blind" walking, communication using sign language, and other physical challenges. Bankers at Poalim by Telephone also received training from hearing-impaired instructors. The employees found the activity deeply moving, and shared their experiences and feelings on social media, further contributing to raising public awareness.

customer visits aimed at examining the service provided by its representatives to people with disabilities for the first time in 2018. The tests were performed by reviewers with various disabilities at 25 sampled branches located nationwide. Results of the review indicate that the bankers at the branches made an effort to provide polite, adapted, accessible service, and made use of the various means offered by the bank. A number of flaws discovered during the review were presented to the management of the bank and set as objectives for improvement in 2019.

**Examining achievement of objectives**

2018 Objectives	Status
Setting up a simulator for serving people with disabilities at the Poalim Campus, in order to train employees and improve their familiarity with accessibility means installed at most of the bank's branches.	✓ <b>Completed.</b>
Installation of a robotic device to open doors to the bank's buildings for people with disabilities, further to a pilot project.	Following examination of the results of the pilot project and dialogue with the relevant stakeholders, the bank decided not to move forward with this project due to a low level of need for the device.

**LOOKING AHEAD**

- Development of a targeted loan with preferred terms for accessibilization of private homes and purchases of accessibility equipment;
- In early 2019, the bank announced that it would include people with disabilities in its advertising campaigns. This move puts people with disabilities on center stage, raising awareness and displaying the diversity of Israeli society;
- Credit for accessible businesses - Continued activity to encourage businesses to promote accessibility and offer credit products with preferred terms for that purpose.

**Enhanced value for customers as part of the service concept**

Bank Hapoalim views the continual improvement of service as the key to the growth of its business. The bank works to deliver the best possible service experience to its customers, while upholding the values of humanity and caring, fairness and responsibility, professionalism and initiative, and simplicity. In recognition of the complexity of the financial arena in which it operates, the bank also aspires to provide outstanding service in order to create a differentiated customer experience.

**Service concept**

The service concept of the bank is derived from the strategic approach of enhancing value for customers. To achieve this, the bank believes it is important to listen to customers' expectations and needs, regularly and continuously, through various platforms.

**The bank listened to hundreds of thousands of customers over a range of channels in 2018, and implemented several organizational processes aimed at improving intra-organizational and external service.**

**Establishment of the Customer Insight Center**

The Customer Insight Center was established at the bank in 2018. The center serves as a hub for knowledge, analysis, and measurement, using an advanced integrative approach to distill key insights arising from routine quality of service surveys, internal service surveys, complaints from the public, social media,

**Establishment of the Customer Councils**

Two Customer Councils were established within the Customer Insight Center, consisting of long-standing regular customers of the bank, in northern and southern Israel. The councils serve as another venue for listening to customers and deriving insights. Continuous communication was maintained with the councils throughout the year, and meetings and in-depth interviews were held to learn from their experiences. This dialogue was conducted both through in-person meetings and through means of communication such as e-mail, telephone, etc. After the first year of activity, this effort appears to have generated substantial value both for the bank and for customers. The bank receives a comprehensive reflection of its service, allowing it to identify opportunities to develop new value offers for customers as well as areas for improvement. Meanwhile, customers appreciate being heard; they feel a sense of partnership and involvement, and they are proud to see changes and improvements implemented as a result of their insights.

and in-depth processes through dialogue with stakeholders. These insights are analyzed and translated into policies, actions, and suitable value offers.

**Key insights leading to adaptation and improvement of processes at the bank:**

- ◆ Branch mergers - The transition of customers to a new branch due to branch mergers has been identified as a significant crossroads for customers, especially for elderly customers who are nervous about the change. Accordingly, a comprehensive set of services has been designed in order to closely guide customers through this process, including instructional sessions aimed at enhancing digital independence in order to reduce their dependence on visits to branches;
- ◆ Elderly customers - An extensive monitoring process was conducted in order to study the needs of elderly customers, including identification of the difficulties that arise in coping with the new digital world. Solutions developed as a result of this process

include a reinforced staff of attendants at branches and targeted instruction on the use of the bank's digital products (for details, see the New Seniors chapter);

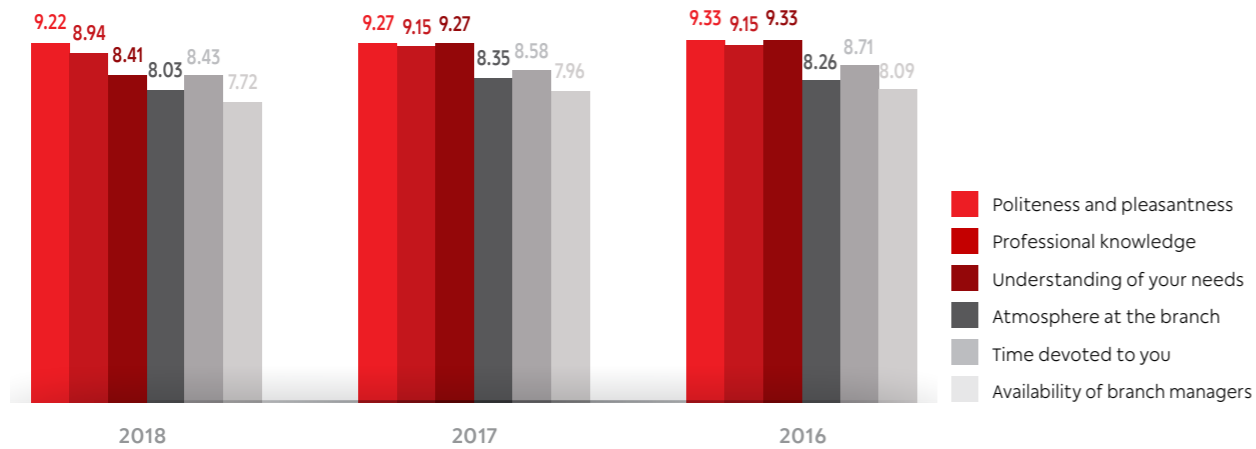
- ◆ Small businesses - A call center specifically for small businesses has been established within Poalim by Telephone, in light of the need expressed by these customers for readily available service from bankers; a pilot project was held in 2018 at four branches, and is planned to expand in 2019;
- ◆ New service model - The new model implemented at the branches centers the customer and matches value offers to customers according to the nature and extent of their activity.

**Service experience measurement**

The service experience is continuously sampled on a daily basis, with results submitted to the Service Department for further processing and study. Service is measured through various means, including focus groups, telephone surveys, social-media surveys, customer councils, and more.



Results of customer satisfaction surveys



Examining achievement of objectives

2018 Objectives	Status
Implementing a service strategy aligned with the values of the new brand strategy, "Poalim - With You in Every Decision" - humanity and caring, fairness and responsibility, professionalism and initiative, and simplicity, in processes, behavior, and language.	✓ <b>Completed.</b>
Instilling new customer-centric service models and adapting the characteristics of services and value offers to the nature and volume of activity of the customer.	✓ <b>Completed.</b>
Continued development of advanced digital means for the improvement of service and sales processes at branches.	✓ <b>Completed.</b>

LOOKING AHEAD

- Creation of an advanced customer experience through service tracks matched to customers' needs and preferences;
- Strengthening customer relationships through a leading service experience and guidance during financial decisions; establishment of personal and business consulting centers for customers, where they can arrange meetings by appointment;
- Coordination of customer service by complexity level, using the most suitable form of banking; easier identification of customers in the various channels and redirection of calls to targeted call centers.

Responding to complaints and requests

The bank considers customer satisfaction to be of the utmost importance, and places a devoted team of bankers at customers' disposal at the Ombudsman Department to respond to any questions, complaints, suggestions, or feedback they may have. All such communications represent opportunities for the bank to learn, deepen its relationship with the customer, improve the customer experience, and remedy flaws. The Ombudsman Department bases its activities on the values of fairness, privacy, reliability, and transparency. The Ombudsman Department handles inquiries and complaints received through any channel, including mail, Internet, fax, telephone, the marketing website, the banking website, and more. The offices of the bank devote focused attention to processing complaints, with high alertness and awareness to accurate and appropriate response to complaints within a reasonable period, while applying lessons learned and continually improving processes. The service concept in the

area of inquiries from the public is communicated to the employees of the bank through training at the Poalim Campus and the intra-organizational communications channels. During processing, it sometimes becomes apparent that certain inquiries have implications beyond the specific customer, such as in the case of incidents that recur at various units, problems with procedures or organization-wide work processes, and more. Inquiries of this kind are presented to the business functions at the bank for learning and improvement of the relevant procedures and processes. The department operates in accordance with Proper Conduct of Banking Business Directive 308A of the Bank of Israel, which took effect on April 1, 2015. The directive formalizes the obligation of a banking corporation to address customers' inquiries in a fair, reliable, and efficient manner, and is designed to provide uniform rules for addressing and reporting inquiries throughout the banking system. The directive establishes detailed rules with regard to the existence of the unit, the ombudsman at its head, the

ombudsman's authority, the procedure for processing customer complaints (including timeframes), and detailed reporting to the board of directors, management, the public, and the Banking Supervision Department.

**Percentage of justified complaints:** Of the total number of complaints regarding which the bank determined its position, only 7% (445 complaints) were found to be justified; in these cases, the bank apologized, performed the necessary remedies, and compensated the customers if necessary.

**Queries by law-enforcement agencies:** 19,642 queries by law-enforcement agencies were processed in 2018, versus 23,934 in 2017.

8,391 customer inquiries

Inquiries in 2018, of which approximately 6,741 complaints

Year	2017	2018*
Customer queries	7,412	8,391
Complaints	5,193	6,741
Justified complaints	415	445
Queries of law-enforcement agencies	23,934	19,642

\* The reporting method was updated in 2018, according to Reporting Directive 826 of the Banking Supervision Department and the clarification published on August 23, 2018. Supplementary information, including the processing of queries from the Banking Supervision Department, is presented annually in the "Review of Public Queries of the Banking Supervision Department."



**Information about banking products and services**

The bank is subject to laws that impose due-disclosure regulations concerning information to be provided to customers regarding banking products and services. These directives apply to all products and services. Bank Hapoalim maintains full compliance with the directives, through designated mechanisms subject to controls and audits. Essential principles that form the foundation for consumer-protection directives include the duty of due disclosure (transparency) to customers, and protection of customers' right to receive advice and service from the bank.

Accordingly, the bank, as a leading organization in the economy, exercises extreme caution in its advertising, marketing, and sales promotions, applying several levels of strict screening and controls. All messages published by the bank conform to the law – the first and most essential such level. Next, the bank consults with advertising experts on the substance, content, and style of its advertisements, according to the service or product and the target audience of the messages. The third level consists of internal controls applied by the bank's experts in this field, including further review of the preceding two stages. The bank has formulated a document of principles regarding ethics in marketing and advertising, beyond the requirements for legislative and regulatory compliance. The bank has adopted prevalent ethical rules, such as those of the Second Authority for Television and Radio, and

collaborates with advertising firms committed to these rules. The document describes ethical principles such as responsibility, fairness, transparency, customer privacy, accessibility, adaptation to diverse population groups and sectors, and more, and is displayed in the social responsibility area of the bank's website. There were no cases of non-compliance concerning the publication of information regarding products, services, or marketing communications during 2018.

**Customer privacy and information security**

The bank accords high importance to information security and cyber defense, and invests extensive resources, both technological and human, to maintain customers' privacy and the confidentiality of banking information on the Internet, through the use of highly advanced security methods and some of the strongest encryption systems available. Cyber defense at the bank is under the responsibility of the Information Systems Security and Cyber Defense Unit, which reports to the Head of Information Technology. The Cyber Defense Unit ensures that it employs the best professionals with the necessary knowledge, experience, and authority in the field of information security, and regularly conducts training, enrichment, and awareness programs. Cyber defense strategy at the bank focuses on deep protection of banking activity by embedding defense technologies in multiple layers, in order to ensure that the bank's systems are thoroughly protected from penetration, unauthorized access, and damage. The bank's cyber

defense is continually improved and developed, in order to cope with the rapidly changing landscape of threats. The bank implements cyber defense processes systematically and methodically, routinely conducts resilience tests and information security surveys of its systems, and applies technological and business controls in the various IT layers based on some of the most advanced solutions in the market. The bank has a dedicated service center to handle security events in real time, which covers events from beginning to end and documents the process. Substantial incidents in this area are reported to management and to the board of directors, in accordance with procedures, and a thorough and organized process of lessons learned is applied. Information systems projects at the bank are accompanied from their inception by an information-security team that ensures strict compliance with the rules, including protection of the privacy of information and restriction of access to information. Cyber defense is managed in accordance with the requirements of the Bank of Israel; the Protection of Privacy Law, 1981; the Protection of Privacy Regulations; and other relevant laws, in particular Proper Conduct of Banking Business Directive 361, "Cyber Defense Management," and Proper Conduct of Banking Business Directive 363, "Supply Chain Management," which took effect at the end of 2018. The bank constantly works to maximize privacy protection, with individual monitoring of every project and system. Business and/or technological actions are recorded and documented in the organization's databases, in accordance

with the law. The bank strictly maintains a large number of physical, administrative, and technological controls (such as encryption, limited authorizations, monitoring tools, protective tools, and more) in order to protect all aspects of information, including its confidentiality, completeness, and availability. The information collected is in accordance with the requirements in the regulatory directives governing face-to-face and electronic contact with customers, and/or information required for customer verification when executing transactions via electronic means. Information is retrieved by electronic applications as required for the customer's business with

the bank's systems. Most information is accessible to customers for viewing only, with the exception of specific instances of management of account beneficiaries in transfers via the website. The bank and its employees are not permitted to disclose information regarding customers' account, business, conduct, or any other matter related to the contractual engagement between the bank and the customer. The bank's duty to maintain banking secrecy is not limited to the period of the legal contract or relationship between the bank and the customer; it also applies to the period following the closure of a customer's account, or following

a customer's death, for an unlimited duration. Access to information regarding the bank's customers on the bank's computers is permitted to employees of the bank solely for the purposes of their work, and only to authorized personnel. The bank works to protect customers' privacy through formalized procedures, in line with the Protection of Privacy Law. In 2018, three recorded customer inquiries concerning violations of privacy and banking secrecy were found to be justified. These cases were studied at the bank, and the requisite conclusions and lessons were drawn. Written responses were sent to the customers.

**Examining Achievement of Objectives**

2018 Objectives	Status
Monitoring changes in this arena and finding adapted security solutions, while validating the bank's information-security strategy and policy.	Ongoing in 2019
Expanding the process of collecting cyber intelligence, in order to improve the analysis of strategic trends and tactical alerts by taking advantage of existing sources and developing new sources.	Ongoing in 2019
Performing periodic information-security surveys, in accordance with regulatory directives and based on needs and the sensitivity of the systems, while also validating the methodology for conducting these surveys.	Ongoing in 2019
Continuing to raise awareness of cyber risks among the employees of the bank, and imparting basic tools for understanding the form taken by these risks and the preferred defensive measures.	Ongoing in 2019

**LOOKING AHEAD**

- Expansion of treatment and analysis of security patches and installation on IT infrastructures, to prevent the exploitation of gaps for cyber crimes;
- Improvement of supplier instruction processes, in light of the new regulation on cyber risk management in the supply chain.



## Value-creating innovation

Bank Hapoalim has undertaken a goal of leading and encouraging innovation in the Israeli economy in general, and in the banking system in particular. This goal is part of the bank's vision, and is based on the recognition that technological developments present opportunities for initiatives offering advanced financial products and services to customers. The bank examines developments in the fintech space in the local and global markets, and holds strategic collaborations with leading professionals in academia and in the high-tech industry to implement advanced methodologies and technologies and to develop technological tools that create value for customers. Innovation at the bank is led by the Innovation Area. The essence of the Innovation Area's work is the creation of an advanced and innovative user experience in the digital banking channels, and proactive initiation of banking value offers based on familiarity with the individual customer and understanding of customers' needs.

In order to ensure that new products and services developed at the bank are user-friendly and meet customers' needs, the bank assiduously listens to customers' voices and maps the customer's journey, from the emergence of a need to the identification of opportunities, barriers, and pain points, in order to create a range of solutions that provide a holistic response and contribute to building a long-term relationship that continues after the solution is implemented and the transaction is performed. The Innovation Area also contains the Usability Lab, where products are subjected to continuous testing prior to launch, in the prototype phase, in order to ensure that digital solutions meet the needs for which they are designed and improve the value offer if they are found lacking. Usability testing is also performed throughout the lifetime of a product, to ascertain that it still delivers an optimal response matched to customers' needs.

The collaboration between the bank's Innovation Area and the Technion in the area of data science continued in 2018. Within this collaboration, analytical research is performed with the aim of coping with various challenges in the technology and banking universe.

### Multi-channel banking services

Bank Hapoalim is committed to assisting its customers with the full scope of financial aspects of their lives. In view of this commitment, the bank offers its customers full availability and accessibility of banking information and financial services, through a variety of service interfaces: the website, applications, telephone, and social media. These venues join the network of branches adapted to customers' characteristics and needs, and a range of self-service channels available at any place and time.

### Examining Achievement of Objectives

2018 Objectives	Status
Leveraging opportunities arising from new regulation, through innovative digital tools and services for the bank's customers.	✓ <b>Completed.</b>
Realization and implementation of the strategy of enhancing value for customers in the bank's digital services.	✓ <b>Completed.</b>

## LOOKING AHEAD

- Opening a bank account digitally, without dependence on human service at a branch or call center. This service will be available through the bank's mobile application, in a user-friendly, quick procedure. The bank is a pioneer in the banking system in allowing end-to-end digital account opening, through adoption of advanced technologies for live facial recognition and decoding of documents. The service is currently in the pilot stage, and will be expanded to the general public during 2019;
- Breakthrough in bank guarantees - The bank has introduced a digital procedure allowing bank guarantees to be issued digitally, at any place and time, without visiting a branch. This is an important boon for business clients, who will be able to manage large numbers of digital guarantees easily and conveniently;
- Poalim Brain - Continued development of a learning banking system, which creates value offers for customers based on the largest financial database in Israel.

### Website

The bank's website offers a comprehensive range of over 180 services to customers. The website provides customers with access to information and various self-service options, designed to grant customers full control over their banking activity. In order to provide solutions for its wide variety of customers, the bank offers sites adapted to the needs of different target audiences, including a site for private customers; a site for business clients and customers of the Corporate Banking Area; an international site for foreign residents; sites in Russian and French; and sites adapted for the Arab and Haredi sectors.

In 2018, a feature was added to the bank's website offering digital mortgage management and transactions. This service allows customers to generate a mortgage statement through the website; apply for a Free Month benefit, which grants a one-month hiatus from mortgage payments; give notice of early repayment; request a letter of intent stating the bank's intention to remove a lien from a property; and view the status of applications and inquiries, all without visiting a branch.

**Bank Hapoalim placed first in the banking system in the customer satisfaction survey conducted by the Bank of Israel in 2018**

### Business website

Proper management of the activity of a business is crucial to the survival of the business; the bank therefore invests extensive resources in its digital value offer for businesses, with the aim of helping them grow and thrive. In 2018, the bank continued to develop new digital capabilities on its website and improve the customer experience in existing processes, including the option to build a customized homepage; the ability to set up salary transfers for a future date; addition of attachments, such as invoices, to a transaction; display of a detailed summary of balances going back up to three years; and more.

In addition, the **Cash Management** system was embedded in the website - a smart, integrative financial tool to help businesses manage their finances while saving costs and time. This tool enables business clients and their finance personnel to obtain a full financial overview of all of their accounts at all banks, in real time. It also contains a module for managing forecast cash flows, including automatic tracking and monitoring of planning versus actual execution.

### Applications

The bank accords immense importance to making products and services accessible to customers at any place and time. The account management application, which serves more than a million users, continued to evolve in 2018. Customers can now receive a loan directly through the application; share information about transactions executed (salary transfers, monetary transfers, and more) with people in their list of contacts; log out quickly and securely; and more.

As part of its routine activity, Bank Hapoalim has continued to develop a variety of new applications, for a broad spectrum of customers, emphasizing the simplification of processes and an easy, convenient customer experience. Several new features were added to existing applications in 2018, and new applications were introduced.

#### Bit

Bit is the leading application in Israel for monetary transfers to customers of all banks, with more than 1,500,000 downloads as of the end of 2018.

#### New features in Bit

- ◆ Payment via QR code - Customers of all banks can perform payments to anyone, securely and accessibly, by scanning a QR code, without saving the beneficiary's information in their list of contacts.
- ◆ Platform for donations to social causes - The Bit application allows easy, direct monetary donations to non-profit organizations. In the initial stage, donations through Bit are available for selected national fundraising campaigns.



**1.7**  
million customers use the digital services of the bank; of these, over a million customers use the mobile services and applications

Over **1.5** million people customers of all banks, have downloaded the Bit application

**New capital-market trading application**

The new application is important news for capital-market customers, transforming smartphones into working tools allowing quick updates on market developments and continued activity when they are away from their computers, through an advanced interface emphasizing the customer experience. The new application allows users to buy and sell securities through a rapid new infrastructure, and allows the bank to include additional value offers for customers, such as the Heat Map – a unique feature that generates a visual representation of a portfolio over the trading day, according to the percentage of holdings in the portfolio. **The application was selected as Product of the Year for 2018 by the Marketing Forum.**

**Digital Personal Assistant**

The bank took another leap forward with its Digital Personal Assistant in 2018. This tool allows customers of all banks to receive financial tips and personalized smart alerts based on artificial intelligence, through innovative visuals and customer experience. The service was first launched as a pilot project; following the results of the pilot, it will be fully rolled out in 2019.

**Business application**

The bank recognizes that access to and control over business accounts and the availability of transactions are critical capabilities for the day-to-day functioning of a business; the number of customers who choose to manage their business accounts with ease, through mobile devices, is in fact showing an accelerating increase. Accordingly, the bank invests extensive resources in enhancing its value offer for these customers. In 2018, the bank's business application was refurbished with the addition of an advanced display of credit-card information, a display of checks in custody and checks paid, and an improved mechanism for scanning checks. In addition, an innovative interface was added allowing rapid, efficient, easy salary transfers, responding to the needs of a wide range of businesses.

**Collaboration with Waze**

The navigation application Waze offers customers directions to all branches of the bank, from Eilat in the south to Kiryat Shmona in the north, with full information about each branch, including business hours, address, nearby parking lots, and more.

**Social networks**

Bank Hapoalim is active on four social networks: LinkedIn, Facebook, Twitter, and Telegram, in order to maintain trust-building dialogue with customers and the public, through:

- ◆ Adding value by posting relevant, varied, enriching content;
- ◆ Listening to internal and external conversations regarding the bank and formulating business insights;
- ◆ Providing a rapid, accessible, available, advanced service experience.

The bank posts on its Facebook page about digital empowerment and innovation, financial growth, new products and services, community activities of the bank, and more. In addition to posts that invite public discourse, the page receives dozens of private messages daily. The team handling these messages responds to 98% of them within minutes, providing professional, available, convenient service. The management of the bank is informed of notable issues raised on social media, and addresses such matters in order to improve service. The Customer Insight Center is also informed of social media users' responses.

**Financial workshops for Facebook communities**

In 2018, selected Facebook communities (such as freelancers, women in high tech, parent groups, divorcees, and others) were invited to enrichment sessions run by the Financial Growth Center, in which participants receive financial knowledge and tools on subjects relevant to them.

~  
**26,000**  
inquiries

from the public were received through social media. 89% of people who contacted the bank through social media expressed high satisfaction with the service they received

**260** posts were made, gaining 25 million views and 2.5 million likes, shares, and comments

Over  
**91,000**  
followers

The bank's Facebook page has over 91,000 followers as of the end of 2018

**LOOKING AHEAD**

- Launch of the Poalim page on Instagram;
- Introduction of a bot in the new WhatsApp business application. This service will allow rapid response to messages and tracking of statistical data regarding inquiries;
- Expansion of collaboration with the Financial Growth Center to reach additional target audiences online.

**LOOKING AHEAD**

Insurance claim payments for customers of Harel Insurance through the Bit application, for customers of all banks.





## The multi-channel banking center

Poalim by Telephone is a multi-channel center offering comprehensive banking services in a convenient, available form. The center allows customers to receive information and perform a range of account transactions, receive technical support for the bank's website and mobile applications, schedule mortgage advising meetings at branches, and receive information about existing mortgages. The IVR system is available 24 hours a day. This service is also offered in Arabic and Russian, and allows all customers, including people with disabilities and senior citizens, to receive professional services without

having to visit a branch. New features at the service center in 2018:

- ◆ A dedicated call line - for elderly customers and customers with disabilities provides a response within ten seconds. In order to make service easier and more accessible for this population, customers can receive a one-time password via telephone, which allows them to identify themselves and perform transactions;
- ◆ A dedicated service line - for malfunctions and assistance with self-service devices.

1,000,000

customers are active users of Poalim by Telephone

22,000,000

calls were received on the IVR system in 2018, of which 3 million calls proceeded to a human response

### Examining Achievement of Objectives

2018 Objectives	Status
Improvement of synchronization among the different service channels, and maintaining uniform language between the branch network and the service-center network.	✓ <b>Completed.</b>
Expansion of financial and administrative activities available through the self-service channels.	✓ <b>Completed.</b>
Adaptation of automated and human work processes in the service-center network to the new standards and guidelines of the Bank of Israel, while positioning the customer's needs as central.	✓ <b>Completed.</b>
Launch of a chat bot, allowing customers to contact the bank and receive a response on any subject, at any time of day, using messaging applications.	The bank introduced a chatbot on Telegram in July 2018. This service makes services and information available to followers at all hours and responds to users' inquiries on various subjects. A chatbot for WhatsApp was introduced in March 2019.

## LOOKING AHEAD

- Launch of a service for scheduling a meeting with a banker at a branch through the call center;
- Launch of a dedicated call line for business clients.

## Branches

225 retail branches of the bank are available to customers, in the most extensive branch network of the Israeli banking system. The bank has branches located across Israel, of which 45% are in peripheral regions. Bank branches serve as an anchor for customer relationships and as a point of service for customers interested in face-to-face service, alongside the range of advanced self-service options, including the website, sophisticated applications, and widely distributed self-service devices.

### The branch network

As part of the aspiration to operational excellence and efficiency, Bank Hapoalim continues to examine the deployment of its branch network and merge branches where necessary, while maintaining the leading branch network reach in the banking system. Five branches were merged in 2018, with guidance and support for customers at the merged branches: work processes were adapted to the characteristics of the customers, and information was sent by mail and communicated in customer conferences, with an emphasis on the "new seniors" segment. A dedicated call center was also established for these customers; the distribution of self-service stations was increased; the number of attendants available to help use the digital channels of the bank increased; and service was supported by the mobile branch, at scheduled times and according to need. Concurrently, the bank works continually

to expand the services provided by its branch network. Seven pension advising centers opened in 2018, adding to fifteen existing centers; the availability of professional advisors to customers within the routine operation of Mishkan mortgage offices was expanded.

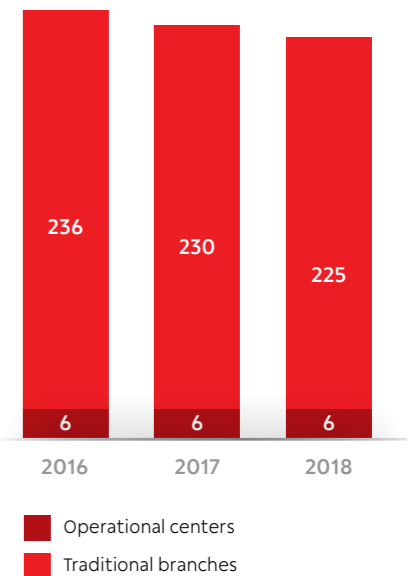
### Specializations within the retail branch network

- ◆ Pension advising centers - The bank has 22 pension advising centers nationwide. The purpose of these centers is to provide professional advisory services for retirement, as part of the effort to strengthen the financial future of all of the bank's customers;
- ◆ High-tech units - The bank has ten units specializing in high tech, aimed at expanding services offered to startups and mature technology firms;
- ◆ Departments specializing in cash - The bank has a cash center in Netanya and five additional departments specializing in services for customers who need cash transactions, in Jerusalem, Beer Sheba, Haifa, Tel Aviv, and Afula. The departments are staffed by bankers and digital coaches.

### Service offering for corporate banking customers

The Corporate Banking Area operates centers exclusively serving mid-sized and large businesses. Of the twelve business centers, six are dedicated to growing

Results of customer satisfaction surveys



commercial businesses. The centers offer a professional and personal service experience in all areas of banking, with an emphasis on professional solutions matched to needs. The service offering at these branches was developed based on a comprehensive study of customers' needs and expectations, and delivers service adapted to each type of client in the mid-sized and large business segment.



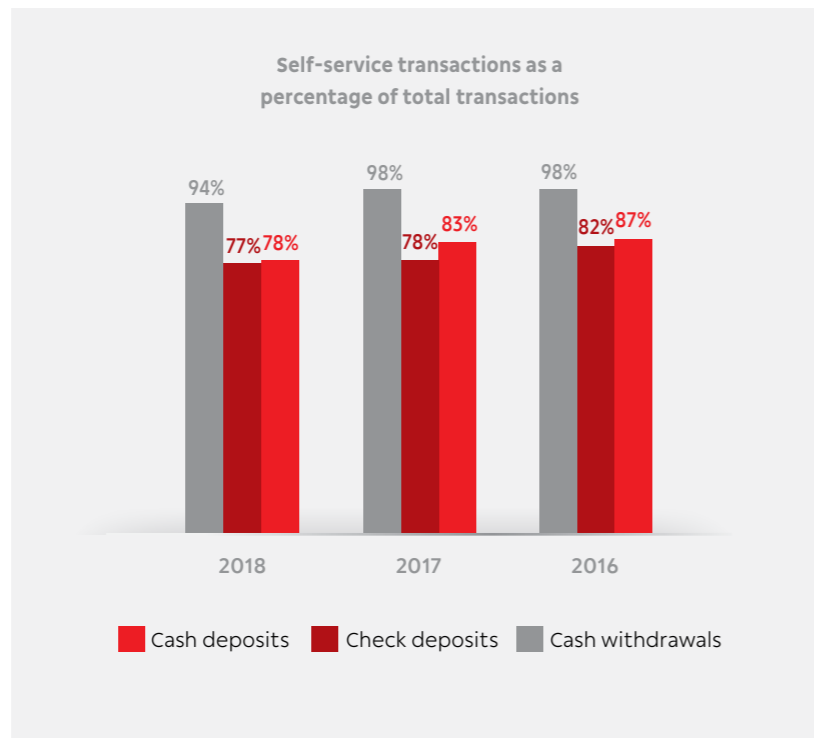
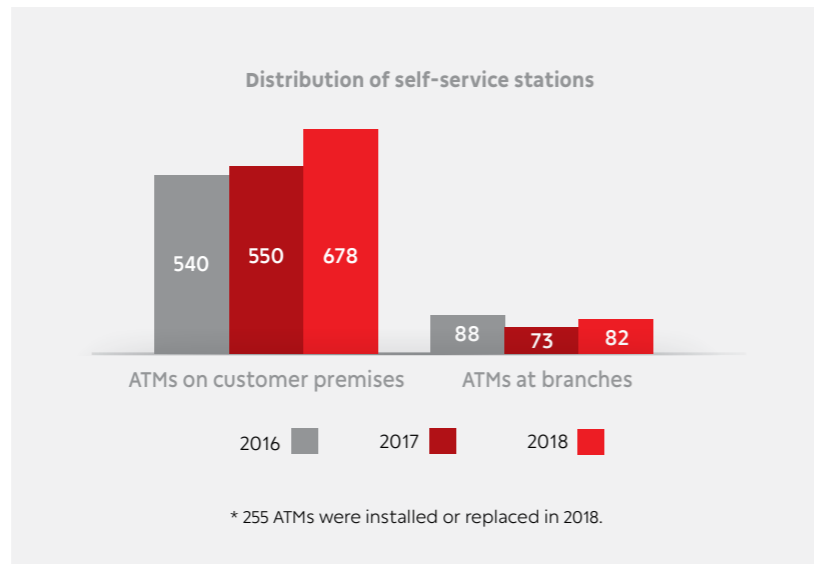
## Poalim self-service

Self-service stations, available throughout Israel, operate independently of branch opening hours and allow customers to execute a wide range of transactions at the times convenient to them. Customers are increasingly using the self-service channels to perform transactions previously conducted through bankers.

### Adaptation of self-service stations for additional uses

ATMs offer cash withdrawals, balance inquiries, cash and check deposits, payments into certain deposits, and more. The bank's ATMs are widely and extensively distributed throughout Israel. The bank's relative share of total ATMs in Israel is greater than its market share in the Israeli banking sector. The ATMs are accessible to people with disabilities, and offer service in four languages: Hebrew, Arabic, English, and Russian, across the self-service station network.

**Distribution of ATMs:** The bank has the widest distribution of ATMs in the Israeli banking industry, with 760 ATMs in total, of which 678 at branches of the bank and 82 on customer premises. Of the ATMs at the branches, 561 are integrated devices allowing cash deposits, check deposits, and inquiries, in addition to cash withdrawals.



## Supporting customers in times of crisis

As part of its social responsibility philosophy, the bank is conscientious about providing guidance to customers who encounter financial difficulties, and helping them emerge from the crisis with dignity and regain financial stability. The bank recognizes that financial recovery requires holistic, multi-system solutions, and that it needs to be there for customers when they experience potential crisis situations, such as losing a job, illnesses, accidents, etc.

### Processes for customers in crisis

◆ **The Poalim Recovery Unit** - Poalim Recovery is a process for working with private customers experiencing financial difficulties, in partnership and with the intent to retain the customer. This process, characterized by continuous dialogue, the formation of mutual trust, and the imparting of tools, reflects a conceptual change in relationships with customers who struggle to repay their debts to the bank. The Poalim Recovery Unit strives to create solutions in

partnership with the customer, based on customers' banking profile and financial capabilities. The unit consists of expert, experienced bankers who have undergone specialized training to respond to customers' needs appropriately and sensitively, with a commitment to resolve the problem. The unit works in full cooperation with the branches of the bank, and is responsible for managing and monitoring the process, using the bank's range of tools and services, including a computerized system built for this purpose;

◆ **Hizdamnut (Opportunity) Fund** - A micro-loan fund in the amount of NIS 8 million, designated for credit-excluded customers identified by the bank as having the potential for financial rehabilitation and recovery. The fund provides loans for purposes likely to support financial growth, such as education, occupational training, establishment of a micro-business, and medical care. Loans in amounts of up to NIS 30,000 are granted subject to the condition that borrowers accept financial guidance from non-profit organizations specializing in this field.

### Making families' dreams come true

Bank Hapoalim seeks to help couples struggling to have children (approximately 15% of all couples in Israel, including LGBT couples) make their dreams of parenthood a reality. These couples use surrogacy and egg-donation services, often overseas, which involve significant expenses, sometimes up to hundreds of thousands of shekels. The bank offers a targeted financing package for couples in this situation, with beneficial terms and repayment over a long period, open to customers of all banks. As part of this value offer, the bank contacted relevant organizations in order to raise awareness of this unique credit product, and held a dedicated conference in which couples who had undergone the surrogacy process shared their experiences with the participants.

### Examining Achievement of Objectives

2018 Objectives	Status
Expansion of the Poalim Recovery program to include business clients.	A pilot project was conducted for Corporate Banking customers during 2018; the conclusion was that there was no clear advantage to expansion of this initiative to business clients.

## LOOKING AHEAD

Building a set of services and products designed for customers coping with crises, such as the death of a relative.



**BENEFITING THE  
SOCIETY AND  
COMUNITY IN ISRAEL**



## Working for the community in Israel

Active involvement in the community is an important tenet of the bank's vision; the bank views itself as an integral part of the community in which it operates. Based on this approach, alongside the promotion of its business leadership, the bank works to advance various social causes and to empower the community. These activities take the form of community engagement, monetary donations, cash-equivalent donations, and extensive volunteering. Management and employees participate together in community activities, which are an important element of employees' sense of pride and cohesion.

The Poalim for the Community Unit in the Social Banking Center manages community investment funds in aggregate, based on criteria established in the bank's policy with regard to social non-profits and organizations. The bank does not donate money or cash equivalents to political parties, politicians, or political institutions.

**Bank Hapoalim is the largest donor in the Israeli economy. Over the last five years, the cumulative donations of the bank\* totaled approximately NIS 193 million.**



The research performed regarding the economic, social, and environmental impacts of the bank on the economy and society of Israel also examined the overall effect of the bank's monetary donations to the community. The estimated impact of these activities on the economy was calculated using an input-output model methodology (for further information, see the Introduction chapter). The results of this study indicate:\*\*

The total effect of the bank's community donations on GDP in Israel

**352 million NIS**

The total effect of the bank's community donations on income

**675 million NIS**

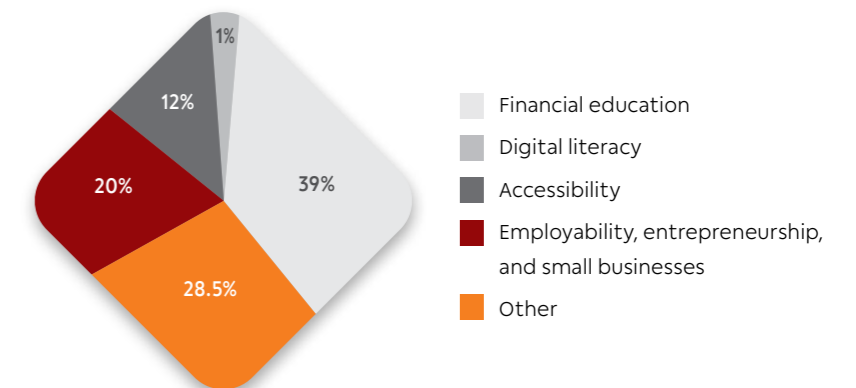
\*\* Monetary donations of the bank to social causes increase income in the economic sector of the activity. According to the input-output model, increased income in that sector affects the economy as a whole. The comprehensive impact of community donations was calculated over a period of five years, with respect to income and GDP. With regard to income, the examination referred to the total added income generated in economic sectors as a result of community donations; with regard to GDP, the examination referred to the total added product generated in the Israeli economy as a result of community donations. The comprehensive impact arises from the impact of the suppliers of the recipient of the donations and all of the suppliers of those suppliers, and the impact of private consumption by the employees of the recipient and the employees of its suppliers as a consequence of the wages paid to them for their work. To calculate the comprehensive impact on each of these levels, every community donation was classified into one of the following sectors in the input-output model: education; health care; well-being and welfare; and culture, art, and sports. As each contribution to one of these sectors led to added income in that sector, the input-output model can be used to calculate the overall impact generated by the economic activity in the sector.

\* The monetary amount refers to the stand-alone donations of the bank, not including donations of subsidiaries.

**Monetary donations of the bank totaled in 2018 approximately**

**42 million NIS<sup>1</sup>**

Breakdown of donation budget of the bank in 2018 by area of investment



### Results of community activity in 2018

In order to bring about meaningful social change, the bank accords high importance to the measurement of its social investment and to assessment of the extent to which the activity of the organizations and foundations in which it invests achieves their established goals. The Poalim for the Community Unit therefore conducts ongoing dialogue to encourage its community partners to examine the effectiveness and impact of their activities. Effectiveness measurement examines the degree to which the proposed solution actually resolves the social problem that it is designed to address, whether the solution maximizes social value, and the extent to which it improves beneficiaries' lives for the long term, based on various parameters. The bank continued to monitor these activities and measure the effectiveness

of its community investments in 2018. This process includes an examination of the areas of activity and goals of selected non-profit organizations that receive donations from the bank, their target populations, their methods, and the results of their activities (outcomes and effectiveness).

The measurement process consists of an in-depth questionnaire completed by community partners who received substantial donations in 2018. According to the results of the effectiveness measurement, approximately 95% of the foundations surveyed channeled donated funds into dedicated projects or programs specified in collaboration and dialogue with the bank, and congruent with the bank's areas of social investment. Most of the organizations that participated in the effectiveness

measurement process stated that they manage and test the effect of their activity on beneficiaries by establishing metrics, examining the achievement of objectives, performing "before and after" studies, conducting external evaluation research, and more.

1. Stand-alone donations of the bank, not including donations of subsidiaries or overseas offices. Includes an investment of approximately NIS 9 million in the Financial Growth Center.

2. Strategic partners of the bank in its focus areas who received donations of more than NIS 100,000.



Selected community investment activities of the bank in 2018:

## Financial education

Financial education is an important element of the bank's investment in social causes, as part of its commitment to the promotion of financial freedom for the general public in Israel, rooted in the belief that action in this area will lead to economic growth and a thriving society.

### Financial Growth Center

The Financial Growth Center was established within the Poalim Campus in 2018, as a hub for learning and acquiring knowledge and tools for astute financial behavior. The Financial Growth Center serves the general public nationwide, free of charge.

The materials at the center were developed with the academic oversight of Professor Zvi Eckstein, formerly deputy governor of the Bank of Israel, based on research and surveys of public attitudes towards economic issues. The content is aligned with significant financial crossroads such as the growth of a family, taking a mortgage, career changes, pension planning, and more. The Financial Growth Center offers a wide range of lectures on these subjects, across Israel, designed for private individuals and for small and mid-sized businesses. The center's website also offers dozens of digital guides, articles, videos, and more on a wide range of subjects relevant to financial conduct. In its first year, beyond its routine lectures, the Financial Growth Center also held targeted sessions for specific audiences, including students at Sapir College and the Peres Academic Center; Arab students, in collaboration with the Amanina Foundation; Ultra-orthodox (Haredi) students, in collaboration with Prog College; new immigrants, in collaboration with the IFCJ; young entrepreneurs and at-risk adolescents, through workshops in collaboration with the organization Keren Shemesh; the LGBTQ community, through the LGBTQ Center in Tel Aviv; training for counselors from various non-profit organizations working with at-risk adolescents, using the Train the Trainer method; and more.

The activities of the center are rooted in cooperation with professionals within and outside the bank, including the Business Guidance Center, the nonprofit organization Paamonim, the Adler Institute, TOOT Communication and Results, the Israel Financial Institute, and other relevant organizations and non-profits.

#### The Financial Growth Center in numbers:

- ~500,000 people have viewed digital content on the Financial Growth Center website
- Over 200 digital learning content items are available to the general public on the Financial Growth Center website, including articles, videos, tutorials, and more, on subjects such as household expense management, financial education for children, pensions, the capital market, mortgages, business management for self-employed people, and more.
- ~9,000 people participated in more than 215 lectures and conferences held nationwide on a wide range of subjects, tailored to various target audiences and relevant to decisions at important crossroads in life.
- ~70% of lectures are designed for households, while ~30% are for small businesses.
- ~93% of participants in the lectures expressed very high satisfaction with the activity and the content learned, and said they would recommend the Financial Growth Center's lectures to a friend.

### Examining achievement of objectives

2018 Objectives	Status
Launch of the Financial Growth Center and opening to the general public.	✓ <b>Completed.</b>

## LOOKING AHEAD

The activity of the Financial Growth Center and its exposure to the public are planned to expand in 2019, including:

- Increased exposure to new audiences, such as National Service (Sherut Leumi) members, senior citizens, soldiers newly discharged from the IDF, and more;
- Creation of strategic collaborations, such as partnership with the Israel Association of Community Centers, to extend the nationwide reach of the activity as far as possible and gain exposure to various audiences across Israel;
- Expansion of the digital content offered on the Financial Growth Center website, including the introduction of an Arabic-language website, development of online courses, and more.

### Financial education for secondary-school students

The bank also offers a financial education program designed for secondary-school students, in collaboration with the ORT Israel Development Center. The program aims to provide students with life skills for independent adulthood, while raising their awareness of the importance of astute financial behavior. Dozens of new teachers receive training each year in order to participate in teaching the 20-hour program. Over the last year, this activity was expanded into the Arab community, and adapted materials in Arabic were developed.

• In 2018, through the bank's contribution, 2,900 students participated in this program and 70 new teachers received training.

• over the last five years  
**28,500**  
students have participated in the program

### Scholarships

Over 450 higher-education scholarships have been granted by the bank through Tel Aviv University, the Hebrew University of Jerusalem, and Sapir College, as well as through foundations such as the Nazareth Foundation, the Amanina Foundation, the Lieutenant Colonel Saleh Falah Foundation, and more. A new scholarship fund launched in 2018, Poalim Success, grants seventy undergraduate scholarships annually to students from peripheral regions. Students participate in a training program on financial behavior, and then use the knowledge and tools they have gained to mentor families on astute financial behavior. The students also volunteer at centers run by Hinuch Lepsagot

(College for All), a nonprofit organization dedicated to equal opportunities and the encouragement of excellence for children and adolescents in peripheral regions.

### Accessibility and empowerment of people with disabilities

About one and a half million people with physical, mental, and/or cognitive disabilities live in Israel, or approximately 18% of the Israeli population. Bank Hapoalim considers accessibility for people with disabilities a key social focus area and an integral part of its service concept and social responsibility, in the belief that the Israeli economy and society as a whole benefit from maximization of the individual potential of every person with a disability. In 2018, the bank expanded its activity in the area of the promotion of accessibility and empowerment of people with disabilities, with the aim of becoming an important partner in the effort to transform Israel into a country without obstacles for people with disabilities. Accordingly, the bank works to improve quality of life for people with disabilities and the way they are treated, mainly through collaborations and projects aimed at raising awareness, developing technological products, and promoting employment of people with disabilities in Israel (for further reading about the bank's activity in the area of service, financial products, and employment, see the Customers chapter and the Employees chapter).

The bank invested in a wide range of social non-profits and organizations in 2018, including Access Israel, Beit Issie Shapiro, Variety, the Jordan River Village, Krembo Wings Youth Movement for Children with Special Needs, and more, working with people with disabilities in all areas of life and helping them realize their full

individual potential and be optimally included in society.

#### Activity results:

A total of approximately 225,000 people with disabilities received assistance as a result of the bank's contribution in 2018.

#### Selected activities to promote accessibility in 2018

##### "Limited Edition Job" Fair for people with disabilities

As a reflection of the bank's ambition to promote employment for people with disabilities, and its understanding that this values-driven effort has significant economic value, the bank held a job fair attended by approximately 400 people with disabilities who have academic degrees or professional certifications. Participants gained exposure to hundreds of high-quality positions offered by forty of the leading companies in Israel. Six new employees joined the bank as a result of the job fair.

##### Accessibility section in 8200 Accelerator

Within the bank's promotion of technological entrepreneurship that creates shared economic, environmental, and social value, the bank has worked for several years with the 8200 Alumni Association, which supports early-stage technology ventures, focusing on solutions for social problems. In early 2019, the bank and the 8200 Alumni Association introduced an innovative program to support start-up companies developing initiatives, services, and solutions for people with disabilities. A specialized section has been opened, in collaboration with Poalim High Tech and the Social Banking Center, offering grants and guidance to entrepreneurs in this field. Chosen initiatives will win assistance from the Head of Accessibility Strategy at the bank and introductions to leaders in the accessibility field in Israel.

3. According to data of the Equal Rights for Persons with Disabilities Commission, Ministry of Justice, 2018. [https://www.gov.il/he/departments/publications/reports/2018\\_statisticsbt](https://www.gov.il/he/departments/publications/reports/2018_statisticsbt)



### WheelShare

In a collaboration with the company WheelShare Ltd., stations offering wheelchairs that can be borrowed, free of charge for the first eight hours, were set up in hospitals across Israel. The first borrowing stations became operational at Ichilov Hospital.

Hospital visitors borrowed wheelchairs approximately 2,000 times from October 2018 to the end of the year. This project is planned to expand to additional hospitals during 2019.

### Support for the children of Variety

The bank's contribution to the non-profit organization Variety in 2018 helped purchase rehabilitation equipment for the children served by the organization, approximately 3,500 hours of allied health services, and approximately 13,000 hours of individual mentoring.

In addition, a fundraising broadcast for the children of Variety was held in January 2019, in which the bank recruited its employees to take donors' calls at the Poalim by Telephone call center and developed a dedicated button within the Bit application allowing quick, easy donations to Variety.

### Sponsorship for the Olympic Committee and Paralympic Committee

The bank is a sponsor for both organizations and grants personal monthly stipends to ten athletes, including Paralympics athletes. The bank will support the athletes until the 2020 Olympics; during this period, the athletes will participate in events contributing to the community and in activities aimed at encouraging excellence.

### Wheels of Hope

A bicycle ride dedicated to social inclusion, held for the eleventh year in collaboration with the Etgarim Foundation, in which people with and without disabilities ride together. More than 7,200 people participated in the ride in 2018.

## LOOKING AHEAD

**Doors Open for Everyone** – A nationwide drive to raise awareness of the importance of inclusion of people with disabilities and of shared community settings. This effort emerged from an initiative of the bank in collaboration with the Israel Association of Community Centers and the band Shalva (a musical group composed of singers and musicians with disabilities), following a survey by the Israel Association of Community Centers indicating that 90% of parents were unwilling for their children to participate in shared leisure activities with children with disabilities. To influence and change the situation demonstrated by this survey, the bank will produce Shalva's first original music video; in a nationwide campaign, anyone interested in viewing the video will be invited to sign a compact for inclusion of people with disabilities.

## Promoting peripheral regions

For many years, the bank has invested in a wide range of projects in the socially and geographically peripheral parts of Israel, focusing on educational projects, activities aimed at encouraging small-business entrepreneurship, and scholarships for students in secondary school and higher education.

The bank has also led two large-scale community initiatives in peripheral regions for several years:

### Dan the Saver summer camps

In the last five years, approximately 40,000 children have participated in Dan the Saver summer camps held in more than 30 towns in peripheral regions.

gaining enjoyable experiences while also learning about basic concepts of economics and tools for astute financial behavior.

### Read and Succeed

A nationwide drive to change habits and improve skills in reading and writing for children and adolescents in Israel. This project includes mobile libraries operated in collaboration with the Key Books Foundation. The libraries, housed in trucks, visit peripheral communities and conduct varied activities matched to local characteristics.

More than 25,000 subscribers have registered for the mobile library over the last five years.

## Promoting the culture and heritage of Israel

To make the culture and heritage of Israel accessible to all parts of the population, Bank Hapoalim invites all Israelis to travel during the holiday of Passover and visit a range of sites across Israel free of charge. This project has been ongoing for fifteen years, led by the bank.

In 2018, more than 400,000 people visited dozens of museums and heritage sites that opened to the public free of charge during Passover, at the initiative of the bank and with its full sponsorship.

## Empowering non-profits

In 2018, the bank continued to work to empower the third sector and impart business and management tools to non-profits and social organizations, with the aim of promoting long-term financial robustness leading to reduced dependence on donations and enabling the organizations to attain financial freedom.

### Main projects in 2018:

#### The Erech Laderech initiative

was held for the second year, in collaboration with the non-profit organization Topaz. Erech Laderech offers non-profits across Israel, in various areas of activity, a unique training program consisting of guidance and instruction over a period of one year, in which they learn tools for fundraising and development of an income-generating arm. Four sessions of the program were held in 2018; approximately ninety organizations have participated in this initiative in the two years of its existence. Organizations from the first session of the program have raised a cumulative amount of more than NIS 10 million using tools acquired at Erech Laderech, and have learned how to expand the impact of their activity for the benefit of society and the community.

#### Non-Profits Fair

An initiative of the bank, held annually for the twelfth time. At the fair, non-profit organizations offer gifts for sale, made and/or packaged by people with special needs. All income from the sale of these products is dedicated to the activity of the organizations. In 2018, this activity was expanded to a Roving Fair, held over a period of five weeks and hosted at leading shopping malls from the Azrieli Group, with over thirty non-profits participating.

#### The social online store of Bank Hapoalim and Marmelada Market

45 non-profits and social businesses have set up online stores, financed by the bank, within the social zone of the Marmelada website. This platform allows them to sell products made and/or packaged by people with disabilities. The social store zone was promoted in a public campaign, with the aim of helping the organizations develop additional independent sources of income.

Beyond the main areas described above, Poalim for the Community maintains long-term partnerships and invests in a range of non-profits devoted to other social causes, including well-being, assistance for people in need, health care, and more.



### Examining Achievement of Objectives

2018 Objectives	Status
Expansion of the Non-Profits Exhibition, which promotes financial freedom for non-profit organizations, nationwide, in cooperation with Azrieli Malls. Over five weeks, the Mobile Non-Profits Exhibition will visit leading malls in the Azrieli chain, for two days each. All income from the sales will be dedicated to the activities of the participating organizations.	✓ <b>Completed.</b>
Three sessions of the Erech Laderech initiative: at Shefayim; in Jerusalem; and a session targeted to organizations in the health-care field, in collaboration with a pharmaceutical company.	✓ <b>Completed.</b> Four sessions were held in 2018.
Within the drive to increase the financial freedom of non-profit organizations and gain publicity for them, Poalim for the Community will open a social online store, in collaboration with the online shopping site Marmelada, which will serve dozens of non-profits and social businesses. This portal will allow non-profits to sell products with social added value around the clock, and develop new independent sources of income.	✓ <b>Completed.</b>
Establishment of a new scholarship fund, Poalim Success, which will grant seventy undergraduate scholarships annually for students from peripheral regions.	✓ <b>Completed.</b>

## LOOKING AHEAD

- The Social Banking Center, through Poalim for the Community, has formulated a new strategy to be implemented in 2019, based on the aim of creating a meaningful social impact. The strategic plan focuses on selected areas of social impact, creation of long-term partnerships with social non-profits and organizations operating in relevant areas, and measurement of the impact of the bank's social investment.
- The selected focus areas are causes essential to the resilience of Israeli society and aligned with the core business activities of the bank:
- Digital literacy for the elderly (activity in this area is described extensively in the Customers chapter, in the section "Quality of life for senior citizens");
- Accessibility and empowerment of people with disabilities;
- Financial education;
- Social mobility and employment.

## Volunteering

The values of volunteering, giving, and helping others are inherent in the bank's DNA. The bank has established a nationwide network of volunteers, encompassing thousands of its employees from various parts of the country. The frequency and type of volunteer work vary widely among the units, including weekly, monthly, or quarterly activities, activities held on holidays, and activities on Good Deeds Day. The bank's broad geographical deployment makes it possible to respond to the needs of local communities and volunteer for a wide range of activities, so that the local branch becomes a center for social improvement

and aid during times of distress. Employees and executives volunteer in their spare time, some privately and independently, and some with the leadership of the bank, in collaboration with various foundations. Volunteer activities are varied, with numerous community partners; employees can choose to participate in a continuous activity throughout the year, or in specific events where they can contribute according to their constraints. Among other efforts, employees of the bank volunteer to help children and adults with special needs; work with Holocaust survivors; mentor IDF soldiers with no family in Israel; mentor women who are victims of violence; provide

assistance and training for the promotion of employment; adopt centers for children and for the elderly; assist at group homes for children at risk and at foster homes; package and distribute food to people in need; and give talks throughout Israel on astute financial behavior for adolescents, families, students, soldiers, and seniors. Volunteer work is performed through integrative management and an orderly organizational structure, consisting of the following functions:

- ◆ **Senior manager** – Appointed within the bank to lead this area.
- ◆ **Core social leaders** – 46 leaders selected by division/region heads,

responsible for promotion of the Poalim Volunteers program and its goals and objectives in their division/region, development and management of partnerships and volunteering programs on the regional and local level with community partners, motivation of employees, and management and guidance of the network of social leaders.

- ◆ **Social leaders network** – 410 leaders selected by department and branch heads, serving as a direct liaison to all employees and leading the volunteering drive at the level of the units and branches.

## Volunteer activity in 2018

### Promoting financial education

The bank's volunteering activities emphasize the promotion of financial education, in alignment with its core activity. Within this effort, bank employees volunteered in several areas in 2018:

- ◆ Lectures on financial education and family budget management – Lectures were given by bank employees to various audiences. Within the activity of the non-profit organization Shiur Acher ("A Different Lesson"), hundreds of employees of the bank also taught enrichment classes at schools throughout Israel on financial and other subjects. Bank employees who are parents and retirees of the bank gave talks for children within the Enriching Parents program; lectures were held for ninth-grade students, in an initiative of the Bank of Israel and the Ministry of Education.
- ◆ Promoting financial robustness through individual mentoring and guidance – Within the activity of the non-profit organizations Yazamut Premium and Taasiyeda, bank employees serve as mentors for teen entrepreneurs, providing individual guidance and assistance in formulating business plans for various ventures. Bank employees also attended training in order to serve as "life guides" for IDF soldiers without family in Israel who have completed their military service; fifteen bank executives trained to serve as mentors for managers of non-profit organizations, in collaboration with the Matan Investing in the Community Foundation.

### Summer Youth program

Within the ambition to instill the values of giving and helping others among adolescents, 1,350 children of bank employees aged 15-18 participated in a wide range of community activities during the summer vacation (in accordance with the Youth Employment Law, 1953). Summer Youth is an initiative of Poalim Volunteers, fully financed by the bank, in collaboration with the employee union, the human resources division, and the Poalim Campus. The participants learn about the underprivileged parts of Israeli society and experience community work over the course of a week. Five six-day sessions of this project were held in the summer of 2018, emphasizing financial education and accessibility for people with disabilities (in collaboration with the Access Israel Foundation).

The bank employees' children who experienced the program expressed high satisfaction with the activity and earned praise and appreciation from the non-profits and community partners. Approximately 30% of the adolescents continued to volunteer at their summer volunteering venue during the school year, often bringing friends along, thereby expanding the circle of volunteering and giving.

### Volunteer activity management system

A specialized computer system was set up in 2013 to manage the bank's volunteer system. Employees who volunteer enter information about their activity into the system, making it possible to measure the overall extent of employee volunteering. The system also contains a user-friendly search engine, so that employees interested in volunteering close to home can find suitable venues. **Outstanding employee volunteers are commended each year at an event attended by management.**



Over the last five years, an average of approximately 3,400 employees volunteered each year. Cumulative volunteering hours totaled approximately 740,000. The value of the volunteering hours in cash equivalents is NIS 13.2 million. This investment is translated into an estimated impact of NIS 46 million on income and NIS 24 million on GDP in Israel.

(From the study of economic impacts of the bank on the Israeli economy.)



2018 summary

~  
**3,600**

**employees** volunteered regularly in 2018. Overall, approximately 41% of the bank's employees volunteered on a regular basis.

~  
**1,200**

**children** participated in 40 courses on financial and other subjects taught at 32 schools by more than 450 bank employee volunteers in the program A Different Lesson ("Shiur Acher").

more than  
**50**

**lectures** on financial education, household budget management, and entrepreneurship were given by volunteers from the bank.

~  
**80,000**

**gift packages** Thousands of employees participated in volunteer activities during the holidays, in areas such as childcare centers, elderly day centers, hospitals, and more, and distributed 80,000 gift packages.

~  
**157,000**

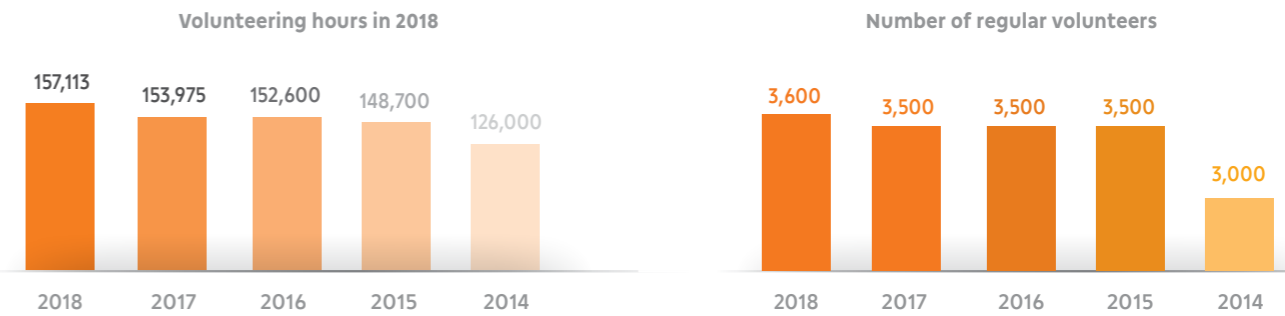
**hours of community volunteer work** were performed by 6,000 managers and employees of the bank (this includes approximately 48,263 hours devoted to community activity by employees' children in the summer program). Approximately 27% of the hours volunteered were paid for by the bank.

~  
**64,000**

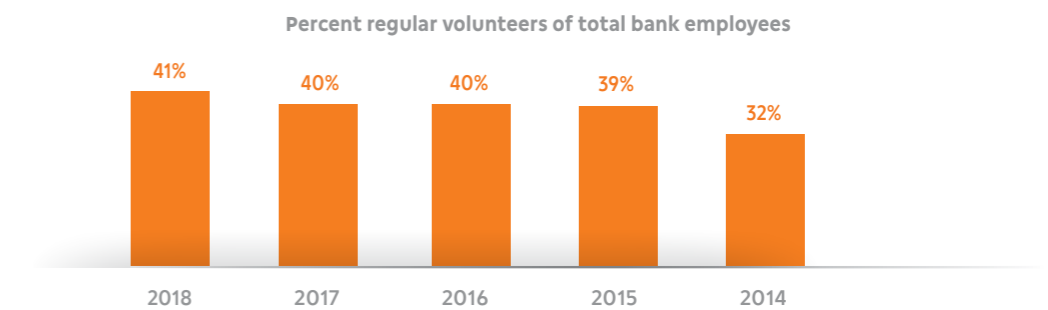
**employees** participated in volunteering activities on Good Deeds Day, held for the eleventh consecutive year.

**Training sessions for employees interested in volunteering regularly in specific areas were held in 2018. These included:**

- ◆ 14 employees took a paramedic course to volunteer at Magen David Adom.
- ◆ 24 employees took a financial coaching course.
- ◆ 15 employees trained to mentor CEOs of non-profit organizations.
- ◆ 15 employees trained to volunteer at the Eran Emotional First Aid hotline.



\*The number of volunteer hours includes employees' children's activities in the Summer Youth program – a total of approximately 48,000 hours of activity annually.



Examining Achievement of Objectives

2018 Objectives	Status
Measurement of the effectiveness of volunteering through a survey for community partners.	✓ <b>Completed.</b>

**LOOKING AHEAD**

Upgrade of the bank's volunteer management system.





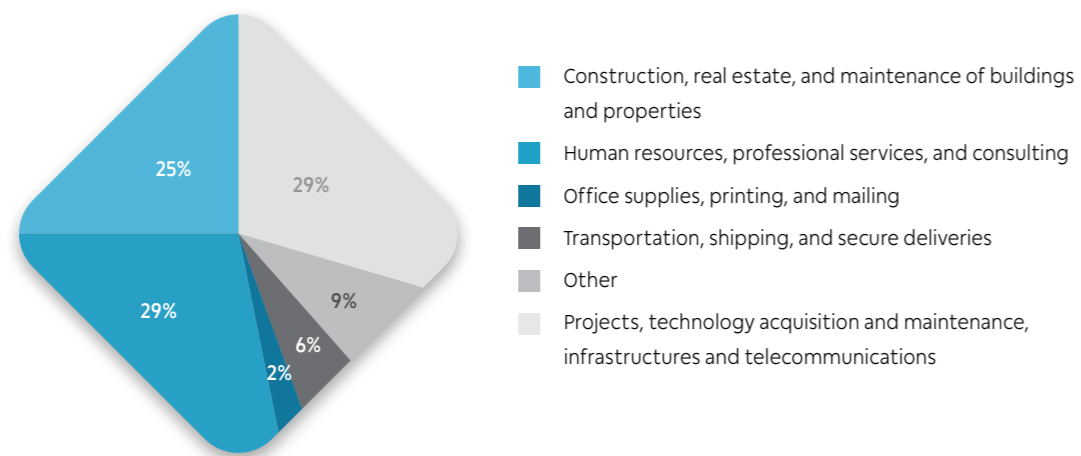
**RESPONSIBLE  
SUPPLY-CHAIN  
MANAGEMENT**



## Profile of the bank's supply chain

The operational activity of Bank Hapoalim, as a banking organization, is based on a supply chain that consists of a pool of suppliers of goods and services, encompassing thousands of companies in fields such as logistics, technology, professional services, and more. Contractual engagements were executed with approximately 2,400 suppliers from this pool during 2018. The bank's supplier pool contains suppliers of varying sizes (large, mid-sized, small, and micro businesses), operating throughout Israel and in additional countries. Approximately 95% of purchasing at Bank Hapoalim is from suppliers who are located in Israel and employ workers here.

Distribution of Bank Hapoalim purchasing in 2018



The five main categories in the bank's supply chain, which in aggregate account for 91% of its total annual purchasing, are:

1. Construction, real estate, and maintenance of buildings and properties;
2. Technology – projects, acquisition and maintenance of technology, infrastructures and telecommunications;
3. Human resources, professional services, and consulting;
4. Transportation, shipping, and secure deliveries;
5. Office supplies, printing, and mailing.

In addition to these five categories, additional purchasing groups are aggregated above under the category "others," such as advertising and sales promotion, information services, professional literature, and more. Purchasing at the bank is managed by the Corporate Purchasing Center, an integrative

function that oversees the interfaces composing the supply chain of the bank. Purchasing is a defined, uniform, orderly process, with clear parameters established for examination of the quality of the purchased item, separation of authority in critical stages of the procurement process (such as specification of demand, selection of supplier, and payment), establishment of authorizations for approvals, and documentation of information and decisions made at each stage of the process within the purchasing system, based on advanced ERP technology. All of these practices are aimed at improving the efficiency and quality of purchasing management, in order to allow controls to be applied and conclusions to be drawn, and prevent any conflicts of interest in work processes in advance. 95% of purchasing at Bank Hapoalim is from suppliers who are located in Israel and employ workers here.

### Volunteer activity

As part of a comprehensive philosophy of corporate responsibility, the bank has implemented a formalized plan for embedding sustainability principles within purchasing operations. The goal of this plan is to expand the perspective on third-party risk management in allocating the bank's resources, and to act according to norms for responsible conduct in the areas of fair and equitable employment, fair business practices, protection of the environment, and promotion of opportunities in the area of green purchasing. The bank communicates this approach to its suppliers, and encourages them to adopt the same norms. The plan is based on an in-depth analysis of the purchasing patterns and characteristics of suppliers of the bank, and is being implemented according to the responsible purchasing policy.

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



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

### Responsible purchasing policy

Mandatory	Optional
<p>Binding criteria for all suppliers (required norms of responsible conduct)</p>	<p>Preference criteria (additional quality sections) in the evaluation of proposals for significant contractual engagements</p>
<p>Binding criteria adapted to the unique characteristics of each of the different purchasing groups</p>	

#### Embedding CSR principles in supplier agreements

Corporate purchasing frequently applies controls (including through entities external to the bank) to ensure that suppliers engaged by the bank comply with the requirements of the law and with the criteria established by the bank. Since 2015, the bank has applied a formalized plan to implement a responsible purchasing policy, aimed at increasing third-party risk management in sourcing of resources for the bank and expanding the responsible conduct approach among suppliers. Within this effort, the bank has established binding criteria for working with suppliers, as well as criteria that form a part of the quality metrics (4% of the final score) in request-for-proposal processes, granting

priority to suppliers who have embedded sustainability and corporate responsibility principles in their routine operations. In addition, as part of the contract with the bank, suppliers in ongoing working relationships and new suppliers sign a corporate responsibility document, which includes a commitment to the prevention of bribery and fraud, compliance with wage and benefit terms for employees, prevention of harassment and promotion of equal opportunities, maintaining security and safety, and protection of the environment and use of environment-friendly materials. In addition, since 2014, every supplier in a working relationship with the bank has signed a document derived from the bank's code of ethics, and has made a commitment to act accordingly.

**From the suppliers' commitment to responsible conduct-** "The supplier undertakes a commitment to refrain from using materials known to be harmful to the environment and/or to public health, to a reasonable extent. The supplier undertakes a commitment to use only materials with recognized official certification or accreditation, and to discontinue the use of any material objected to by the orderer for reasons of protection of the environment and of public health."

#### Green purchasing

During 2018, the bank continued to examine and choose purchasing alternatives beneficial to the environment when acquiring products. Recycled paper products, such as notepads and sticky notes, were added to the office supply catalogue.

#### Empowerment of socially conscious suppliers

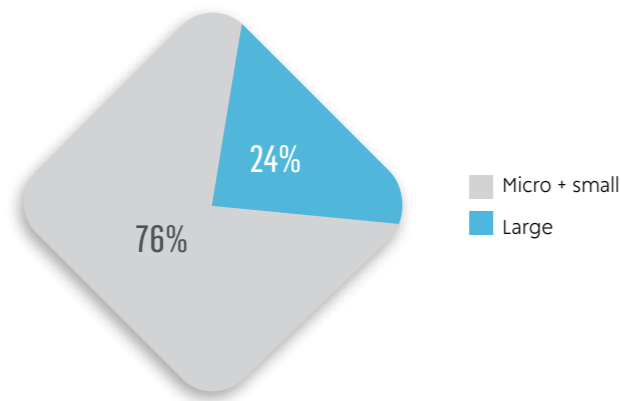
A pool of socially conscious suppliers is available to the bank, in areas such as the production of teambuilding days and conferences for the various units of the bank and supplying gift packages and flowers for the bank's employees and customers. This pool, compiled by the bank, consists of small businesses throughout Israel that have embedded social employment, values, and content in their activities, such as through the employment of at-risk youth, assistance to people in need, employment of people with disabilities, and more. In 2018, purchasing from socially conscious suppliers (organizations that primarily employ people with disabilities) reached NIS 1.8 million.



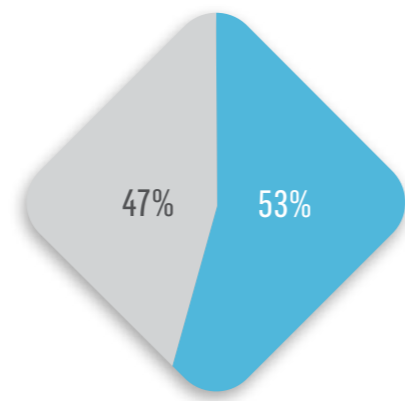
**Promoting small businesses in the supply chain**

Bank Hapoalim recognizes the importance of small businesses to the progress of the Israeli economy, and promotes these businesses in its procurement processes. Wherever possible and appropriate, the bank engages small suppliers. The bank also helps connect small suppliers, who may not be suppliers or clients of the bank, with other suppliers, due to its familiarity with them and its extensive purchasing activities.

Segmentation of suppliers by size



Segmentation of suppliers by purchasing volume



**Sharing professional knowledge**

The purchasing staff at the bank routinely shares professional knowledge with the suppliers working with the bank, on subjects such as internal efficiency, cost savings, and more. Purchasing staff members also give talks on responsible purchasing for various stakeholders, such as community organizations and others.

Two supplier conferences were held in 2018, attended by both large and small important suppliers of the bank. The goals of the conferences include sharing the main points of the bank's work plans in relevant areas with the suppliers, forging connections between purchasing and business staff at the bank and the suppliers, providing suppliers with enrichment in relevant areas, and communicating content and points of emphasis regarding the suppliers' interactions with the bank.

Purchasing staff also regularly visit suppliers in order to become more closely acquainted with their activity, learn about new products they are offering, consider future collaborations, and more. In addition, the Purchasing Managers' Forum was founded in 2017, in cooperation with the Chamber of Commerce. The forum, which convened three times during the course of 2018, serves as a platform for knowledge sharing between suppliers and the bank and among the suppliers. Professional content was presented to the forum by the suppliers and/or relevant external parties.

**Creation of value in the community through corporate purchasing**

Corporate purchasing operates in the community and maximizes value for a wide circle of people through its tools,

knowledge, and extensive relationships. The activity of corporate purchasing with Kedma, a residential village for at-risk youth, continued for a second year in 2018. Collaborations with external parties brought into the process by corporate purchasing expanded this effort, leading to contributions of various products to the village. Professional functions within corporate purchasing have also contributed their experience, by advising the administration of the youth village on more economical management. The youth village is included in the bank's pool of socially conscious suppliers, and is thereby developing an independent income-generating arm, with the bank's assistance.

\* The segmentation is based on 85% of the suppliers of the bank in 2018 and refers only to supplier relationships controlled by the bank, not including suppliers such as municipalities, where the bank has no choice regarding the engagement.

**Examining Achievement of Objectives**

2018 Objectives	Status
Within the activity of the Financial Growth Center, study programs will be developed for the bank's suppliers.	✓ <b>Completed.</b>
Revamping the bank's responsible purchasing policy.	This process will be reexamined during 2019.

**LOOKING AHEAD**

- Addition of a section concerning the prevention of sexual harassment to the suppliers' declaration of responsible conduct;
- Revamping the internal code of ethics of the bank regarding supplier relationships;
- Examination of additional collaborations with socially conscious suppliers.

**Protecting the rights of workers employed by external contractors on the bank's premises**

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

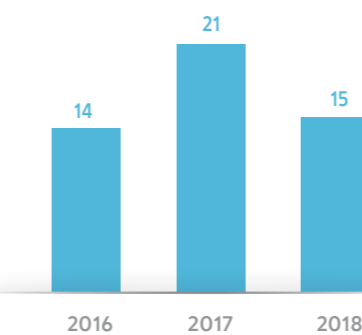
In order to protect the safety of contractor workers in the area of construction, such as in the construction of new branches and buildings, an orderly procedure is maintained, including the formulation of a safety plan for the project by a safety engineer, approval by the National Fire and Rescue Authority, and supervision by a regional security officer. An annual seminar on safety and security is held at the bank. In the reported year, there were no cases of loss of life of bank employees or contractor employees as a result of work accidents.

In 2012, with the implementation of the Law for Increased Enforcement of Labor Laws, 2011, based on the existing processes at the bank, the infrastructure was adjusted to the provisions of the law, which took effect in June 2012. The process of applying controls began before the inception of the law, and is currently conducted in accordance with the provisions of the law. This move included updates of the bank's purchasing contracts, the establishment

of a system for inquiries by external contractor employees at the bank's Human Resources Division, and the appointment of a supervisor responsible for ensuring the protection of the employees' rights and response to their inquiries during their employment on the premises of the bank. As part of its efforts in this area, the bank collaborates with Hilan, which monitors the terms of payment by suppliers to their employees. During 2018, controls were applied by Hilan at all of the employment contractor companies engaged by the bank (ten suppliers).

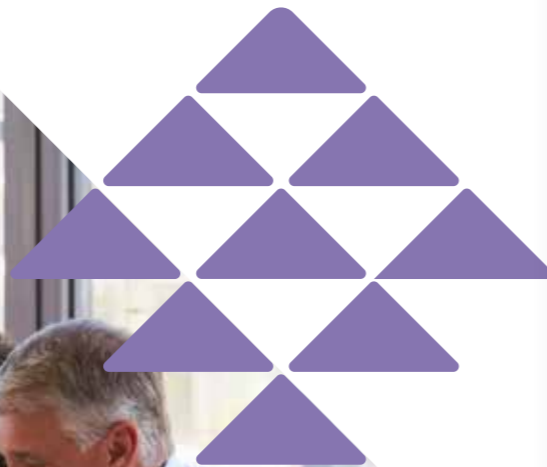
To ensure that the rights of contractor workers employed on the bank's premises are protected, the bank operates a dedicated contact center in the Human Resources Division. The bank informs contractor workers of the existence of the contact center, and has them sign a document explaining their rights. Fifteen inquiries from external contractor workers were processed by the center in 2018.

Processing inquiries from external contractor employees



**Code of ethics for external contractor employees**

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



**ENHANCING  
EMPLOYEE  
CAPABILITIES AND  
WELL-BEING**



## Committed to developing and nurturing employees

Bank Hapoalim sees its employees as the key to its success. They are the ones who make it possible for the bank to support its customers and help them reach better financial decisions. The bank is consequently committed to the nurturance and development of its employees on the professional and personal levels, to caring for their health and well-being, and to providing them with an appropriate and responsible employment environment. The bank's extensive activities for the benefit of its employees are conducted in continual dialogue with them and in partnership with the employee union at the bank.

### A responsible work culture

Bank Hapoalim applies long-term thinking based on the principles of sustainability and social responsibility in its human-capital management and retention. The bank considers its employees key stakeholders, and bases its relationship with them on mutual respect, commitment, caring, and long-term partnership. The bank promotes an appropriate and responsible employment environment, and ensures compliance with the provisions of the law with regard to the terms of employment of its employees and of all workers employed on its premises. The bank also adheres to universal norms and principles of the protection of human rights in employment, as described in the United

Nations Global Compact (UNGC); the UN International Bill of Rights; the UN International Covenant on Economic, Social, and Cultural Rights; the UN Guiding Principles on Business and Human Rights; and the Conventions of the International Labor Organization (ILO). These principles encompass the freedom of association, the right to conduct collective negotiations, and the prevention of discrimination and inequality.

Human-resources strategy is multi-annual, and is derived from the strategy of the bank, its business needs, and trends in the banking industry and in the labor market. The strategy is centered on nurturing and managing human resources, and on the creation of a supportive, flexible organizational infrastructure. Accordingly, the Human

Resources Division has set itself the mission of leading the bank's human capital into the new world of work; shaping the employee experience; providing sophisticated management tools; and creating strategic shared value for employees, managers, and the bank. This strategy is based on enhancement of the value offer for employees, implementation of advanced technologies in human-resource management, encouragement of diverse employment, and increased organizational flexibility and mobility.

#### Characteristics of the work environment at the bank:

- ◆ Equal opportunities and prevention of discrimination;
- ◆ Varied opportunities for personal, managerial, and professional development;
- ◆ Continual learning;
- ◆ Excellence in performance;
- ◆ Caring for the well-being of employees and their families;
- ◆ Maintaining labor relations.

**Bank Hapoalim is rated among the top ten employers on the BDI list of the 100 best workplaces in Israel in 2018.**

**8,290<sup>1</sup>**  
bank employees in 2018

**45.2**  
a years average age of employees of the bank

**98%**  
of the bank's employees are employed full time

**91%**  
internal and external employees  
91% of employee positions were of workers employed by the bank, while 9% were of workers employed by external agencies.

**18.3** a years average length of service of employees at the bank

**213**  
absorbing external employees  
In 2018, the bank hired 213 external workers as regular employees, accounting for 45.7% of all employees hired by the bank during the year.

**90%<sup>2</sup>**  
collective agreement  
The bank recognizes its employees' right to unionize and conduct collective negotiations. A collective agreement applies to the decisive majority of employees of the bank (89.4%), excluding those employed under personal contracts.

**418** paternal leave

414 women and 4 men took parental leave in 2018, while 307 women and 5 men returned to the bank after parental leave. Employees returning from parental leave generally resume their previous positions; any changes are performed in coordination with the employee.

**68%** The percentage of employees who hold academic degrees

rose from 66.7% to 68% in 2018. 41.2% of degree-holding employees of the bank, or 28% of all of the employees of the bank, have master's degrees or higher. 380 employees were enrolled in undergraduate and graduate degree programs this year, with tuition financed by the bank through a joint fund of the board of management and the employee union. This achievement reflects an ongoing long-term positive trend of rising proportions of degree holders at the bank, due to factors including the bank's encouragement of employees to study towards undergraduate and graduate degrees, through tuition aid and vacation days granted to allow employees to study for examinations. Overall, from 1997 to the end of 2018, the percentage of degree-holding employees at Bank Hapoalim rose from about 26% to 68%. In addition, 26 employees received financing from the bank for studies in various areas, including languages.

Segmentation of employees of the bank by age and gender

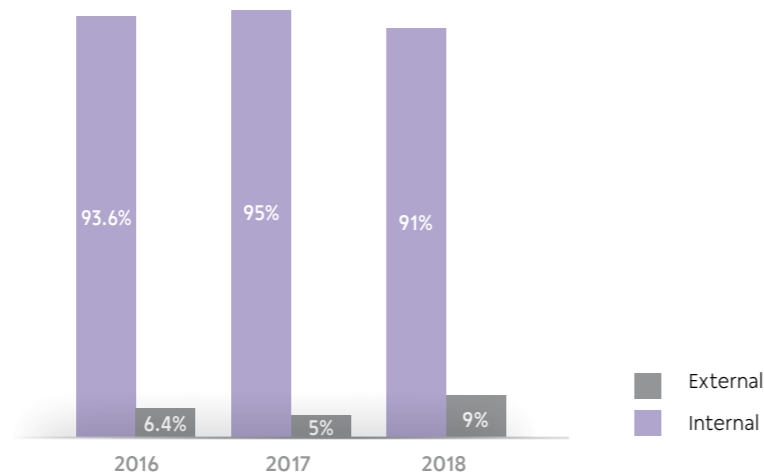
Age	Women	Men	Total	Percentage
Up to 30	586	158	744	9%
31-50	3,286	1,637	4,923	59%
Over 51	1,563	1,060	2,623	32%
<b>Total</b>	<b>5,435</b>	<b>2,855</b>	<b>8,290</b>	<b>100%</b>

1. This does not include employees on parental leave or on bed rest during pregnancy. The data do not include external personnel (including delivery drivers) or employees of subsidiaries.

2. 102-41



Ratio of bank employees to employees of external staffing agencies\*



\* In terms of positions.

Employee turnover, 2018 (employee departure/retirement and hiring)

Year	Age	Departure/retirement				Hiring			
		Women	Men	Total	Percentage	Women	Men	Total	Percentage
2018	Up to 30	209	80	289	35%	242	70	312	67%
	31-50	89	104	193	23%	77	68	145	31%
	50+	197	143	340	41%	3	6	9	2%
	Total	495	327	822	100%	322	144	466	100%

Segmentation of bank employees by type of employment contract, 2016-2018

Year	Contract Type	Permanent employees	Temporary employees	Senior employees	Total
		%	%	%	%
2018	Collective contract	76.8%	12.7%		89.4%
	Personal contract	0.2%	9.0%	1.4%	10.6%
2017	Collective contract	76.6%	13.4%		90%
	Personal contract	0.1%	8.6%	1.3%	10%
2016	Collective contract	80.5%	10.0%		90.5%
	Personal contract	0.1%	8.2%	1.2%	9.5%

Data on absences, 2018 (days of absence)

Type	Sick day*	Vacation**	Reserve military duty	Total
Total	115,179	198,643	2,068	315,889

\* Including reported illness and illness of a family member.

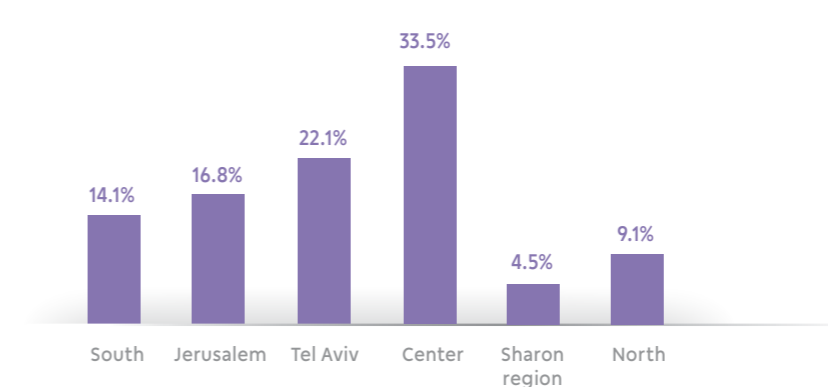
\*\* Excluding unpaid leave and parental leave.

Education and age

The following table presents a breakdown of 8,290 employees of the bank in 2018, by age and level of education.

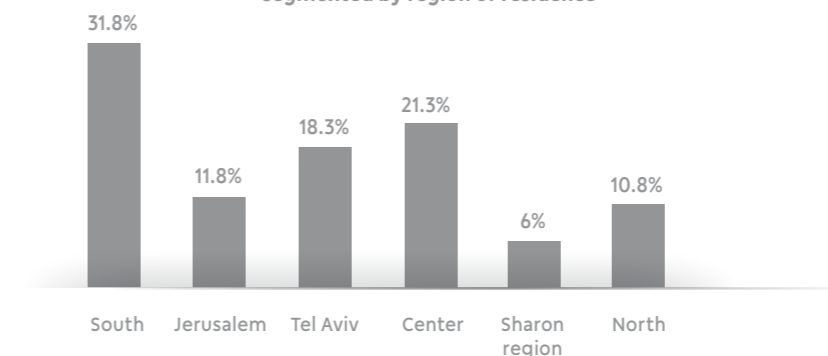
Age	Education	No academic degree	Academic degree			Total	Age group distribution	Percentage of degree holders in each age group
			B.A.	M.A.	Ph.D.			
18-21		52	0			52	1%	0%
22-30		408	339	62	0	809	10%	50%
31-40		380	1046	658	0	2084	25%	82%
41-50		594	1110	1009	9	2722	33%	78%
51-60		890	668	505	7	2070	25%	57%
60+		331	149	73		553	7%	40%
<b>Total</b>		<b>2,655</b>	<b>3,312</b>	<b>2,307</b>	<b>16</b>	<b>8290</b>	<b>100%</b>	<b>68%</b>
<b>Education</b>		<b>32%</b>	<b>40%</b>	<b>27.8%</b>	<b>0.2%</b>	<b>100%</b>		

Permanent employees of the bank, segmented by region of residence



34% of permanent employees of the bank live in peripheral regions.

Temporary employees of the bank, segmented by region of residence



Temporary bank employees

Temporary employees	Male	Female
Personal contract	476	386
Collective contract	279	771



## Promoting a culture of dialogue and openness

Bank Hapoalim considers its employees to be full partners who contribute to business and organizational processes. Employees become engaged participants in the bank's endeavors through organization-wide communication on all levels: dialogue between managers and employees, and direct communication between the various units.

The range of methods applied at the bank to achieve these aims includes face-to-face meetings; the organizational portal; promotion of a culture of sharing and innovation; and processes of feedback, assessment, and drawing conclusions. The bank also works to strengthen organizational dialogue through surveys, forums, and more described in the United.

### Multiple channels for dialogue

- ◆ **Organizational portal** – For more than fourteen years, the bank's organizational portal has served as a key arena for knowledge management, intra-organizational communication, and conveying messages within the bank. The portal offers:
  - ◆ Management of and access to organizational knowledge (work processes, rights and obligations, etc.);
  - ◆ Management of and access to professional knowledge (processes, data, and supporting information);
  - ◆ A professional desktop with access to systems and applications within the organization;

- ◆ An infrastructure for organizational sharing and dialogue among employees, through the Beshutaf ("In Partnership") network, an internal business network for employee knowledge sharing and communities, as well as forums, surveys, and responses.
- ◆ Through the portal, the bank has achieved improvement in employees' professional skills, increased synergy between the head office and the units on the ground, stronger organizational identity among employees, and dialogue through the range of tools available on the portal. Several significant changes were implemented on the portal in 2018, to improve the user experience: new functions, a search engine allowing time and resource savings, improved content, and a refurbished design. In the research preceding this process, many of the bank's employees shared their needs, expectations, and individual experiences as users of the portal.
- ◆ **Portal to Go application** – The application enhances employees' connectedness to the organization and serves as another accessible platform for internal communication and dialogue via mobile phone, at any place and time. The application

- offers organizational news, access to the corporate directory, options for ordering benefits included in employees' well-being packages, podcasts, videos, information about employment terms and insurance policies, and available positions. As of the end of 2018, more than 60% of employees had used the application.
- ◆ **CEO Forum** – Three forums attended by the CEO of the bank were held in 2018 using the bank's Beshutaf platform, which operates similarly to an internal social-media network. All employees of the bank could view the CEO's answers to employees' questions on various subjects.
- ◆ **Roundtable meetings** – A roundtable meeting with the CEO of the bank is held each quarter with approximately forty bank employees whose birthdays are in that quarter. Employees can raise various subjects and issues for discussion at these sessions.
- ◆ **Feedback and evaluation** – In 2018, 99% of the employees of the bank participated in an evaluation process of their individual performance in 2017. Approximately six months after the feedback meetings, midterm meetings are held to track objectives and employees' professional development; these meetings were held with 65% of employees.

### Examining Achievement of Objectives

2018 Objectives	Status
Launch of the new organizational portal, aimed at increasing the efficiency of work processes with the bank's customers and improving employees' user experience. A complete transformation is planned for the new portal, encompassing design, approach, and functionality..	✓ <b>Completed.</b>

### Poalim is Us magazine –

A new intra-organizational magazine covering inspiring personal stories of employees. The first issue of the magazine was published on the holiday of Rosh Hashanah, and told the story of employees who participate in selected bank projects. Another issue published on International Women's Day will contain stories of fifty inspiring women who work at the bank.

### Employee participation in initiative and innovation processes

- ◆ **The 100 Project** – The bank's intra-organizational initiative and innovation project, led by the Innovation Area and the Information Technology Area. The goal of the project is to leverage employees' knowledge, experience, and entrepreneurial motivation to generate business value for the bank, strengthen the culture of innovation and initiative, and create partnership and engagement of employees in innovation processes. Approximately seventy employees from various units and positions at the bank were selected to participate in the project. Participants were mentored by internal and external experts during the year, and received relevant knowledge and tools to develop initiatives and lead innovative projects, from idea to execution.
- ◆ **MASHathon** – All employees of the bank were invited to propose

innovative ideas for implementation at the bank in the area of the cultivation of human capital. Employees proposed approximately 200 ideas, most in the areas of flexible employment, personal and professional development, and wages and well-being; fifteen initiatives were selected for continued development in a hackathon guided by senior bank executives.

### Preparation for retirement and strengthening connections with retirees

The bank cares for its employees and their spouses as they approach retirement age, through preparatory courses and retirement workshops. The bank maintains continuous contact with its retirees, including through support, financing, and collaboration with the retiree union, which organizes trips and well-being activities and provides grants in situations of distress. Pension rights of employees who reach retirement age are covered by amounts accrued

in pension funds and allowance-based provident funds. A multi-year voluntary early retirement program (for 2017-2020) is in progress; approximately 1,500 employees are expected to participate. As part of the implementation of this plan, the bank's board of management and board of directors formulated and approved an early-retirement offer, in coordination with the employee union. If the wishes of the employee and the bank are aligned, the offer represents an opportunity for retirement with exceptionally favorable terms, including a special bonus paid to employees who retire at the age of 53 to 56. The bank also provides professional advisory services to assist employees in making the decision best suited to them and their families. Retirees are eligible for a pension immediately upon conclusion of their work at the bank, paid over an early retirement period not to exceed eight years. Six retirement workshops were held in 2018; approximately 300 employees and spouses of employees participated.



## Promoting diversity, equal opportunities, and transparency

### Non-discrimination

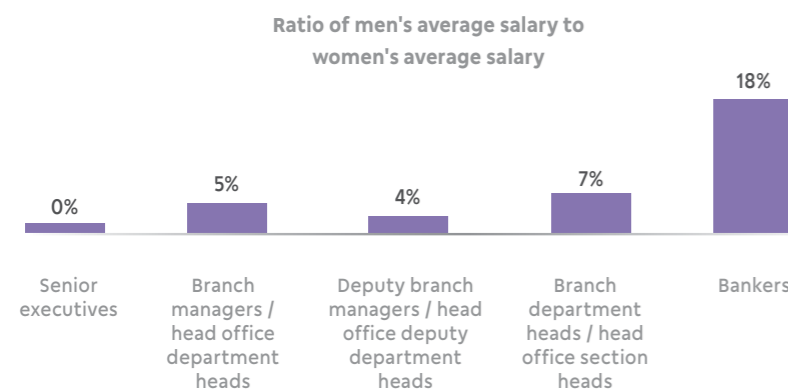
#### From the Bank Hapoalim code of ethics:

We employ, promote, and make decisions regarding employees based on pertinent considerations, such as qualifications and performance, without discrimination due to religion, race, sex, age, political views, sexual orientation, etc. No complaints of discrimination found to be justified were filed at the bank in 2018.

#### Equality in wages and terms

Bank Hapoalim is fair and transparent with regard to the terms of employment of its employees. In general, remuneration and terms of the bank's employees are determined according to a role book, which is available on the organizational portal and contains information regarding the terms of employment and entitlements granted to employees at each rank and position. The publication of the role book contributes to transparency in wages and allows control over the terms of the wages. Basic wages and related terms are established at the bank according to employees' position and rank, based on the role book, regardless of gender.

The following graph shows the ratio of men's average salary to women's average salary.



This disparity arises from the wide variety of positions within each of the categories presented above, which leads to variance in the total salaries paid for each position (regardless of gender). This variance is influenced by rank and by managerial status in each position. Salary terms also vary as a result of employee characteristics such as length of service, additions for employees with children, overtime, etc.

### Prevention of sexual harassment

#### From the Bank Hapoalim code of ethics:

"We apply a zero-tolerance policy to sexual harassment. If you experience sexual harassment, contact the Supervisor of the Prevention of Sexual Harassment at the bank to file a complaint, or contact one of the regional operations officers appointed as sexual harassment prevention trustees. If you witness sexual harassment or encounter rumors pertaining to sexual harassment, you can safely report it to the Supervisor of the Prevention of Sexual Harassment at the bank or to one of the regional operations officers appointed as sexual harassment prevention trustees."

Upon the publication of the Sexual Harassment Prevention Law 1998, the bank appointed an official responsible for the prevention of sexual harassment. In addition, operations managers at the branches were appointed sexual harassment prevention trustees, charged with identifying incidents and receiving complaints not submitted directly to the supervisor; the complaints are handled by the supervisor.

#### Voluntary code for the prevention of sexual harassment:

Within the continual improvement of the bank's system for responding to and preventing sexual harassment, in 2018 the bank adopted the voluntary code for the prevention of sexual harassment and obtained certification from the Israel Standards Institute.

- ◆ The code provides guidelines as well as concrete actions to help the bank cope with sexual harassment.
- ◆ The specifications in the code are based on the provisions and regulations of the Sexual Harassment Prevention Law, adding to this foundation in order to make it possible to address this issue comprehensively and create an organizational climate that promotes the values underlying the law.

#### Distribution of the procedure and regulations on the prevention of sexual harassment:

The procedure is available on the organizational portal and in the bank's procedures system; it is also mandatory to post the procedure and regulations in a prominent place at the branches and departments. In addition, this subject is communicated to managers. An updated procedure and regulations are sent once a year, on average.

#### Communication through the organizational portal:

This topic receives extensive exposure on the organizational portal, addressing the law, the process for handling sexual harassment, frequently asked questions, and do's and don'ts. In 2018, a new tutorial on sexual harassment was developed and circulated; all employees of the bank completed the tutorial.

### Promoting workplace diversity and inclusivity

As a values-driven employer, the bank accords high importance to diverse employment and inclusion of employees from diverse population groups, both as part of its social commitment and as a justified business practice. The bank encourages recruitment and inclusion of employees from population groups underrepresented in the labor market and adapts recruitment and hiring practices for their benefit (according to the definition of the Israeli Forum for Diversity Hiring, these groups primarily include the Ultra-orthodox (Haredi) community, the Arab community, people of Ethiopian descent, and people with disabilities). The bank maintains routine, regular communication with various government ministries and placement organizations specializing in the advancement of these population groups in the labor market.

#### Recruitment, hiring, and employment of employees with disabilities

The bank employs hundreds of people with disabilities, and makes a continual effort to recruit additional employees through ongoing relationships and dialogue with more than 200 contacts at government ministries, social organizations, and non-profits specializing in placement and guidance of people with disabilities in the job market. In 2018, the bank took several steps aimed at including and retaining employees with disabilities:

#### Accommodations during screening:

- ◆ Publication of available positions and prioritization of employees with disabilities;
- ◆ Ensuring that screening agencies working with the bank comply with accessibility standards, and offering the option to take screening tests at home, using adapted language, with the close supervision of the screening agency;
- ◆ Adapted interviewing, with the inclusion of a support person if necessary.

#### Accommodations during hiring and retention:

- ◆ Required adaptations of the work environment when an employee with a physical disability is hired or in the event of a change in the health of an employees of the bank;
- ◆ Increased quota of vacation days and adaptation of paid days of absence to the needs of employees with disabilities;
- ◆ Sign-language interpretation services for employees with hearing impairments in meetings with multiple participants;
- ◆ Accessibility of internal publications of the bank for employees with vision impairments;
- ◆ Higher wage threshold for employees with disabilities;
- ◆ Mobility of employees whose health has worsened to suitable positions;
- ◆ Full accessibility of bank events for employees;
- ◆ Appointment of a designated person for this subject at the bank, to oversee diverse employment and function as the contact person for routine service and requests for accessibility and accommodations. This person is also responsible for informing employees of their rights and for routinely providing guidance and monitoring employees with disabilities hired by the bank.

#### Raising awareness of employees and managers:

- ◆ A series of lectures for units of the bank on diverse employment, with an emphasis on people with disabilities, in cooperation with employees of the bank with disabilities;
- ◆ Development of a tutorial for all employees of the bank on rights and accommodations in the workplace to which people with disabilities are entitled;
- ◆ Building the internal website We Are All One, which contains content on diverse employment, success stories, information about rights, tips, and contact information.





22%

In 2018, approximately 22% of all employees hired by the bank were from

**segmentation of hiring of employees from under-employed population groups:**

In 2018, 11% of total employees hired were drawn from the Arab community, approximately 6% were from the Ultra-orthodox (Haredi) community, approximately 2% were of Ethiopian descent, and 4% were people with disabilities, based on their declaration

10%

of the bank's employees are drawn from underrepresented population groups

2%

of the bank's employees are from the Ultra-orthodox (Haredi) community<sup>4</sup>

6.4%

of the bank's employees are from the Arabic community<sup>3</sup>

**Comparison of numbers of men and women at each rank**

Bank employees by gender				
	Women	Men	Total	Percentage of total employees of the bank
<b>Board of directors*</b>	2	5	7	
<b>Area heads and equivalent positions</b>	3	11	14	0%
<b>Senior management</b>	31	49	80	1%
<b>First-tier management</b>	278	319	597	7.2%
<b>Middle management</b>	925	706	1,631	19.7%
<b>Employees</b>	4,198	1,770	5,968	72.0%
<b>Total</b>	5,435	2,855	8,290	100%

\* Members of the board of directors (excluding the chairperson) are not employees of the bank. The data are current as of the date of publication of the Annual Financial Statements for 2018.

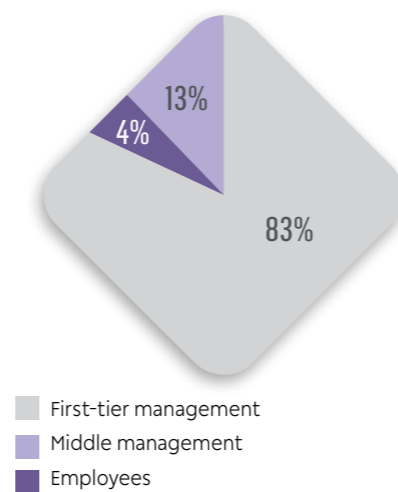
66%

**employees of the bank are women** versus approximately 59.4% in the workforce<sup>2</sup>

53.2%

**The proportion of women in management positions at the bank** versus approximately 34% in the Israeli workforce

Segmentation of minority employees by rank\*



\* Bank employees only, excluding workers employed by staffing agencies.

2. Based on an estimate. Gender index, Van Leer Institute, based on data from the Central Bureau of Statistics.

<https://genderindex.vanleer.org.il/2-שוק-העבודה-2018>

3. Refers to bank employees only, excluding workers employed by staffing agencies.

4. Based on an estimate

**Examining Achievement of Objectives**

2018 Objectives	Status
Development and implementation of a new tutorial on the prevention of sexual harassment.	✓ <b>Completed.</b> All employees and managers at the bank completed the tutorial by the end of March 2018.
Launch of a program to instill an organizational culture of workplace diversity, with an emphasis on inclusion of people with disabilities and acceptance of differences.	✓ <b>Completed.</b> A dedicated day was held to raise bank employees' awareness of accessible service for people with disabilities and acceptance of differences.
Approval and implementation of a program for increasing the percentage of women in senior management positions at the bank.	✓ <b>Completed.</b> A plan for increasing the representation of women in senior management was approved by management and the board of directors.

**Individual development and learning**

The bank cultivates a culture of learning and invests in professional and management training to empower its employees and managers. Most of the bank's professional and management training is conducted through the Poalim Campus. The Campus serves as a central arena for change-generating learning leading to personal, organizational, and professional growth. The Campus promotes an organization-wide culture of ongoing learning, reflecting the synergy between the need for high-quality, professional employees and employees' desire for development over the long term. The Campus is a key partner in a range of strategic processes at the bank, from the initial stage of examining needs, through the development of training methods, team development, and implementation of changes, to testing their effectiveness after training. During the development of training programs and other processes, the Campus uses a

wide range of learning tools and platforms, including online instruction, the banking knowledge portal, videos and simulations, lectures, workshops, and hands-on practice. The Campus conducts sample-based assessment of the effectiveness of its courses and development programs, and examines training within systemic projects. The assessments are conducted using questionnaires administered at the midpoint and end of the course, aimed at measuring and evaluating the effectiveness of learning processes. Several key performance indicators (KPIs) are established within this process, such as advanced data analysis, attainment of objectives, feasibility, satisfaction, personal/professional development, and connection. The Campus also works to map employees' knowledge gaps, with the aim of adapting focused training programs and developing resources to minimize such gaps. In addition to the activity of the Poalim Campus, some of the bank's units conduct unique training designed to impart specific professional knowledge relevant

**LOOKING AHEAD**

- Continued efforts to instill an organizational culture promoting workplace diversity, with an emphasis on inclusion of people with disabilities and acceptance of differences.
- Implementation of a program for increasing the percentage of women in senior management positions at the bank.

to the unit and improve employees' capability and performance. These include:

- ◆ **Central back offices** – The central back offices conduct a wide range of training programs, from basic instruction for all new employees to advanced training for experienced employees aimed at achieving expertise in specific knowledge areas. In addition, brief professional training sessions are conducted each year for all employees, to refresh professional content and teach skills needed to work with new software.
- ◆ **Poalim by Telephone** – Approximately 70,800 hours of training for the bankers of the call center were held in 2018. This figure represents a significant increase relative to 2017, as a result of the addition of employees to the call center in order to improve availability for customers and the installation of two new core systems. The support areas (Information Technology, Audit, Risk Management, and more) also conduct internal training programs.



**Special development and training programs in 2018**

- ◆ **open online courses (MOOC)** – In 2018, approximately 450 employees and managers at the bank participated in online courses offered by prestigious universities overseas. The courses are announced on the bank's portal. Registration is open to all employees of the bank; participation is based on a unique model developed at the bank, combining group study with independent study online. New courses on a variety of subjects opened in 2018, including digital transformation, cybersecurity, financial markets, Excel skills, design thinking technology, Hadoop, Spark, big data, and more. This innovative hybrid learning model is congruent with the present needs of the organization, and course participants reported high satisfaction with the program and its contribution to their professional development.
- ◆ **Professional training courses** – Professional training offered to

employees in 2018 included a new course in Arabic spoken language and culture. The course serves as a gateway to Arabic culture and language, and is adapted for bankers who work with the Arab community, to deepen individual and professional interfaces. A preparatory program was held for bankers without academic degrees, to enable them to develop and participate in courses for senior executives.

- ◆ **Personal, professional, and managerial development programs Values Leaders** – A new individual development program for managers, offering an opportunity to make a difference and promote values-based action at the units of the bank. Participants gain tools, personal guidance, and a range of soft skills aimed at helping them connect the leading values of the bank with business processes, activities, and objectives in their areas of the bank.
- ◆ **Mentoring program** – Developed at

the Leadership Center to achieve a double impact, allowing managers and employees to lead and share their knowledge and experience with other employees. The program promotes a network of meaningful connections between managers and employees and creates a framework for a personal mentoring process and for group meetups. The second session of the program opened in 2018; 54 managers and employees have participated to date.

- ◆ **Manager coaches** – The bank's flagship program for personal and managerial growth. The program trains bank employees to serve as personal coaches, who are then assigned to managers in their first years to mentor them individually as they embark on a new position. Approximately thirty managers received coaching through this program in 2018, and approximately 130 managers have participated to date.

57

**feedback sessions on courses** were conducted with 1,425 employees who attended training at the Shefayim Campus

93%

**high satisfaction** training participants expressed high to very high satisfaction with the activity

88%

**achievement of KPI's** 88% of participants rated achievement of these objectives as high or very high

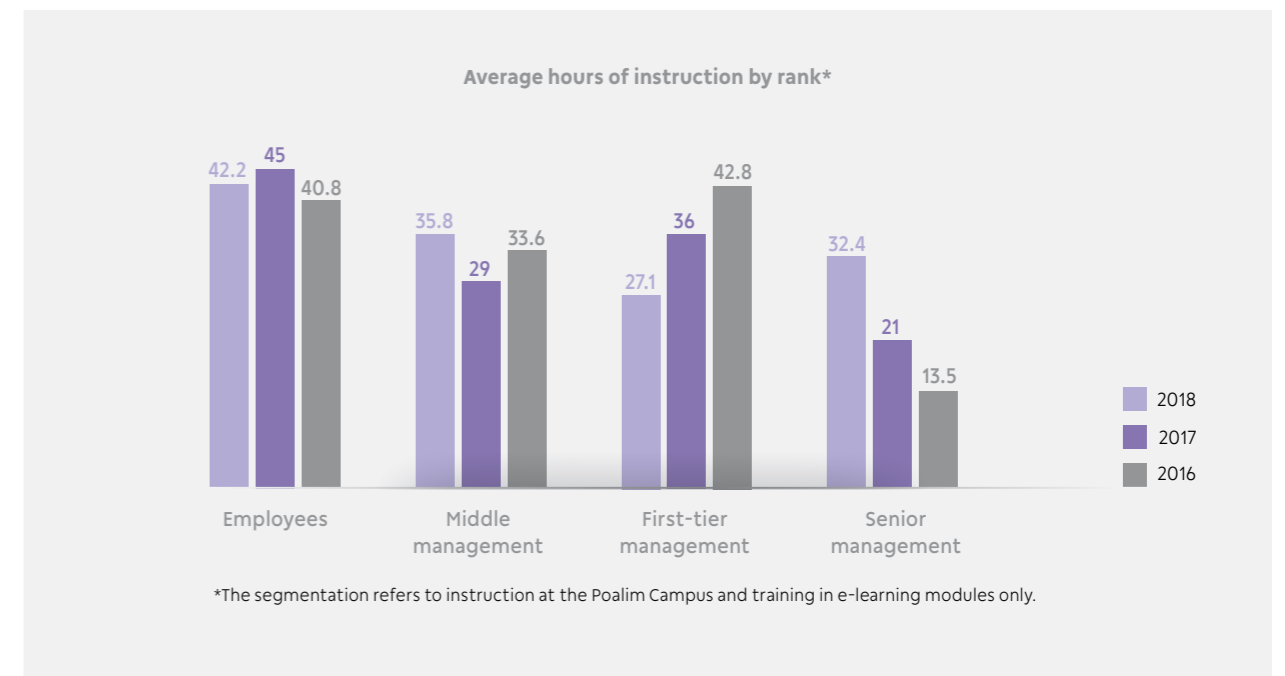
136 **training modules**  
136 online training modules were transmitted in 2018, and 79 new modules were written for holders of ten types of positions in the areas of the bank.

72,000 **training hours**  
In the Lomdim Kavua ("Regular Study") program, employees of the Retail Banking Area convened at a set time every month to study together using kits containing materials on professional subjects. Nine one-hour sessions were held in 2018, representing a total of approximately 77,200 hours of study.

Annual training activities, 2018

Days of learning*	Average hours of learning per employee	Number of Campus course sessions	Percentage of position-specific training programs**	Percentage of managerial/behavioral training programs***	Training by gender: women/ men****
60,360	52.8	480	28%	35%	71%/29%

\* Including training of bank employees at Poalim Campus, Poalim by Telephone, the Technology Unit, the Safety Unit, and central back offices, as well as e-learning modules.  
 \*\* Including training sessions such as banking coaching days, courses on information systems, and professional banking courses that do not constitute job training.  
 \*\*\* Including coaching days, executive development programs, and afternoon Campus courses.  
 \*\*\*\* The segmentation of training by gender is consistent with the overall ratio of women to men at the bank.





### Financial Fitness Center for employees of the bank –

established a center teaching astute financial behavior to employees in 2018, and trained 26 bank employees as professional financial management coaches. The center offers workshops, information, and tools to help employees achieve financial fitness. The objective of the center is to provide employees with knowledge and tools regarding astute financial behavior for their households, in order to help them make sound financial decisions. This activity promotes the values of the bank's chosen focus areas and vision, primarily the cultivation of human capital and promotion of financial freedom for every person in Israel. Five workshops on astute financial behavior were held in 2018, and 54 families of bank employees began individual mentoring processes with the coaches at the center.

### Examining Achievement of Objectives

2018 Objectives	Status
Embedding the concept of "enhancing value for customers" in Campus training programs and courses.	✓ <b>Completed.</b>
Launch of the Financial Growth Center website, and development of learning materials and advanced face-to-face courses.	✓ <b>Completed..</b>
Digital empowerment for employees and managers in the Corporate Banking Area, including training adapted to the position and customer interface.	✓ <b>Completed.</b>
Expansion of online learning infrastructures (videos and tutorials) offered to employees of the Technology Area.	✓ <b>Completed.</b>

### LOOKING AHEAD

- Launch of an innovative simulation center at the Poalim Campus, which will provide an advanced environment for practicing business and interpersonal skills, such as customer-banker and employee-manager interactions. The simulation center will allow participants to experience simulated situations and receive immediate feedback, in order to increase the effectiveness of learning, contributing to improved performance in the long term;
- A study was conducted in collaboration with the Technion in 2018 with the aim of establishing the desired profile of a branch manager and mapping the factors that lead to long-term success. Results of this research are expected in 2019; the conclusions will be studied and embedded in the bank's work processes.

### Promoting appropriate work environments

#### Excellence in service to employees

##### MASHAB (the Personal Service Center)

serves as the destination for employees' and managers' queries on various matters related to human resources, aimed at improving satisfaction and strengthening connections. 38,000 queries to MASHAB were documented in 2018, from 8,800 employees and retirees.

The center provides service to all employees and managers of the bank. MASHAB consists of three functions:

- ◆ **Service center for online and telephone queries from employees** and business partners on human-resource issues, including support for work processes derived from human-resource queries, in areas such as employee attendance; parental leave and unpaid leave; employment permits and visas; and entitlement to mobile phones, cafeteria points, daily expenses, and more.
- ◆ **Support center for employees in crisis** – Aid through care and counseling, information, mediation, and assistance in realizing rights, with functions within the bank or the community, in personal and family problems such as caring for elderly parents, coping with children with special needs, parenting guidance, health issues, bereavement and coping with death, communicating with an occupational physician, work-related crises, preparation for retirement, coping with emergencies, and more.
- ◆ **Employee loans** – The Bank Employees Credit (ELH) system, available to employees in recent years, offers loans to eligible employees of the bank through a quick, simple, user-friendly procedure on the bank's website.

#### Recruitment, hiring, and intra-organizational mobility

The Human Capital Development Center oversees the recruitment of new employees, which is performed through a range of different means, recognizing that the employee experience begins as early as the screening and testing stage. In order to widen the pool of potential candidates, in 2018 the bank ran an innovative social-media campaign under the heading "Bring a Friend." As part of the onboarding process, welcome conferences, satisfaction surveys, and orientation days were held for new employees, to strengthen their connection with the organization.

In 2018, the bank's screening process was adapted to the age of advanced technologies and to current global approaches to hiring. The following innovative tools were integrated into the screening process: **Gaming** – a test completed remotely via mobile phone or tablet; **Avatar** – a test in the form of an interactive video simulating the work environment at the branch; an **in-house test battery**, eliminating the need to send candidates to screening institutes; **text messages** used to invite candidates to interviews and provide a map and directions; and escape rooms used as part of the screening process.

Beyond the recruitment and hiring of new employees, the bank works to promote an organizational culture encouraging mobility and transfers between units, in the belief that such fluidity creates opportunities for development and learning and strengthens employees' sense of meaningful work at the

organization. This culture is reflected in the Maavarim ("Transitions") system, which helps manage available positions at the bank fairly and transparently and creates opportunities for professional and managerial development for employees and managers, as a pathway to the new world of work. The Maavarim system displays available positions at the organization to employees, including job requirements, and allows them to apply for suitable positions. 733 employees applied for positions through the system in 2018, and 86 employees transferred to new positions.

Another means of assisting employees in personal growth and development processes is the Kivunim ("Directions") Center at the bank, which offers occupational advice and guidance based on in-depth professional diagnosis and employees' inclinations, abilities, and skills. 1,405 employees moved to new positions within the bank during 2018.

#### Promoting healthy lifestyles

The bank invests extensive resources in activities that promote and encourage healthy lifestyles for employees. These include subsidized medical testing; management and coaching of a wide range of sports teams for bank employees; participation in workplace sports competitions; various lectures on healthy lifestyles and nutrition; and subsidized sports events such as marathons, bicycle rides, and more. The bank also offers benefits to employees and their families, such as partial subsidies of memberships at country clubs and gyms; comprehensive health insurance policies; participation in the Wheels of Hope race, in collaboration with the Etgarim Foundation; and more.



**An ergonomic work environment**

One of the many facets of nurturing and caring for employees is to ensure a healthy, well-adapted work environment; ergonomics are one of the means for achieving this aim. Useful information on ergonomics is accessible to employees of the bank on a dedicated page in the social responsibility zone of the organizational portal, including professional knowledge and rules for working correctly in an office environment, instructions for refreshing exercises during the workday, answers to frequently asked questions, and more. The bank also has an ergonomics consultant who assists and instructs employees on correct seated posture when working on a computer and on work environment improvements, according to need.

**Well-being services**

Employees of the bank benefit from an extensive array of well-being services in many different areas. These services provide appropriate solutions for a broad range of employee preferences and needs, from leisure activities and healthy lifestyles to enrichment for employees and their families, professional assistance in times of personal or family crisis, and more, and complement the salary components and other elements of remuneration granted to employees. Services are offered on two levels: individuals receive improved benefits, guidance and support, and a range of available activities to improve well-being, strengthen their sense of belonging, and position the bank as a leading organization and employer; and the bank as a whole conducts organization-wide activities, and mobilizes support for employees and the community at special events. Various social, cultural, and leisure activities are offered to employees of the bank at attractive subsidized prices, including

memberships at cultural centers, theater performances, the Good Movie Club, and short vacations in Israel and overseas. Two well-being staff members offer employees support in situations of distress, crisis, and change in their personal or occupational lives. Any employee can request assistance directly; the service is confidential.

**Employee union**

The employee union is a strategic partner and a key stakeholder of the bank. Labor relations between management and the employee union are characterized by partnership and continual dialogue. The roles fulfilled by the employee union include protecting each employee's rights and obligations; developing cultural, instructional, and social activities; and organizing mutual assistance among employees. The numerous activities of the union for the well-being of employees include day camps for employees' children throughout Israel, reduced-price or subsidized tickets to cultural and entertainment events, discounts on hotels and vacations, holiday gifts and gifts for personal occasions, various types of insurance for employees and their families, medical examinations, aid funds, assistance for families in mourning, assistance during crises, and more. The national union leads local employee unions, which are assigned to regional unions based on category. Branch managers in each region have a regional union as well as representation in the national union. The national union consists of representatives of the regions (including branches and the head office), with representation proportional to the size of the region. The national union operates on the basis of articles of association accessible to all employees in a dedicated section of the organization's web portal.

**Insurance policies, funds, and benefits for employees**

Bank Hapoalim pays salaries to its employees in accordance with collective or personal employment contracts signed with each employee. Employees receive comprehensive insurance coverage, including pension insurance (starting on the first day of employment at the bank), disability insurance, life insurance, personal accident insurance, health insurance, and dental insurance. Beyond the insurance coverage described above, additional safety nets are available to employees during times of crisis:

- ◆ **The Malki Foundation** – A voluntary fund, administered as a non-profit foundation financed by employee donations, which provides financial coverage for employees in the event of serious illness or similar occurrences.
- ◆ **The Mutual Assistance Foundation** – This foundation is financed by the board of management budget, and is designed to assist employees who encounter financial difficulties and family or financial crises.
- ◆ **Management and employees' joint fund** – The bank manages a fund, jointly with the employee union, using employee and management resources to finance activities related to well-being and assistance for employees and retirees.

**Work-life balance**

Bank Hapoalim accords high importance to employees' quality of life and to work-life balance. Most of the bank's employees are therefore entitled to an annual vacation day quota higher than the amount required by law. The bank also grants additional paid leave on holidays and personal occasions, including Purim, Tisha Be'Av, May 1st, weddings, mourning and memorial days, days off to study for examinations, and more. The bank practices a shortened work week of 40.5 hours. In many positions, workday beginning and end times are flexible. Work at the branches ends in the early afternoon three days a week. At the head office, Tuesdays have been designated a shorter workday for employees, whenever possible, with no meetings scheduled in the afternoon.

**Wednesday is the new Thursday –**  
Split shifts at the branches were transferred from Thursday to Wednesday in 2018, as another step towards work-life balance. This change was communicated to customers through direct mail and all other means (branches, Poalim by Telephone call center, and direct channels).

**Safety**

Safety at the bank is managed under the leadership and responsibility of the Security and Safety Department, as required by law. Efforts are invested in reducing and preventing safety hazards on all premises of the bank; this includes examinations and training, as well as immediate response to emergencies. All employees of the bank are expected to maintain up-to-date knowledge through a safety tutorial, and attend face-to-face safety training on potential risks led by certified safety instructors. The bank

also trains safety and security trustees and performs periodic evacuation drills. **The Poalim Call Center** oversees all security and safety systems at the bank. The center also provides personal assistance to employees and their families in times of need, 24 hours a day. Among other matters, the center helps employees contact the police in cases of home burglaries, tows cars after accidents, and provides initial assistance and referrals to the appropriate professionals for malfunctions of household systems.

**Examining Achievement of Objectives**

2018 Objectives	Status
Expansion of the Yoga Hour to approximately forty additional branches and departments.	Postponed to 2019.
Ongoing examination of the relevance of the bank's entrance examinations to Generation Y and Z.	✓ <b>Completed.</b>
As part of the bank's efforts to support employees' work-life balance, the Personal Tuesday policy will be instituted, in which Tuesday will become a shortened work day, to the extent possible, with no afternoon meetings scheduled.	✓ <b>Completed.</b>
An additional one-month Sugar Free Challenge workshop, and an increase in the number of participants to reach hundreds of additional employees.	✓ <b>Completed.</b>



**ENVIRONMENTAL  
SUSTAINABILITY**



## Setting environmental policy

In recognition of the bank's social responsibility and of the importance of sustainable environmental management, Bank Hapoalim has formulated a comprehensive, formalized policy in this area, prepared by environmental management professionals. This policy constitutes an integral part of the bank's strategy, derived from the sustainability principles that represent and reflect environmental and business conduct aimed at preserving and improving existing resources through economic, social, and environmental balance, for the benefit of future generations. The policy does not address the preservation of biodiversity, as this issue is not material to the activity of the bank.

- ◆ The bank views the protection of the environment as socially valuable, and manages this area as an inseparable component of its social responsibility;
- ◆ The bank seeks to achieve the proper balance between economic development and the protection of the environment in its business decisions;
- ◆ The bank complies with regulations and laws, and adheres to the directives of the organizations charged with protecting the environment;
- ◆ The bank diligently endeavors to prevent environmental damage;
- ◆ The bank is committed to managing its environmental impacts to ensure continual improvement, by setting goals and measuring all material aspects of its impact on the environment;
- ◆ The bank collaborates with external professional organizations to promote environmental causes;
- ◆ The bank works to instill environmental education among its employees, and initiates and participates in community projects.

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

- ◆ The integration of environmental values with the economic values of efficient use of logistical resources generates shared benefits – business and financial value, as well as the protection of the environment.
- ◆ Implementation of a responsible environmental policy contributes to the work environment, improving employees' quality of life and workplace satisfaction.

Environmental management at the bank devotes special attention to areas directly affected by its business activities:

- ◆ Development of environmentally-friendly services and products;
- ◆ Management of environmental risks in project financing;
- ◆ Energy consumption and energy efficiency;
- ◆ Transportation;
- ◆ Consumption of paper resources;
- ◆ Green purchasing (office and IT);
- ◆ Consumption of water resources;
- ◆ Waste – reuse, recycling, and responsible disposal;
- ◆ Expansion of environmental awareness, and engaging and involving employees in this process, so that they also become agents of change in their home and family environments.

Bank Hapoalim treats consumed materials as resources to be managed responsibly, from an environmental and business perspective, in an effort to achieve savings and improve efficiency. The main environmental resources consumed at the bank are managed using measurement infrastructures that allow monitoring of trends and identification of areas for improvement, establishment of a comprehensive multi-annual work plan, implementation of initiatives to increase efficiency, and examination of environmental impacts across the full life cycle of the resource. This approach is implemented through

the bank's environmental management system, which was certified under the international management standard ISO 14001 in 2013. The bank renewed its certification under this standard through an external institute in 2018. This certification is in effect until 2022. Bank Hapoalim is the first financial institution in Israel to obtain certification under this standard, which applies to all activities of the bank in Israel, excluding the credit-card companies. During the reported year, no fines were imposed on the bank or on any senior officer of the bank due to environmental matters, and they were not parties to substantial legal proceedings related to environmental matters. As of the end of 2018, the bank does not use renewable energy for its routine operations.

## Developing products and services to promote environmental sustainability

Within its social responsibility and commitment to protecting the environment, the bank develops credit products for its business and retail customers that promote environmental sustainability. The bank's main axes of activity include financing solutions for building systems that generate clean energy, water desalination and infrastructure projects, recycling and responsible waste disposal, and more.

### Promoting green energy

The bank supports the promotion of green energy in the Israeli economy. Within this effort, the bank participated in financing for the construction of the solar-energy plant at Ashalim; the Sirin and Emek Habacha wind farms; two biogas-driven power stations, in Beer

Tuvia and Hadera; and a large number of power stations fueled by natural gas. In 2018, the bank also significantly increased the scope of its financing for natural gas exploration and production. The bank granted credit with three international banks to Energean, the group developing the natural-gas field Karish in Israel.

Beyond its support for environmental sustainability projects on the national level, in 2018 the bank introduced new financing solutions aimed at supporting sustainability for households and business clients:

**Guidance for business clients in the process of applying for an energy-efficiency grant** – Within the Paris Climate Accord, Israel agreed to significantly reduce emissions of pollutants by 2030. Towards that end, the state offers dedicated grants, for industry and local government, to encourage energy efficiency. Bank Hapoalim continued to guide business clients in applying for state grants for energy efficiency projects in 2018.

**Dedicated loans for private customers to finance purchases and installations of solar-energy systems** – "Moneh Neto" is a state program allowing households to install solar-energy systems for the production of electricity for their own use, as a substitute for power supplied by the Israel Electric Corporation. Further to this initiative, the Electricity Authority and the Israel

Electric Corporation published official rates for the program. Bank Hapoalim identified these processes as an opportunity for the creation of shared value – for customers, through lower electricity costs and an additional source of income; for the environment, through the promotion of green energy; and for the bank, through its credit solutions. The bank therefore offers its private customers loans dedicated to financing the acquisition and installation of solar-energy systems, at 100%, for a period of ten years, with a reduced interest rate. The bank also offers its business clients credit designated for the installation of large solar-energy systems at financing rates of up to 100%, in amounts of up to NIS 500,000, for periods of up to twelve years, with reduced and preferential interest terms. Credit in the amount of approximately NIS 13 million was granted to retail customers for purchases of solar-energy systems in 2018.

**Financing of solar-energy systems during construction or purchase of single-family houses** – For any customer interested in financing (mortgages) for building or buying a single-family house. Financing of the system is taken into consideration as part of the total construction cost, i.e. as part of the financing for the acquisition or construction of the property, with the backing of assessors who examine the value of the property.

**As of the end of 2018, the bank has granted credit in a cumulative amount of approximately NIS 8.7 billion for environmental projects and products.**

### Water purification and desalination

Bank Hapoalim is a leader in financing for desalination plants and sewage-treatment facilities in Israel. The bank financed the desalination project at Palmachim, including its expansions, and is a participant in financing for desalination projects in Hadera, Sorek, and Ashdod and in the maintenance and operation of the desalination plant in Ashkelon. The volume of desalinated water generated by projects in which the bank participated stands at 467 million cubic meters per year, or about 80% of desalinated water in Israel.

### Green building

The bank has provided financing for several construction projects across Israel based on green-building principles, in compliance with the standard required by the Ministry of Environmental Protection. **Financing for green-building projects totaled NIS 2,649 million in 2018.**

## Examining Achievement of Objectives

### 2018 Objectives

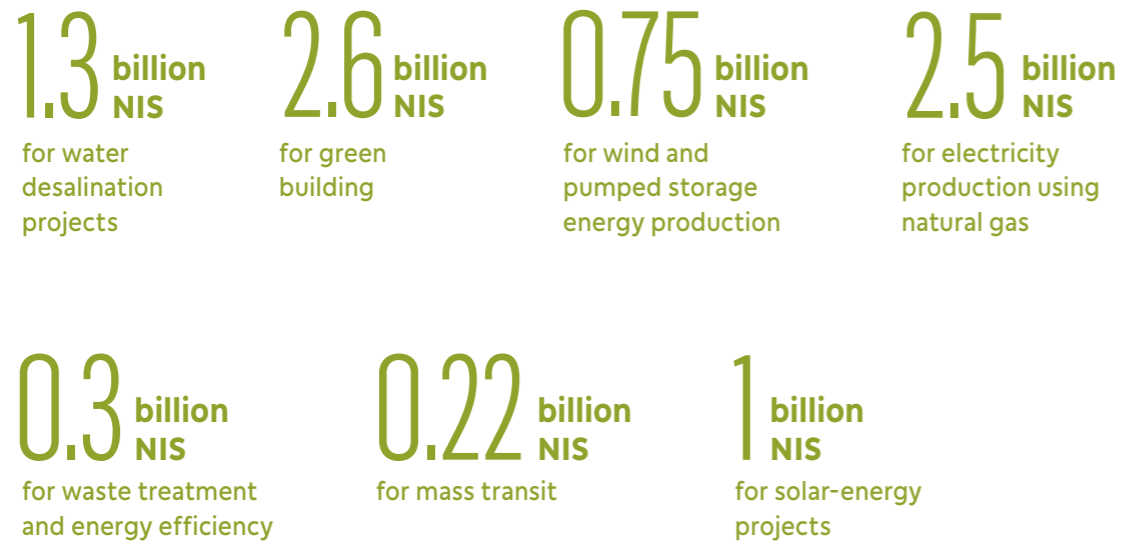
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| Expansion of assistance for grant applications to promote energy efficiency among business customers, in grant rounds planned for 2018.   | ✓<br><b>Completed</b> |
| Expansion of loans for the acquisition and installation of solar-energy systems for private and business customers, and raising the general public's awareness of this subject. | ✓<br><b>Completed</b> |

## LOOKING AHEAD

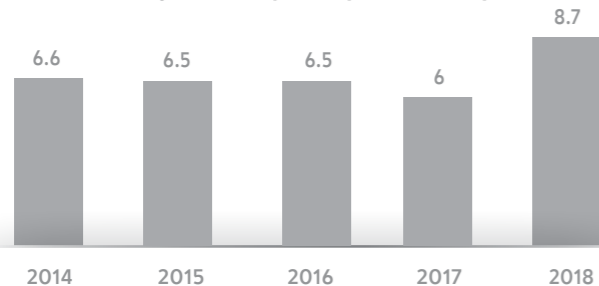
Continued financing of loans for the acquisition and installation of solar-energy systems for private and business customers, and raising of public awareness of this subject.



As of the end of 2018, the bank has granted credit in a cumulative amount of approximately NIS 8.7 billion for environmental projects and products.



Credit for projects promoting environmental sustainability – multi-year development (in NIS billions)\*



\* Financing for green-building projects increased significantly in 2018 (from NIS 863 million in 2017 to NIS 2,649 million in 2018), accounting for most of the growth in credit for products with environmental value in 2018.

### Impact on the environment through financing of renewable energy

Based on the study of social and environmental impacts of the bank on the Israeli economy: When the renewable energy projects financed by the bank are completed, they will lead to reduction of carbon-dioxide emissions by **400,000 tons annually**,\* or 1.1% of total emissions from electricity production in Israel in 2018. The financial savings resulting from the emissions cut are estimated at **NIS 0.5 billion**.\*\*

\* Attributed only to the bank's share of the credit granted to the projects.  
\*\* Present net value of emissions reduction over 20 years, at a discount rate of 7%.

## Examining environmental risks in financing

In recognition of the importance of sustainable environmental management, Bank Hapoalim manages its exposure to environmental risks through the environmental risk management system, based on an ordered, specified methodology. The environmental risk management system in the area of financing contains the organizational components necessary for efficient and effective management.

Risk management at the bank is performed based on a global view of the bank's activity in Israel and at its branches abroad, with due attention to the activity of its subsidiaries. Risks are managed separately by each banking subsidiary in the bank group, according to policy formulated by each company's board of directors and presented to the board of directors of the bank. Financial and operational risk control and assessment are performed based on a uniform methodology at the level of the group, with guidance from the Risk Management Area, taking into consideration the unique characteristics of each subsidiary's activities. Risk management involves hedging of some of the risks.

The methodology of the bank for environmental risk management was created by a dedicated team, with the assistance of external consultants specializing in this area, which examined the methodologies used by foreign banks around the world, including the Equator Principles (the bank has not signed the principles). The model formulated by this team links the various environmental risks, as defined by the Supervisor of Banks, to the business sectors to which the bank's clients belong. The environmental risk identification methodology addresses factors including the environmental risk potential of the economic sector, as well as individual consideration of the environmental risks that may materially affect the corporation, according to its business activities. A prerequisite for specific financing of such projects is an examination of the project's impact on the environment. The customer is required to prepare an environmental survey, which is examined by an external consultant

of the bank to ensure that the project complies with all of the requirements presented in the permits granted by various government agencies.

#### Key principles of environmental risk management in financing:

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

## Segmentation of environmental risks in credit granted in 2018

Environmental risk level of economic sector

	High		Medium		Low		Total	
	Number of customers	Total exposure in NIS billions	Number of customers	Total exposure in NIS billions	Number of customers	Total exposure in NIS billions	Number of customers	Total exposure in NIS billions
<b>Corporate Banking Division</b>	24	15	111	58	93	64	228	137
<b>Commercial Banking Division</b>	0	-	56	18	12	3	68	21
<b>Special Credit Division</b>	0	-	13	8	7	2	20	10
<b>Total</b>	<b>24</b>	<b>15</b>	<b>180</b>	<b>83</b>	<b>112</b>	<b>69</b>	<b>316</b>	<b>167</b>



## Reducing carbon emissions

Bank Hapoalim monitors the main components of its activity that contribute to the emission of greenhouse gases. Bank Hapoalim joined the voluntary greenhouse-gas reporting system of the Ministry of Environmental Protection in 2010. Since then, the bank has reported to the recording system in accordance with the established methodology. Indirect energy consumption (Scope 2) for power and transportation is the most significant factor in the bank's carbon footprint. Measures are being taken to improve efficiency and reduce consumption, as described later in this chapter. The bank also manages and monitors indirect sources of emissions, such as paper production, branch construction, waste treatment, air travel by employees, and more.

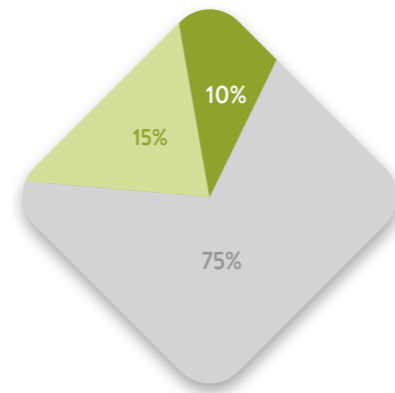
### Emission of substances that damage the ozone layer

In general, the bank uses five main types of air-conditioning systems: split air

conditioners, central air conditioners, VRF systems, cooling towers, and chillers. The older systems use freon gas, which is permitted by law, but may be harmful to the ozone layer. The bank is working to replace these existing air-conditioning systems with systems that use only environment-friendly gases. The air-conditioning systems of all of the bank's properties in aggregate contain about 20-30 tons of coolant gas, of which more than 85% is the environmentally-friendly R-410a.

**Carbon footprint of Bank Hapoalim in 2018:** The total carbon footprint of the bank in 2018 is 58,318.5 tons CO<sub>2</sub>eq (including all three scopes), down approximately 9% from 2017. The decrease in carbon footprint resulted from decreases on all three scopes: in Scope 1, most of the decrease resulted from significantly lower consumption of fuel for transportation, while in Scope 3 most of the decrease resulted from reduced consumption of paper, ink and toner, and water at the bank.

Breakdown of carbon footprint by measurement scope

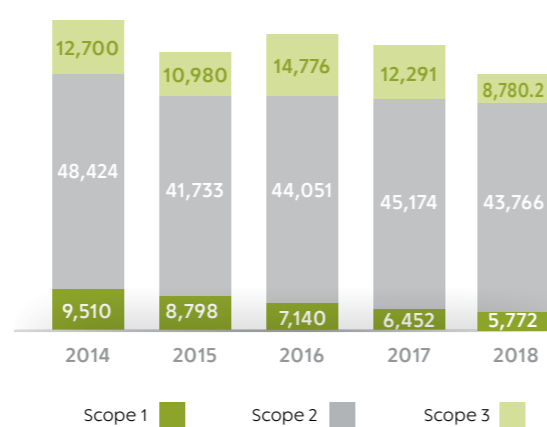


- Direct emissions - Scope 1
- Indirect emissions - Scope 2
- Indirect emissions in the supply chain - Scope 3

Total carbon footprint of the bank in tons CO<sub>2</sub>eq



Carbon footprint measurement scopes



Since 2010, the bank has reduced its carbon footprint by approximately 45.4%, mainly through energy efficiency and savings processes, and due to the use of electricity from Dorad, which generates power from a more environment-friendly mix of fuels.

Year	2014	2015	2016	2017	2018	Change vs. 2017
<b>Total</b>	70,632	61,511	65,966	63,917	58,318.5	-9%
<b>Per employee</b>	7.61	6.91	7.5	7.35	7.03	-4%
<b>*Per square meter</b>	0.23	0.20	0.20	0.22	0.20	-9%

\* The carbon footprint per square meter does not include the bank's consumption of electricity at the Rotem site, as this site is a unique backup facility with unique consumption patterns that are not characteristic of average power usage at the bank.

## Examining Achievement of Objectives

### 2018 Objectives

The bank aims to maintain 0% growth in the emission of greenhouse gases as a result of its activity.



## LOOKING AHEAD

The bank aims to decrease the emission of greenhouse gases as a result of its activity by one percent each year.

## Power consumption management and energy efficiency

Electricity is a key resource used by the bank and the main factor affecting the carbon footprint of the organization. The fundamental premise is that this resource should be managed every day of the week, in every season – not only in industry, but also in office-based businesses – for efficiency and savings.

The central principle in efficient management of electricity consumption by offices is coordinated timing, according to employee presence, of air conditioning and lighting systems and of computer operation, to the extent possible. The collection and analysis of as much data as possible allows organizations to identify excessive consumption and find the optimal solution. Virtually all of the energy consumed at Bank Hapoalim is in the form of electricity supplied by the Israel Electric Corporation

(with the exception of fuel), which does not include renewable energy sources. During 2014, the bank began to acquire electricity from Dorad, a natural-gas-based power supplier. Dorad supplies electricity to the bank's head-office buildings and large branches. As of the end of 2018, 46% of the power consumed at the bank was acquired from Dorad. The transition to Dorad has lowered energy costs and reduced the environmental impact of power consumption.





**Energy efficiency**

The bank uses computerized command and control systems to monitor and control all of its energy consumption; these systems help minimize consumption of air conditioning and lighting, and provide alerts of significant problems. The systems have been installed at all of the bank's facilities, and are operated based on specifications matched to the work hours at each branch or building. Within this process, the bank is installing new chillers with a higher COP (coefficient of performance), as well as VRF (variable refrigerant flow) air-conditioning systems, which will lead to savings of about 38% on energy and maintenance costs, relative to other systems, for replacements and installations; 20% of the savings are in power consumption. Ten new VRF systems were installed in 2018. In 2018, the bank also continued to install biothermal sheeting on ceilings at its branches in order to save energy. The sheets help maintain a constant temperature in the branch and retain coolness from the air-conditioning system even when the building's doors are opened and closed, leading to savings of 20-30% on air-conditioning costs. As of the end of 2018, the sheeting has been installed at twelve branches. The results of comparisons of comparable periods throughout the year at these branches, in terms of consumption of air conditioning, indicate power savings of at least 20%.

**Green IT**

The bank also works to achieve energy savings and efficiency through a thorough examination of the possibilities for green information technologies at its branches and offices. Energy efficiency is a parameter in IT equipment purchasing tenders, spurring bidders to offer more advanced, efficient equipment. In addition, the bank's Information Systems Operations and Service Division does not rely on manufacturers' information regarding the performance of the various components, instead running the necessary tests on server hardware and software, printers, and peripheral equipment at a dedicated laboratory. In 2018, the bank continued to purchase small computers with reduced power consumption, delivered in recyclable packaging. The bank is also transitioning to IPT in landline communications, in order to upgrade to a system managed digitally through a central IT hub. This change will eliminate the need for local switchboards at each branch, improve the bank's control over its communication system, and save power consumption due to the removal of the local switchboards. Additional means of saving power used in IT at the bank include the transition to printing centers and double-sided printing options, a system for turning off desktop computers at the end of the workday, and the use of a fax to mail / mail to fax application to reduce document printing.

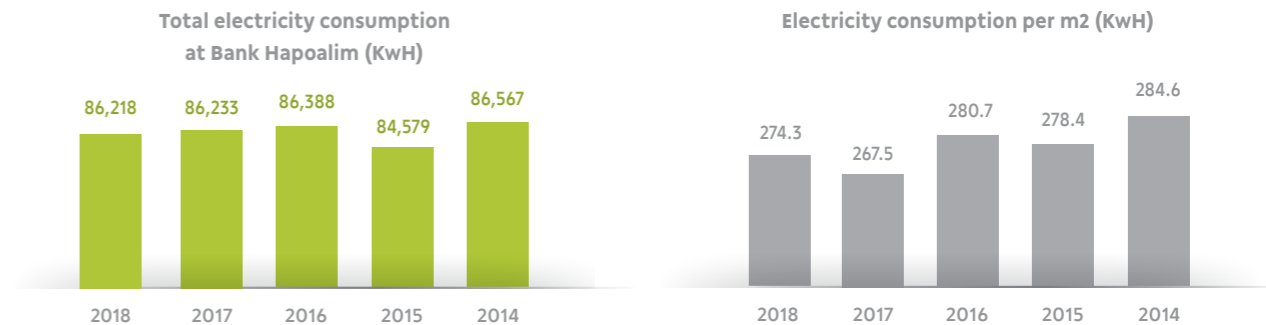
**Management and measurement of power consumption**

The bank maintains a power consumption database, which is routinely updated to reflect structural changes in the bank's properties as a result of addition, closure, rental, or change in designation. The database enables the bank to examine the monthly and annual consumption patterns of each property, compare it to buildings of similar size and designation at the bank, and compare multi-year trends in consumption per square meter and per employee. The database also makes it possible to identify trends of improvement and increased efficiency, and to locate properties with a risk of inefficiency or malfunction.

**Power consumption at Bank Hapoalim – multi-annual**

	2014	2015	2016	2017	2018	Change vs. 2017
<b>Total (KwH)</b>	86,567,004	84,579,103	86,388,184	86,232,616	<b>86,217,677</b>	<b>-0.02%</b>
<b>Total (GJ)</b>	311,641	304,485	310,997	310,437	<b>310,383</b>	<b>-0.02%</b>
<b>Bank area in sq. m.</b>	304,184	291,512	285,251	288,897	<b>280,600</b>	<b>-2.8%</b>
<b>Consumption per square meter (KwH)*</b>	284.6	278.4*	280.7	267.5	<b>274.3</b>	<b>2.5%</b>

\* Power consumption per square meter was calculated based on total consumption of 76,980,873 KwH. This total does not include the bank's consumption at the Rotem site (approximately 9.2 million KwH), as this site is a unique backup facility with unique consumption patterns that are not characteristic of average power usage at the bank.



**Examining Achievement of Objectives**

**2018 Objectives**

- Continued replacement of old air-conditioning systems with new systems, with an emphasis on systems with high energy efficiency. **✓ Completed**
- Replacement of lighting fixtures at branches with LED bulbs, in collaboration with corporate purchasing. **✓ Completed**
- Continued installation of biothermal energy retention sheeting, for energy savings. This process is being performed only at new branches and at branches where it will lead to energy savings.
- Installation of energy control systems at all new branches of the bank. **✓ Completed**
- Installation of video conference systems at business centers, for meetings, training sessions, credit committees, etc. The use of these systems reduces the need for employees to travel to meetings outside their office, and contributes to fuel and time savings. **✓ Completed**

**LOOKING AHEAD**

- Identification of additional sources of energy efficiency and savings in the market and implementation at the bank;
- Continued replacement of lighting fixtures at branches with LED bulbs, in collaboration with corporate purchasing.



## Reduction of energy consumption in transportation

The direct and indirect environmental impact of Bank Hapoalim in the area of transportation derives from fuel consumption and emissions resulting from fuel burning. The bank is working to reduce fuel consumption in its vehicle fleet and in the system of internal transportation between its branches and facilities, which leads to reduced air pollution, through various means, including:

- ◆ Limiting the vehicles chosen for the vehicle fleet to those with a pollution rating of up to 8; most of the vehicles at the bank have lower pollution ratings.
- ◆ Conducting dialogue with employees through the organizational portal - publication of articles and recommendations concerning safe, efficient, careful driving.
- ◆ Encouraging employees to commute by bicycle - the bank provides showers and bicycle parking spots for employees at the head office who ride bicycles to work.

In addition, bank services offered via telephone and digital channels eliminate the need for customers to visit a branch, contributing to reduced travel and air pollution. The bank's consumption of fuel decreased significantly in 2018, by 21%. The main cause of the decrease is the use of fuel-efficient vehicles with TSI turbo engines, which significantly improve fuel savings, as well as a significant increase in hybrid vehicles at the bank.

### Data on Bank Hapoalim vehicles

Year	2011	2012	2013	2014	2015	2016	2017	2018
Number of vehicles in leasing fleet	1,329	1,288	1,238	1,188	1,106	1,155	1,024	953
Annual fuel consumption (liters)	3,574,235	3,440,152	3,448,047	3,537,444	3,599,730	3,021,768	2,746,344	2,160,630
Mileage in kilometers per liter (based on manufacturer data)	10.1	10.5	11	11.8	10	9.5	10	12
Number of hybrid vehicles in the fleet	23	27	22	19	22	18	15	48

## Management of paper resources

Paper is one of the main raw materials consumed during the routine operations of the bank; as such, this resource is managed based on the overall approach of reducing consumption and increasing recycling. The processes aimed at reducing paper consumption at the bank continued during 2018. Special attention has been devoted to fully maximizing the potential for automation of paper-consuming processes.

### Paperless Bank

The Paperless Bank strategic project has been underway since 2009. The project concerns analysis of paper consumption at the bank and the possibilities for reducing or eliminating forms and reports, both for the bank's internal use and for its mailings to customers. The main activities conducted within the Paperless Branch project in 2018 are reviewed below.

- ◆ **Digital signatures and customer service via touch screen** - In 2018, customers at branches were able

to sign documents digitally using an iPad. This process contributes to annual paper savings of approximately 62 million pages.

- ◆ **Central printer** - As part of the digital banking approach, the process of discontinuing the use of the bank's central printer was completed in 2018. The central printer generated approximately 6 million pages of notifications and reports each year, sent to branches and business units in the head office.

- ◆ **Automation of collateral forms** - The process of automation of collateral documents continued at the bank in 2018, through a transition from handwritten forms to electronic forms requiring a minimal number of digital signatures. At the end of 2018, automation of approximately 80% of transactions had been completed.

- ◆ **Scanning borrower files** - The project of scanning business borrowers' files at the branches for digital presentation continued in 2018. Retrieval, scanning, and indexing of the files were completed at approximately 40% of branches by the end of 2018.

The various initiatives of the Paperless Branch Unit have led to significant annual savings of about 202 million pages of paper and approximately NIS 43 million.

### Transition from mail to e-mail

Bank Hapoalim aims to streamline and reduce mail sent to its customers, while complying with regulatory consumer-protection directives that mandate mailings at specific times with information prescribed by law. The bank is concurrently endeavoring to reduce paper consumption by consolidating messages, reducing mailings, and applying environmental mailing initiatives, such as sending via e-mail. Registered customers can receive account notifications through the bank's website, in a mailbox linked to their online account. The bank also offers the Poalim E-mail service, in which mail is sent directly to the customer's personal inbox. Every customer registered for this service contributes to average annual savings of 45 mailed pages.

**In 2018, 270,000 new customers registered for the Poalim E-mail service, in which customers can receive messages through their personal inboxes.**

## Examining Achievement of Objectives

### 2018 Objectives

Completion of the automation process in the area of collateral, and transition from manual forms to electronic forms requiring a minimal number of digital signatures.	✓ <b>Completed</b>
Completion of the process of scanning of borrower files and transition to virtual borrower files.	In progress; completed at 40% of branches by the end of 2018.

## LOOKING AHEAD

- Transition to double-sided printing at branches;
- Continued scanning of borrower files, removal of paper from branches, and transition to virtual borrower files;
- Digital signatures of mortgages and encouraging the use of digital signatures in additional areas of banking;
- Continued encouragement of customers to switch to e-mail notifications;
- Encouraging paper savings through marketing activities and the Paper Challenge for employees of the bank;
- Creation of a focused plan for bank departments that rely heavily on printing and finding solutions to cut back paper use.



~172 tons

Paper consumption at the bank decreased by 172 tons in 2018, relative to 2017

~4,800 trees

Paper consumption savings in 2018, compared with 2017, are equivalent to saving approximately 4,800 trees from being cut down for the paper industry

~18.2 tons

Cardboard recycling: 18.2 tons of cardboard were collected and transferred for recycling in 2018

~39 tons

Paper consumption for internal use at the bank decreased by approximately 39 tons in 2018 relative to 2017, due to the processes described above

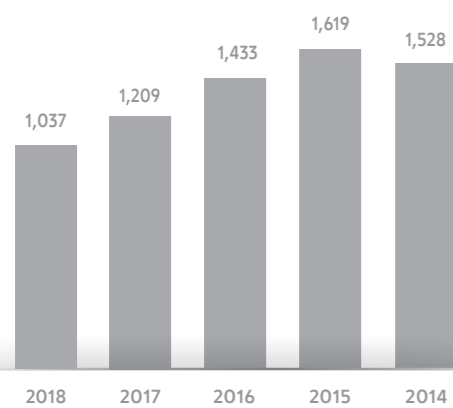
~746 tons

Paper recycling: 746 tons of paper were collected and transferred for recycling in 2018

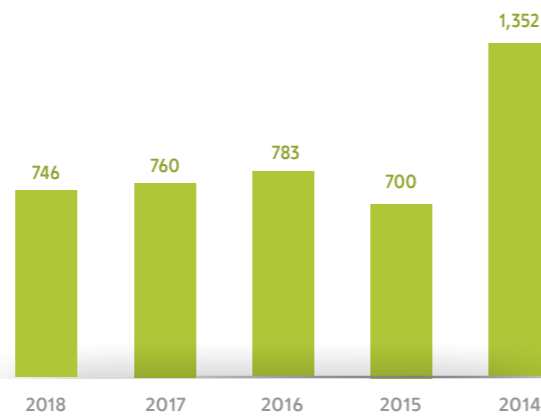
over 800,000 customers

Delivery via e-mail: As of the end of 2018, over 800,000 customers have registered to receive e-mail instead of physical mail. The number of customers added to this service increased by 32% in 2018, compared with 2017

Paper consumption at the bank (in tons)



Collection of paper for recycling, in tons



## Reducing additional environmental impact

Production and service processes in banking have a minor direct environmental impact, as the bank's activity is essentially administrative and the service it provides to its customers is digital by nature. Nonetheless, Bank Hapoalim strives to minimize the incremental environmental impact of its activity. The bank involves its employees in this process both through internal changes in environmental practices and through the attempt to maximize the impact of its overall environmental activities, based on the idea that such engagement is essential to creating change, and in the hope that its employees will become agents for change in their own right. In addition, the bank seeks to extend its influence on environmental conduct to employees' communities; with their families, the bank's employees are a force for change numbering in the tens of thousands. Towards that end, the bank strives to supply its employees and their families with information and tools to enable them to be greener, in driving, recycling, saving energy, and more.

### Promoting green building at the bank

As of the end of 2017, the bank has adjusted all of its purchasing specifications to align with green construction principles, and plans to use these specifications for the construction of its office buildings and branches. It is important to note that many branches are located in shopping malls and commercial centers not owned by the bank, where the bank cannot alter the infrastructures of the buildings. However, the bank intends to bring as many of the elements of green construction as possible to these sites, although the properties involved may not meet accepted green construction standards. Within this effort, the bank has reached a decision, in principle, to install only environmentally-friendly carpeting manufactured in compliance with

international standards. The installation of the carpets has begun, in accordance with this decision. Carpets compliant with Green Label standards were installed at the head office, over a total area of 2,320 square meters. In addition, construction projects of the bank use environmentally-friendly elements such as efficient air-conditioning units, energy-efficient lighting, shading to save energy used for air conditioning, and acoustic ceilings.

### Turning waste into a resource and preventing pollution

The environmental trends of recent years have highlighted the fact that one person's waste is another's resource. Population growth creates pressure on ecological systems, making it difficult to meet the demand for natural resources such as metals, wood, water, fossil fuels, and more. In addition, without proper treatment, waste pollutes the environment and damages soil, water, and the air, while contributing to global warming. These and other insights highlight the importance of a methodical approach to the future of materials and consumer goods. Bank Hapoalim mapped the types of waste generated by its operations, and subsequently examined the most beneficial methods of treating such waste:

- ◆ Reuse of a resource or of its components;
- ◆ Recycling of the resource by external parties, who convert it into raw material and then reinsert it into the production process;
- ◆ Responsible disposal through collection and transfer to a licensed site (prevention of environmental pollution).

The bank promotes the collection and responsible disposal of waste through the following activities, among others:

- ◆ **Collection of electronic waste** - Bank Hapoalim strictly maintains responsible,

orderly disposal of disused computer equipment. Computer equipment not suitable for donation is transferred for responsible recycling and disposal each year. All mobile devices no longer in use are returned to the supplier for responsible disposal. All other disused electronic equipment is transferred to Ecommunity, which specializes in electronic waste recycling and employs workers with disabilities. Head-office employees can bring electronic waste from their homes to the collection center at Rubinstein Towers in Tel Aviv.

- ◆ **Removal of construction waste** - Waste is removed responsibly, in accordance with the regulations in this area. The bank includes a contract clause in its agreements with construction and renovation contractors working at its branches and buildings requiring the responsible removal of waste to a licensed facility. The aim is to fully prevent construction waste originating with the organization from reaching unlicensed sites or open fields.
- ◆ **Collection of bottles and cans** - Systematic recycling in collaboration with the ELA recycling corporation. Refunded deposits are transferred to the unit's employee union and used to finance various social activities, donations, etc.

### Instilling the habit of recycling at the bank

The bank encourages its employees to collect and recycle resources; towards that end, a range of specifically designed recycling receptacles have been developed and manufactured for the collection of waste at the bank's buildings. This process has been communicated to employees through intra-organizational channels at the bank. Recycling receptacles are available for paper, electronic waste, fluorescent bulbs, bottles and cans, batteries, used clothes, and medication. The waste is collected and treated by licensed operators.



~1,197 kg  
fluorescent bulbs:  
were collected for  
orderly removal

112,514  
beverage bottles  
and cans  
were collected at  
the bank for recycling

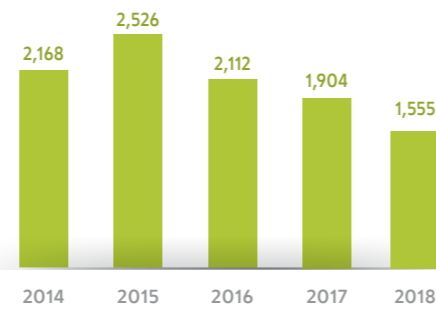
140 barrels of  
batteries  
were collected and  
removed from the bank's  
buildings for safe burial

~1,555  
construction waste:  
were removed during  
construction work

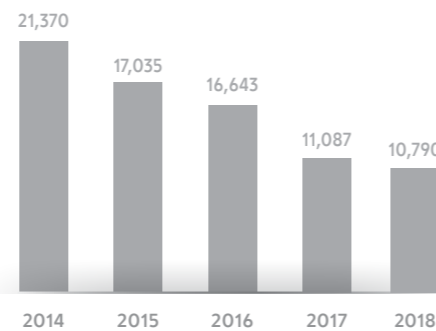
~101.5 tons  
electronic waste:  
were collected and  
removed from recycling  
receptacles at the  
bank. The quantity of  
electronic waste increased  
significantly at the bank in  
2018, due to construction,  
renovation, and closure of  
branches. Although the  
volume of waste increased,  
the entire quantity was  
removed responsibly

12 sacks of unused  
medications  
were collected by  
employees, as part of  
the effort to protect  
the environment.  
unexpired medications  
were transferred to the  
non-profit organization  
Haverim Lerefuah (Friends  
for Health) for distribution  
to patients in need.

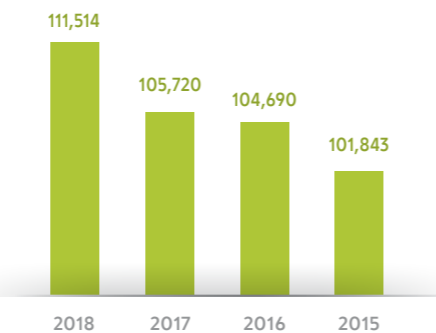
Construction waste collection (m3)



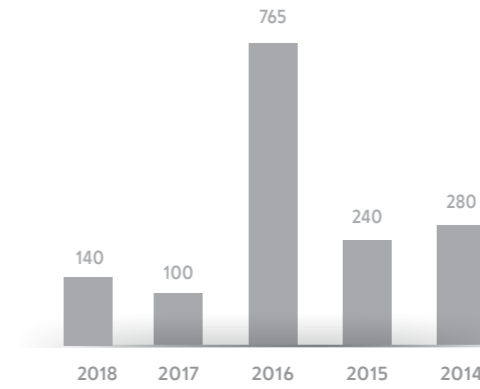
Ink and toner cartridges (units)  
for recycling, in tons



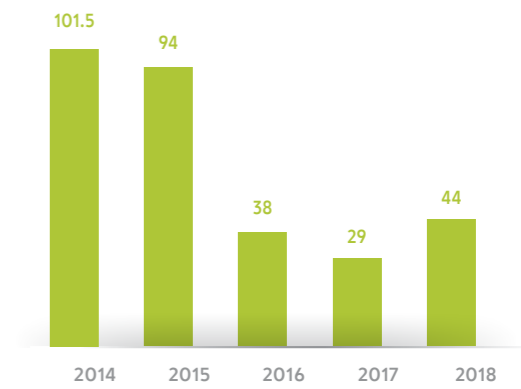
Recycling of bottles and beverage  
containers (units)



Collection of batteries (kg)



Electronic waste recycling (tons)



Examining Achievement of Objectives

2018 Objectives

Installation of Znergy energy-saving sheeting when building new branches and renovating existing branches.	Completed at some new branches.
Installation of awnings above ATMs, for customers' convenience. The awnings also contribute to reduced heating of glass walls at the branches, leading to savings on energy use in air conditioning.	✓ Completed

LOOKING  
AHEAD

Update of purchasing specifications of the bank to advanced standards based on green-building principles



**CORPORATE  
GOVERNANCE,  
ETHICS, AND  
COMPLIANCE**



## Bank profile

Founded in 1921, Bank Hapoalim is a banking corporation and holds a bank license under the directives of the Banking Law. In 1983, within an arrangement formulated between the Israeli government and the banks, the shares of the bank were brought under the control of the state. The bank was privatized in 1997, with the controlling interest transferred to Arison Holdings Ltd. and others. In November 2018, the bank became a banking corporation without a controlling core.

### Activity of the bank group in Israel<sup>1</sup>

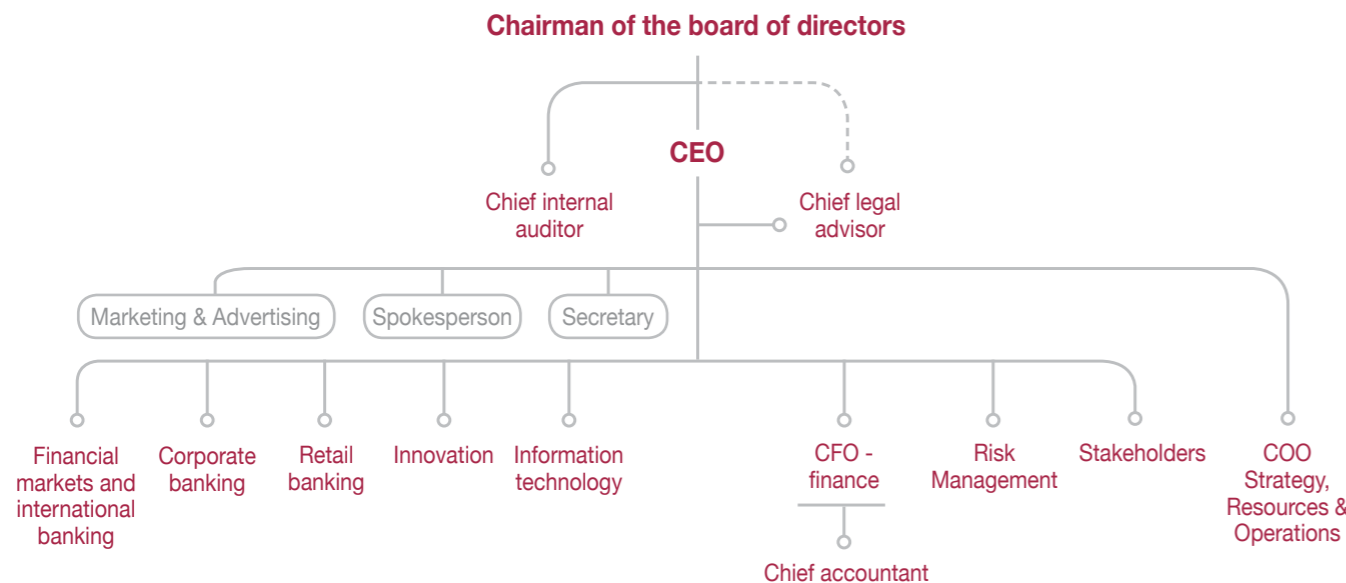
The bank group operates in Israel, in all of the various areas of banking, through two main units: the Corporate Banking Area and the Retail Banking Area. The Corporate Banking Area serves most of the bank's business clients, operating in the corporate segment through divisions specializing

in each sector, and in the middle-market segment through business centers located throughout Israel and through the branches of the bank, which provide the area's customers with operational services. The Retail Banking Area serves customers including households, private-banking clients, foreign residents, and small businesses. Service is provided through 225 branches, including advanced digital branches and a mobile branch, as well as through direct channels: self-service stations at branches and on customer premises, Poalim Online, Poalim Mobile, the Poalim by Telephone call center, Facebook, and smartphone applications.

In addition to its banking business, the bank group also engaged in related activities in 2018, mainly in the areas of credit cards and the capital market. In the credit-card sector, the bank group, through a subsidiary (the Isracard Group), issues, operates, and markets credit cards,

within and outside the bank, for use in Israel and overseas, and clears transactions executed using its credit cards as well as credit cards issued by others. Under a legislative order, the bank is required to divest its holdings in Isracard. Accordingly, a sale offer prospectus for shares of Isracard was published in early 2019; in April 2019, the bank sold approximately 65.2% of the shares of Isracard in a public sale offer, retaining a stake of approximately 33% in Isracard. After the offering, Isracard is no longer defined as a subsidiary of the bank; instead, it is a controlled corporation. The bank group's capital-market activity includes the provision of securities trading services (brokerage), securities custody services, currency and derivative trading services, research and consulting, services for financial asset managers, investment portfolio management, investment banking, and issuance underwriting and management.

### Organizational Structure of the Bank



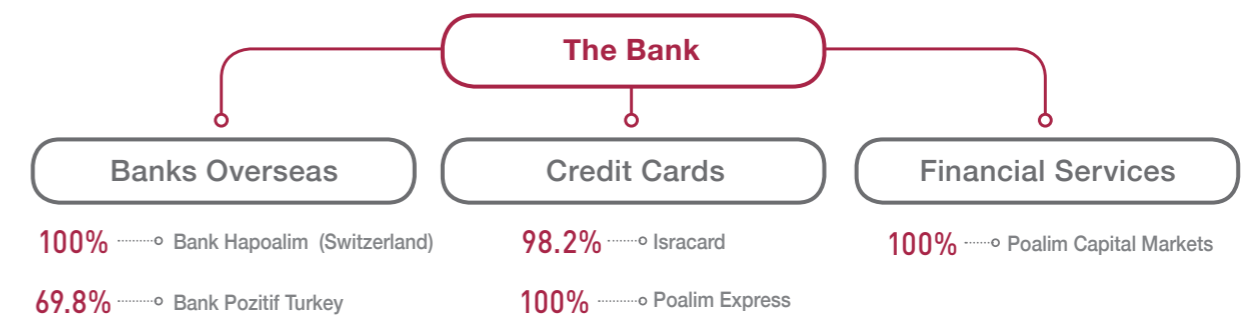
## Operations of the bank group overseas<sup>2</sup>

In addition to its activity in Israel, the bank group operates in the business sector in the United States. The bank group also operates in the commercial sector in Turkey. Corporate-sector activity abroad includes granting credit to local and foreign borrowers, including credit for the

business activities of the bank's customers. In line with risk-management policy, in order to minimize compliance risks in the bank group, and in view of the changes in the global regulatory environment and the effect of these changes on such risks, the activity of Bank Hapoalim Switzerland Ltd.

was discontinued in 2018. Consequently, Bank Hapoalim no longer has significant activity in the area of private banking overseas, and its activity overseas is primarily focused on commercial banking in the United States.

Chart of Principal Holdings of Bank Hapoalim\*



\* The chart includes the principal companies held directly by the bank or indirectly through private subsidiaries under the full ownership of the bank. The wholly-owned subsidiaries through which the companies in the above chart are held do not appear in the chart. For the purposes of this chart, a principal company is a company engaged in business operations which, in the opinion of the board of management of the bank, is a principal company in the group, and in which the bank's investment is at least 1% of the shareholders' equity of the bank, or the bank's share of whose net profit (loss) attributed to shareholders of the bank exceeds 5% of the net profit (or loss) attributed to shareholders of the bank (similar to the criterion established in Public Reporting Directive 662 of the Supervisor of Banks regarding the presentation of data on principal subsidiaries in financial statements of banking corporations).

<sup>1</sup> In September 2017, the bank made a decision to discontinue the activity of Hapoalim Switzerland, through the sale of its assets or by other means. As part of the realization of the decision to discontinue the activity of Hapoalim Switzerland, a transaction was completed in the fourth quarter of 2018 for the sale of most of the global private banking customer asset portfolio of Hapoalim Switzerland at its branches in Switzerland and Luxembourg to Bank J. Safra Sarasin AG and Banque Safra Sarasin (Luxembourg) SA.

<sup>2</sup> The Bank is examining possibilities for the sale of its full holdings in Bank Pozitif, further to the Bank's strategic plan, in which a decision was made to gradually reduce the credit portfolio at Bank Pozitif.

<sup>3</sup> As of the date of publication of the report, Bank Hapoalim holds 33% of the shares of Isracard, and Isracard holds 100% of the shares of Poalim Express.

<sup>4</sup> The full holdings of Bank Hapoalim in Poalim Express were transferred to Isracard on March 3, 2019.

### Ownership and legal organization

Until November 22, 2018, the holder of the permit for control of the bank was Ms. Shari Arison, who held, through Arison Holdings (1998) Ltd. ("Arison Holdings"), approximately 20.01% of the shares of the bank. On September 4, 2018, the bank received notice from Arison Holdings that Ms. Arison had received a permit to hold means of control of the bank, which would allow decentralization of

the control of the bank, and which would replace the permit to control and hold means of control of the bank granted to Ms. Arison in the past. Accordingly, the representatives of Arison Holdings on the board of directors of the bank gave notice of the end of their service at the bank, on that day. On November 22, 2018, Arison Holdings notified the bank that a transaction had been completed for the

sale of 4.26% of the shares of the bank and that its rate of holdings had decreased to approximately 15.74%. As of that date, Ms. Arison is no longer considered a controlling party of the bank for the purposes of the Companies Law, 1999, and the Securities Law, 1968, and the bank is a bank without a controlling core (for additional information, see page 400 of the Annual Financial Statements for 2018).



## Corporate governance at Bank Hapoalim

### Governance and control

As a part of the banking system in Israel, Bank Hapoalim operates in a broad legislative environment consisting of primary legislation, standards, and regulations with which the bank is obligated to comply: the Banking Ordinance, the Bank of Israel Law, the banking laws concerning licensing and customer service, the Companies Law, the Securities Law, the rules of the governor of the Bank of Israel, directives of the Supervisor of Banks, and more. All of these regulate the activities of the bank on various levels, including requirements with respect to its capital and ways of managing capital, exercise of internal and external auditing, and the areas of activity in which the bank is permitted to engage. In addition, pursuant to the Companies Law, shareholders can propose matters for discussion in advance of the general meeting. Bank employees are entitled to contact the board of directors, subject to and in accordance with the regulations of the bank, which are aligned with legal requirements.

### The board of directors: composition, activity, and committees

The board of directors of the bank operates in accordance with corporate governance guidelines established by law, including the Proper Conduct of Banking Business Directives of the Bank of Israel, the SOX Act, and more. The bank also implements all of the directives included in the legislation, standards, and regulations with regard to the prevention of conflicts of interest within the board of directors. As part of the separation of duties required between management in practice and the formulation of policy and supervision, the chairperson of the board of directors

does not serve as an executive at the bank. Directors' duties, according to the law, are uniform for all types of directors; the fundamental duty is to act in the best interests of the company. These duties include, among others, the duty of care, the duty of loyalty, and the avoidance of conflicts of interest.

Directors are appointed at Bank Hapoalim in accordance with the provisions of the law and the Proper Conduct of Banking Business Directives of the Bank of Israel, and with the approval of the Bank of Israel. At a banking corporation without a controlling core, directors are generally appointed at an annual general meeting. A designated committee appointed by the Governor of the Bank of Israel, pursuant to the Banking Law (Licensing), 1981 (the "Banking Licensing Law"), proposes candidates for service as directors to the general meeting of the banking corporation. In accordance with the directives of the Banking Ordinance, in addition to the committee, only material holders (holders of more than 2.5% of the means of control of the bank) or a society of holders (as established in the Banking Ordinance) may propose candidates for service as directors to the general meeting. The board of directors of the bank is not permitted to propose candidates for such service, and officers of the banking corporation are not permitted to act to cause or prevent the appointment of a particular director. The Banking Ordinance establishes restrictions and qualification conditions for the service of all directors at a banking corporation without a controlling core, including restrictions on affiliation with the banking corporation or with officers or material holders thereof, restrictions on holdings of means of control of the banking corporation, and restrictions on the duration of service (for further information, see page 402 of the Annual Financial Statements for 2018).

Pursuant to the provisions of the Banking

Ordinance, a vote on the appointment of directors is held, separately for each candidate, at the general meeting. In addition, prior to convening a general meeting for which the agenda includes the appointment of directors or the termination of their service, an advance notice thereof is published at least 21 days before the publication of the announcement convening the meeting. The composition of the board of directors is subject to the provisions of the Companies Law, Proper Conduct of Banking Business Directive 301, and the Articles of the Bank. The financial expertise and professional qualification of directors are evaluated by the board of directors. The range of considerations includes the director's education, experience, and knowledge, including in areas and issues related to the activity of the bank, as detailed in the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and Directors with Professional Qualification), 2005. An application to appoint a director, with a declaration filled out by the director, pursuant to Proper Conduct of Banking Business Directive 301, is sent to the Supervisor of Banks for review; the appointment of the director is subject to advance approval by the Supervisor of Banks.

### The performance of the board of directors

is evaluated in accordance with Section 59 of Directive 301 and provisions of the Board of Directors Procedures. The effectiveness of the work of the board of directors is evaluated every two years, for the board of directors' internal needs. The board of directors discusses the findings that emerge from the evaluation process.

The activity of the board of directors and the board committees

In 2018, the board of directors of the

bank continued to set forth the bank's strategy, policy, and the guiding principles for its activity in Israel and overseas, and established guidelines on various matters, in accordance with the requirements of legislative updates and in accordance with Directive 301 of the Bank of Israel. As part of this process, the board of directors set forth policy for the activities of subsidiaries in Israel and abroad, limits for exposure to various risks, and the execution and realization of fixed investments. The board of directors addressed the approval of the quarterly and annual financial statements; dividend distribution; the organizational structure of the bank; establishment of policy on manpower, salaries, retirement terms, and the remuneration system for employees and senior executives; and supervision and control over ongoing business operations executed by the board of management, and the congruence of these operations with the policies of the bank.

The plenum of the board of directors receives regular reports and discusses plans, performance, and reports in the area of sustainability and corporate social responsibility at the bank, such as banking products that promote the values of sustainability, customer service, responsible employment issues, environmental risk management in credit granting, employment of people with disabilities, investment in the community, and reduction of environmental impacts, including climate change. The chairperson of the board of directors of the bank serves as the director responsible for sustainability and CSR, and is charged with promoting this area. On the strategic level, sustainability and CSR are managed at the bank's Social Banking Center, under a member of the board of management who interfaces with all relevant functions within the organization and reports to the board of management and board of directors.

The reports and discussions include status reports on the bank's progress in this area, under its CSR plan, and discussion and approval of future work plans. In addition to the discussions by the plenum of the board of directors, the activity of the members of the board of directors of the bank is conducted through the committees. The bank examines and evaluates the quality of risk management on an annual basis, within the ICAAP, and endeavors to continually implement and improve this process. Selected corporate responsibility metrics are part of the bank's risk-management philosophy. This is reflected in the inclusion of such metrics in controls and in routine reports, such as SOX, BSC, and others. The risk management and control committee of the board of directors receives appropriate annual and quarterly reports in order to monitor, control, and assess risks, as required by the Proper Conduct of Banking Business Directives. As of the end of 2018, seven permanent committees of the board of directors are in operation at the bank: the audit committee, the remuneration committee, the risk management and control committee, the strategy and business development committee, the credit committee, the corporate governance and stakeholders committee, and the information technology and technological innovation committee. The rate of participation of the directors in meetings of the remuneration committee and the audit committee was 100%. The chairperson of the audit committee is Ms. Ronit Abramson Rokach, and the chairperson of the remuneration committee is Ms. Dalia Lev; both serve as external directors under the directives of the Companies Law.

Some of the members of the board of directors are experts on risk management, including credit risks. As of the end of 2018, the risk management and control committee consists of four members, who

have accumulated extensive experience with the committee's work. The members of the board of directors attend training on risk management from time to time. Additional board committees also address matters related to risk management, such as the audit committee and the corporate governance and stakeholders committee. Control over the application of proper corporate governance at the bank is discussed in meetings of the corporate governance and stakeholders committee and in the plenum of the board of directors. The corporate governance and stakeholders committee is also responsible for corporate responsibility at the bank; this area is under the responsibility of Mr. Oded Eran, chairperson of the board of directors. The committee discusses and makes recommendations to the board of directors regarding policies, procedures, and guidelines designed to instill corporate governance principles in the work of the board of directors and its committees, and to enable the bank to comply with the appropriate corporate governance principles, as adjusted to legal directives, including establishment of the bank's policy and supervision of the board of management and the subsidiaries of the bank, as required by the Proper Conduct of Banking Business Directives of the Bank of Israel.

The board of directors usually convenes in plenary session several times each month; in addition, the committees of the board of directors hold meetings. In particularly urgent cases, the board of directors is convened to discuss the issue that has arisen. Urgent meetings are held by means of remote communication if necessary, as permitted by the regulations of the board of directors, in order to conduct an immediate discussion of an issue. Pursuant to Sections 98-99 of the Companies Law, 1999, directors are entitled to demand a discussion of a specific matter. In accordance with Section 99 of the Companies Law, such issues are added to



the board of directors' agenda. Under the provisions of the Companies Law, Proper Conduct of Banking Business Directive 301, and the Articles of the Bank, the board of directors' agenda should include, among other matters, any subject that a director or the CEO has asked the chairperson of the board to include in the agenda a reasonable amount of time before the meeting convenes.

The Board of Directors Procedures state that the board of directors shall hold a discussion at the earliest possible time regarding the exceptional events listed therein (outside the regular scheduled reports); the procedures also establish directives for transmitting materials regarding an issue added to the agenda of an urgent meeting. Urgent matters are raised as necessary and/or at the request of the chairperson of the board of directors, directors, or CEO, according to need and the importance of the issue. Important and urgent matters are discussed routinely, in accordance with the law and the procedures of the bank, as noted; there is no separate, unique count of such matters. Directors' rights to receive information and to consult with various parties in the course of the fulfillment of their duties have been established in accordance with the law, including the Companies Law, Proper Conduct of Banking Business Directive 301, and the Board of Directors Procedures. This refers to all materials related to the activity or assets of the bank, and to all documents of the bank that the directors require in order to fulfill their duties. In accordance with the provisions of Directive 301, the directors do not hold executive positions at the bank. They avoid participation in the routine management of the bank, and restrictions apply to their ability to address employees of the bank on business matters, outside the meetings of the board of directors and the board committees.

Directors have the right, in special cases, to receive external professional counsel

and/or external professional assistance, at the expense of the bank, if the coverage of the expense is approved by the board of directors. The plenum of the board of directors, or the appropriate board committee, shall discuss and decide upon the need to engage an external consultant in order to receive professional assistance. Such a discussion shall address the questions of whether the counsel can be provided by internal parties within the bank, the purpose of the consultation, the extent of the work, and the schedule. The bank has not established a limit on the age of new directors.

#### Remuneration of officers

On March 28, 2016, the Knesset passed the Financial Corporations Officer Remuneration Law (Special Approval and Non-Deduction of Expenses for Tax Purposes due to Exceptional Remuneration), 2016 (the "Remuneration Limit Law"). The remuneration policy for officers of the bank is aligned with the directives of the Remuneration Limit Law, the Companies Law, and the directive of the Banking Supervision Department regarding remuneration policies at banking corporations, and was approved by the general meeting of the bank in December 2016. In November 2016, the bank adopted a comprehensive new remuneration policy, which also covers its senior executives and employees who are not officers, and a corresponding remuneration plan. The new remuneration policy and plan were amended from time to time, as necessary. In accordance with the remuneration policy of the bank, the expected ratio of the cost of total remuneration of the CEO to the median total remuneration cost of other employees of the bank does not exceed 11. This ratio was 10.5 in 2018 (median wage excluding the highest wage).

Beginning in 2018, all employment agreements of members of the board of management and senior executives are fully subject to the new remuneration policy.

#### Main objectives of the remuneration policy

- ◆ To motivate officers to work to create long-term economic value for the bank and its stakeholders, in a manner that strengthens the connection between remuneration and the creation of value for the stakeholders of the bank. In addition to financial objectives, officers' KPIs include objectives that promote social and environmental values in the areas of activity relevant to them.
- ◆ To adjust the remuneration to the Bank's vision, to the overall strategic plan of the Bank and of its secondary units, and to the work plan derived from the strategic plans.
- ◆ To adjust total remuneration to the risk appetite of the Bank. The annual and multi-annual work plans are constructed, among other matters, with reference to the volume and types of the risks that the Bank is willing to undertake. The achievement of objectives of the work plan, including capital-adequacy targets, and the achievement of a surplus return over the required cost of capital set the threshold for distribution of the performance-dependent component of the annual bonus.

53 meetings of the plenum of the board of directors and 103 meetings of the board committees were held in 2018 (for further information regarding the activity of the board of directors and the change in the structure of the committees, see the Financial Statements, page 387). Attendance of the directors at the meetings of the board of directors was above 90%. Details regarding the attendance rate of each director are presented in the Corporate Governance Questionnaire in the 2018 Periodic Report. As of the end of 2018, the board of directors of the bank consists of seven members, of which two are external directors, as defined in Section 240 of the Companies Law, and in addition, two are external directors

as defined in Proper Conduct of Banking Business Directive 301 of the Bank of Israel. Four members of the board of directors of the bank have accounting and financial expertise, and the remaining directors have professional qualification, based on their education, skills, and experience, in accordance with the requirements of the Companies Regulations. As of the end of 2018, three directors with accounting and financial expertise are members of the audit committee of the board of directors. As of the end of 2018, two women and five men serve on the board of directors. There is no age limit for directors at the bank (for

additional information about the members of the board of directors, see page 387 of the Annual Financial Statements for 2018). The bank reports transparently and in detail on material legal proceedings in which it is involved (for further reading, see the Annual Financial Statements for 2018, page 254-263). Alongside other banks around the world, in 2018 the bank continued to face investigation by United States authorities concerning the bank's business with American customers. The investigation requires significant financial expenditures for the bank, substantial effort by bank employees

concerned with this matter, and extensive managerial attention. The nature and cost of the resolution that may be established are unknown as of the end of 2018 (for further information, see page 264 of the Annual Financial Statements for 2018). The chairman and the CEO of the bank appeared before the Parliamentary Committee of Inquiry into the Financial System's Conduct in Credit Agreements with Large Business Borrowers (the Cabel Committee) (for further information, see page 374 of the Annual Financial Statements for 2018)

## Code of values and ethics – Our Way

In 2004, Bank Hapoalim adopted a code of values and ethics encompassing the values of accountability, trust, integrity, and respect for human dignity. Rules of conduct derived from the values included in the code establish the behavioral norms expected of employees and the bank's duty to treat employees fairly and respectfully. The bank's code of conduct was rewritten in 2018 and adapted to the new branding and to international trends in corporate responsibility. This process involved learning from comparisons to codes of conduct of banks around the world, and collaboration with employees and managers from various units of the bank.

During this work, the values were translated into rules of conduct referring to all stakeholders; new sections were added to the existing code of conduct, and existing sections were expanded; and a new decision-making model was formulated for the resolution of ethical dilemmas. In addition, channels for consultation and reporting on ethical issues were updated, including a new ethics line in the Human Resources Department. The Jerusalem Center for Ethics at Mishkenot Sha'ananim assisted the bank in the process of writing

and instilling the code of conduct. The new code was launched in February 2019.

### Mechanisms and channels for reporting ethical issues

Channels for reports on ethical issues are centralized under the chief risk officer of the bank, to enable a single independent party to oversee reports and inquiries on ethics at the bank. Bank employees who suspect any violation of the bank's values and norms by any other employee can use several methods to discuss and report their thoughts: telephone, e-mail, written letters, or the anonymous channel on the organizational portal, which is available during all hours of activity. To ensure that employees who submit reports are protected and do not suffer any harm as a result of the report, a process and procedure have been developed and approved by the board of directors in order to safeguard these employees and maintain their anonymity. Employees can also contact their direct supervisor, indirect supervisor, MASHAB (the Personal Service Center), or the audit unit.

In order to increase the effectiveness of the response to any ethical issues that arise during the course of the bank's operations, a shared interface is routinely operated during the year for audit, risk-management, and human-resources staff. The interface is aimed at learning and applying lessons learned, and optimizing the response to various issues, the relevant procedures at the bank, and the content of the code; it is maintained in addition to routine audit activities and the lines of defense at the bank. During the reported year, employee inquiries regarding ethics were responded to and addressed routinely. 32 open queries on ethical issues and one anonymous query were received through the bank's channels in 2018. The subject matter of the queries was varied, including consultation regarding gifts and conflicts of interest, appropriate representation of the bank, and proper ethical culture at the bank. In addition, thirteen cases of suspected ethics violations were addressed, including an event of embezzlement or suspected embezzlement, suspected aid in money laundering, false reporting, and actions based on a conflict of interest. The following





actions were taken in response to these events: conclusions were drawn by the audit unit in respect of an incident of embezzlement /suspected embezzlement, and the incident was reported to the Bank of Israel, in accordance with Proper Conduct of Banking Business Directive 351. In some of the cases, disciplinary sanctions were imposed on the employees, such as warning letters and/or reprimands, clarification discussions, termination, and removal from a management position. The audited units or administrative units drew conclusions regarding some of the incidents.

**Activity of the bank to instill the code of ethics**


During the course of 2018, activities were held on several levels with the aim of implementing the content of the code and promoting an appropriate ethical culture among the employees of the bank:

- ◆ Bank employees were required to complete tutorials about the code of ethics and conflicts of interest, as they do every year. At the end of 2018, 100% of employees had completed the materials.

- ◆ Games and discussions concerning conflicts of interest were included in various banking courses.
- ◆ Regular messages to the bank's employees via e-mail and on the organizational portal placed special emphasis on rules of conduct for receiving work-related gifts, violation of banking secrecy, retrieval of information, and the channels for queries on ethical issues.

**Examining Achievement of Objectives**

**2018 Objectives**

Update of the bank's code of ethics.  **Completed**

**LOOKING AHEAD**

- Presentation of the renewed code to the senior management forum, and holding a conversation about the role of leaders in guiding values and ethics.
- Communication of the code to all employees of the bank, and to the general public through the bank's website.
- Launch of a plan to instill the new code of ethics, including:
  - Conferences for managers at the business units and branches, with discussions and portrayals of ethical dilemmas by the Ethics Theater.
  - Development of an individual tutorial covering discussion and resolution of dilemmas relevant to each team.

**Prevention of bribery and corruption**

As a banking organization at the heart of Israel's business and economic community and as a leading player in the international business arena, Bank Hapoalim is committed to an active role in the international fight against corruption. Bank Hapoalim believes that corruption and bribery are destructive. The bank strongly rejects corruption and bribery. The bank is committed to implementing its policy in this area, from the level of its board of

directors and management to the level of each individual employee, including the adjustment of existing mechanisms and work processes in order to prevent such occurrences. The bank has been proactive in preventing corruption and bribery for many years, in a variety of contexts. Bank Hapoalim has a system comprising content, processes, controls, and procedures designed to prevent corruption and bribery. Key sections on this subject have been added to the bank's code of ethics, reflecting its position on the prohibition of corruption

and bribery and on receiving or giving gifts or benefits, with the aim of making a clear and unequivocal statement to all of the bank's internal and external stakeholders regarding its policy in this area (from the bank's policy on corruption). For details on the prevention of corruption at the bank, see the code of ethics on the bank's website (section 3.7). Also see further details about the lines of defense at the bank later in this section, under the heading "Compliance."

**Compliance and prevention of money laundering and terrorist activities**

The areas of responsibility of the chief compliance officer of Bank Hapoalim are derived from Proper Conduct of Banking Business Directive 308, "Compliance and the Compliance Function at a Banking Corporation" ("**Directive 308**"). Accordingly, the Chief Compliance Officer Division comprises five professional departments:

- ◆ The Money Laundering Prohibition Department, which handles all of the components of the prohibition of money laundering and terrorism financing, including the declared money policy applied to foreign residents, treatment of bribery and corruption risks, and compliance with tax laws.
- ◆ The Securities Enforcement and Compliance Department, which is responsible for enforcement of the Securities Law, 1968; the Joint Trust Investments Law, 1994; and the Law for Regularization of the Occupation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995 (hereinafter: the "Securities Laws"), and ensuring adherence to the various compliance directives, including with respect to the bank's fairness towards its customers, the protection of privacy (excluding information-technology aspects), and prevention of conflicts of interest.
- ◆ The International Compliance Unit, which is responsible for ensuring compliance and the prohibition of money laundering at the bank's offices outside Israel.
- ◆ The International Taxation Compliance Department, which is responsible for the adoption of tax treaties to which Israel is a party, under which the bank is required to apply and adopt identification and reporting policies.

The Coordination and Monitoring Department, which is responsible for coordination and monitoring at the Chief Compliance Officer Unit and in the overall compliance system of the bank. The unit's responsibilities include activity to be performed by the Chief Compliance Officer Unit, such as analysis, managing communications with the bank's compliance system, processing reports of the Chief Compliance Officer, training, IT activities of the Chief Compliance Officer Unit and maintaining its IT up to date and in interface with other bank units, and more. The Chief Compliance Officer Division operates according to the group's compliance policy, established by the board of directors, which took effect at the end of December 2010 and is updated annually. The compliance policy of the group sets rules regarding all of the component areas of the prohibition of money laundering, compliance directives, and securities enforcement. This policy emphasizes corporate governance and the interaction with subsidiaries and branches outside Israel, and is based on provisions of the law relevant to the activity of the bank, including Directive 308; the Money Laundering Prohibition Law, 2000; the Terrorism Financing Prohibition Law, 2005; Proper Conduct of Banking Business Directive 411, "Management of Money Laundering and Terrorism Financing Prohibition Risks"; and the Securities Laws. This policy was expanded and updated most recently in December 2018. New rules were added to the compliance policy concerning the protection of privacy (excluding information-technology aspects), antitrust issues, taxation issues relevant to products and services for customers, and the fairness of the bank towards its customers. Within the fairness policy, a procedure was published containing guidelines for

marketing and sales processes, with an emphasis on proactive sales of consumer credit, employee incentives, and managing and setting objectives. The bank will continue to act in a worthy and fair manner, with full transparency and in congruence with customer needs, in all aspects of sales and marketing processes, particularly in proactive sales of consumer credit. Creating a dynamic and competitive atmosphere is part of the means of incentivizing employees; however, managers must ensure that employees under their responsibility act in the best interests of their customers and according to their needs, and do not act unfairly in order to meet their targets. The new procedure is part of the transition to team objectives, instead of individual objectives. The goal of the procedure is to set out rules for sales and marketing to customers, methods of establishing objectives, and means of providing incentives and remuneration at the bank while maintaining compliance with regulatory directives and the procedures of the bank. In order to comply with the directives of the law and with the group-level compliance policy, the Chief Compliance Officer Division conducts activities including identification of main exposures and risk areas; risk assessment; procedural, qualitative, and quantitative controls applied to compliance with directives that regulate the relationship between the bank and its customers, and to the prohibition of money laundering and financing of terrorism; operation of a structured system of controls applied to compliance with the Securities Laws; development of training and knowledge management systems; infrastructure surveys; analysis of new products and services; system development; and more.



The activity of the Chief Compliance Officer Division is supervised through two channels:

- ◆ Board of directors' committee on risk management and control;
- ◆ Quarterly and annual reports to the board of directors and board of management of the bank. These reports include updates regarding principal exposures and risk concentration areas in the group; progress on the work plan; and activities executed, including controls, mapping of knowledge gaps, organizational learning, technological and other projects in this field, reports submitted to the Israel Money Laundering Prohibition Authority, violations, and reports of exceptional events.

**Monitoring and control processes**

The control system at the bank group consists of three lines of defense, some of which encompass more than one component of control, as detailed below:

- ◆ The first line of defense (business units, including headquarters and unit compliance officers) consists of controls applied within the units. These controls are applied on two levels:
  - A. Controls by the business functions, performed within the units with regard to processes related to the activity of existing customers. Controls are also applied to internal processes at the bank.
  - B. Controls by compliance officers and enforcement trustees at the business units – another internal line of defense within the units consists of division or area compliance officers who apply controls in the first line.

- ◆ The second line of defense comprises controls applied by the Chief Compliance Officer, the Risk Management Area, the Finance Area, and the Head of Information Security.
- ◆ The third line of defense consists of controls applied by Internal Audit, which audits compliance issues and the second line.

**Compliance training**

An understanding of the need for fair business conduct and the need to identify any unusual activity by customers is critical to compliance risk; a range of measures are therefore used to promote this awareness, including instructional content and tools integrated into training and work processes of managers and bankers.

The following resources are available to employees who wish to consult or report on relevant matters:

- ◆ The network of branch/regional/divisional/area compliance officers;
- ◆ The Subjective Reporting System;
- ◆ The compliance site on the banking portal;
- ◆ The Chetz ("Thinking Compliance") Unit, for support on the subjects of the prohibition of money laundering, CRS, and FATCA;
- ◆ Communication with the professional units by e-mail or telephone;
- ◆ A system for anonymous queries.
- ◆ In 2018, the Chief Compliance Officer Division visited 16 branches and relevant units of the bank, to obtain an unmediated impression of work processes related to compliance, listen to the voices on the ground, and identify and examine compliance risks.

Within an annual learning process, and according to the revisions required by legislation, all managers and employees completed learning materials concerning compliance, including a tutorial and a test. No significant fines or substantial non-monetary sanctions were imposed on the bank for noncompliance with laws and regulations in the area of products and services during 2018 (for details of legal proceedings to which the bank is a party, see Note 25C to the Annual Financial Statements for 2018, pages 253-263).

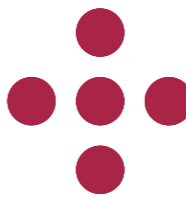
# Bank Hapoalim values

Bank Hapoalim acts in accordance with the core values of its beliefs, which are structured into the code of ethics and integrated with the values of the Doing Good Model.

## Core values of the bank



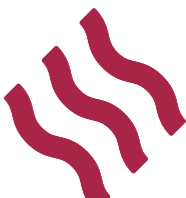
Humanity and caring



Professionalism, initiative, and innovation



Fairness and responsibility



Simplicity



The Doing Good Model of the Arison Group is a values-based model for positive creation in the world. It serves as an everyday practical tool for embedding values at the core of businesses, organizations, communities, and individuals. The model consists of thirteen basic human values, which are assimilated into every activity for the benefit of society, the economy, and the environment.

**Embedding the Doing Good Model values in the activity of the bank**

The bank endeavors to integrate the Doing Good Model with its routine business operations, in actions that create environmental and social value along with business value, as well as through activities aimed at absorption of the

model by managers and employees, and in dedicated initiatives as an integral part of the bank's activity. The values of the model are embedded in accordance with the vision, strategy, and policy of the bank. The values promoted in recent years are described below.

**Financial freedom**

Financial freedom is a leading value in the vision of the bank. This value is implemented through multi-year, in-depth strategic processes that differentiate the bank, based on the idea that the bank is the customer's partner and financial guide for life. Within the implementation of the value, the bank established the Financial Growth Center, for the benefit of the public, and promotes a range of services, processes, initiatives, and activities for various target groups (customers, employees, the community, and the general public), adapted to milestones in the life of the individual and the family. This effort is rooted in the understanding that the need for the general public to acquire

financial knowledge and insight is growing, and in the objectives of enabling all people to realize their full financial potential and serving as customers' partners by meeting their differing financial needs. For additional information regarding the implementation of the value of financial freedom, see the "Introduction" chapter, page 10; the chapter "Responsible Action to Benefit Customers," page 23; and the chapter "Responsible Action to Benefit the Society and Community of Israel," page 54.

**Sustainability**

The bank works continually to integrate sustainability considerations in its activity and support the solution of social and environmental challenges, based on the belief that such integration creates long-term value both for society and the environment and for the growth of the bank. Within its business activity, the bank aids the promotion of environmental sustainability by financing projects that benefit the environment, in areas such as investment in renewable energy,



energy efficiency, water purification and desalination, recycling facilities, and more. The bank also acts to minimize its environmental impacts. Concurrently, the bank applies social and environmental considerations to its business activity, and helps respond to challenges confronting Israeli society.

For more extensive information regarding initiatives and activities of the bank that promote the value of sustainability, see the chapter "Responsible Action for Environmental Sustainability," page 88.

### Giving

Bank Hapoalim views itself as an integral part of the community; accordingly, it is committed to the advancement and empowerment of the community through investment in extensive, varied social and community activities, including in geographical, economic, and social peripheries. This effort is realized through long-term strategic partnerships, donations and sponsorships, and extensive volunteering by bank employees over the years. The bank promotes varied social activity in the public sphere, based on dialogue and on numerous collaborations with partners from different sectors who are experts in identifying community needs.

For more extensive information regarding initiatives and activities of the bank that promote the value of giving, see the chapter "Responsible Action to Benefit the Society and Community of Israel," page 52.

### Volunteering

A nationwide volunteering network operates at the bank, encompassing thousands of employees who volunteer throughout the year, in various venues throughout Israel, independently or within initiatives led by the bank in collaboration with non-profit organizations. Bank employees who volunteer assist in these organizations' activity with the aim of resolving various challenges and issues confronted by Israeli society. The volunteer network is aided by a supportive organizational structure within the bank. On Good Deeds Day in 2018, approximately 6,400 employees of the bank participated in a wide range of activities across Israel. For more extensive information regarding initiatives and activities of the bank that promote the value of giving, see the chapter "Responsible Action to Benefit the Society and Community of Israel," page 58.

### Vitality

The bank's human capital is the source of its power. Employees' sense of vitality, well-being, and health is essential to the bank. Accordingly, the bank invests in a comprehensive well-being environment promoting healthy lifestyles, work-life balance, and leisure activities, such as through subsidies for memberships at country clubs and gyms, sports teams, workshops on healthy nutrition, vacations and travel for employees and their families, subsidized tickets for performances and plays, and more.

For more extensive information regarding initiatives and activities of the bank that promote the value of vitality, see the chapter "Responsible Action to Enhance Employees' Capabilities and Well-being," page 84.

### Language and communication

Communication is a powerful tool for the creation of social change and for maintaining a positive attitude even in challenging interactions. A culture based on positive language helps promote efficient, effective communication. To instill this value, the bank launched an organizational drive, for managers and employees, aimed at raising awareness of the positive language and thinking approach and of its impact on communication with each other and with all stakeholders. As part of this effort, the bank developed a positive organizational language dictionary ("Ba Betov"), in collaboration with employees. The dictionary contains terms for positive communication, and serves as a tool for the practical application of this value.

### Fulfillment

A work environment in which employees feel they are developing and can express themselves leads to a sense of personal fulfillment and enhances employees' engagement with the organization, and their ability to contribute their talents to the creation of value for customers and to the growth of the bank. Strong emphasis is placed at the bank on employees'

development and learning, as reflected in a wide range of courses and training programs for professional, managerial, and personal skills; innovative study platforms that allow independent digital learning; and mentoring, coaching, and organizational consulting processes. The bank encourages internal mobility and promotion of employees and managers, and has developed systems for that purpose which are available to employees for the support of their development within the organization.

For more extensive information regarding initiatives and activities of the bank that promote the value of fulfillment, see the chapter "Responsible Action to Enhance Employees' Capabilities and Well-being," page 79.

### We are all one

The understanding that each person is unique, and that we all compose the whole and form a part of it, leads to greater closeness and promotes tolerance and the creation of a more fair and equitable society. Bank Hapoalim, as one of the largest organizations and employers in Israel, with millions of customers in all strata of society, accords high importance

to diverse employment from all parts of the community in Israel, with an emphasis on employees with disabilities, and to the provision of banking services adapted to different target audiences and sectors. For more extensive information regarding initiatives and activities of the bank that promote the value "we are all one," see the chapter "Responsible Action to Enhance Employees' Capabilities and Well-being," page 77, and the value "Responsible Action to Benefit Customers," page 34.

### Being

In a complex reality – in an age of myriad contradictions and changes – it becomes necessary to train ourselves to enhance our attention and awareness of our mind and our surroundings. The value of being is realized at the bank through tools imparted to managers and employees for coping with a complex reality characterized by change and uncertainty. Over the last three years, the flagship program Management Through Being for senior executives has been held at the Poalim Campus. Approximately 300 managers participated in the program, which is focused on being and interpersonal communication as foundations for the achievement of business results.

### Activities aimed at implementing the model

Activity aimed at embedding the Doing Good Model as a whole began in 2015 and has continued over the intervening years. Values from the Doing Good Model have been implemented since 2000. This activity encompasses the individual, organizational, and community spheres. The individual level consists of courses and training days in the spirit of the values, such as the management development program based on the value of being, coaching days on values in the age of innovation, and an emphasis on positive language and communication skills. On the organizational level, representatives of various bank units participated in the unique Values Leader program; each participant led a project in their own unit aimed at strengthening actions guided by selected values. On the community level, implementation continues to take the form of extensive activity to benefit the bank's customers, the public, and all stakeholders (see details above), as well as participation in forums and meetings dedicated to the Doing Good Model.

## LOOKING AHEAD

- Continued absorption activities and the development of initiatives to promote the values within the bank's business activity. The model is also instilled through connections among employees from different units coming together to formulate language, behaviors, and service skills derived from the bank's core values;
- Coaching days linked to the values continue, as well as the management development program based on the value of being and the flagship Values Leader program. The Synergy program for senior executives, planned for 2019, will include participation in executive boards of non-profit organizations;
- A unique experience of study and discourse surrounding values and ethics for bank employees in the interactive classroom at the Poalim Campus.

## Corporate Responsibility Performance Summary

Field	Metric	2014	2015	2016	2017	2018
<b>Bank profile</b>	Total income (NIS M)	14,022	14,362	14,721	14,630	13,774
	Net profit (income net of operating and other expenses, provisions for taxes, and dividends, in NIS M)			2,354	2,660	2,595
	Number of employees of the bank	9,283	8,898	8,701	8,687	8,290
	Number of branches of the bank (retail and business)	277	267	257	259	237
	Dividends paid to shareholders	448	569	685	861	496
<b>Credit granted for promotion of social/ environmental causes</b>	Total credit for small businesses (NIS B)	29.3	32.4	27.3	30.3	31.2
	Additional credit earmarked for small businesses beyond the ordinary course of business (NIS B)	3.5	3.5	3.2	4.8	6.3
	Cumulative credit for environmental projects and products (NIS B)	6.66	6.63	6.53	6	8.7
	Credit granted to promote shared business and social value	-	-	NIS 2.04 B	NIS 732 M	NIS 642 M
<b>Financial freedom</b>	Number of users of budget management application (cumulative)	~500,000	~500,000	660,000	750,000	854,000
<b>Service in a multi-channel world</b>	Number of active online accounts	1,200,000	1,300,000	1,370,000	1,600,000	1,700,000
	Number of users of mobile banking services	650,000	735,000	906,000	1,000,000	1,017,000
	Number of users of the bank's applications	610,000				
	Number of active accounts at the call center	700,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Processing customer queries</b>	General percentage of justified queries – Bank of Israel data (%)	14.4%	9.2%	Not received as of the date of preparation of the report	6%	7%
	Percentage of justified queries concerning privacy and banking secrecy (%)	0%	7%	3.7%	0.7%	0.6%
<b>Accessibility of service to a diverse range of customers</b>	Number of branches serving the Arab community	38	41	43	43	43
	Number of branches in towns with extensive religious and Ultra-orthodox (Haredi) populations	23	20	21	21	20
	Number of accessible branches (branches with an Accessibility Seal from the Access Israel organization)	155	226	224*	248	225
	Number of ATMs accessible to blind users	316	316	536	616	752
	Percentage of branches outside central Israel (beyond the area from Gadera to Hadera; in %)	40%	35%	40%	40%	45%
	Economic value distributed by the bank group to stakeholders (operational expenses, salaries and related expenses, donations and sponsorships, provision for taxes, dividends; in NIS M)	10,231	10,226	12,062	11,995	11,500
<b>Promotion of responsible purchasing</b>	Percentage of purchasing from Israeli sources	98%	93%	92%	92%	95%
	Percentage of purchasing from small and micro-businesses	21%	15%	46%	45%	47%
	Percentage of small suppliers (of total annual number of suppliers)	70%	52%	81%	77%	76%

Field	Metric	2014	2015	2016	2017	2018
<b>Investment in the community</b>	Community donations and investments (NIS M)	47	43	40	40	42
<b>Employee volunteering</b>	Number of employees of the bank who volunteer regularly	3,000	3,500	3,500	3,500	3,600
	Annual volunteering hours	124,000	148,700	152,200	154,000	157,113
<b>Employment profile</b>	Employees under a collective agreement (%)	91.7%	91.3%	90.5%	90%	89.4%
<b>Diverse employment</b>	Percentage of women at the bank (%)	65%	64.6%	64.4%	65%	66%
	Percentage of women executives at the bank (%)	51.5%	52.1%	52.4%	52.6%	53.2%
	Percentage of women on the board of directors of the bank (%)	33%	33%	18%	16%	14%
	Percentage of minorities at the bank (%)	5.1%	5.4%	6%	6.3%	6.4%
	Percentage of hires from under-employed sectors, of total annual hiring	17%	20.5%	22%	17%	22%
<b>Training and development of human capital</b>	Percentage of academic degree holders at the bank (%)	62.4%	64.4%	65.8%	66.7%	68%
	Number of learning days at the bank	61,400	49,600	49,776	43,211	60,360
	Average hours of learning per employee	43	38.1	42.5	42.5	52.8
	Total cost of training and study programs for bank employees (NIS M)	34	38	43	53	63
	Percentage of employees who received feedback (%)	99%	99%	99%	99%	99%
<b>Energy consumption and efficiency</b>	Total electricity consumption (kWh)	86,567,004	84,579,103	86,388,184	86,232,616	86,217,677
	Electricity consumption per m2 (kWh)	284.6	278.4	280.7	268.1	273.6
	Percent annual change in electricity consumption (year on year, %)	-4.5%	-2.3%	-2%	-0.18%	-0.02
	Diesel fuel consumption (L)	10,840	102,275	13,547	9,898	46,478
<b>Consumption of materials</b>	Gasoline consumption (L)	3,537,444	3,599,730	3,021,768	2,746,344	2,203,957
	Paper consumption (tons)	1,458	1,421	1,378	1,737	889.9
	Annual paper consumption savings (tons)	210	37	42	224	319.5
	Consumption of ink and toner cartridges	21,370	17,035	16,643	11,087	10,790
	Water consumption (cubic m.)		90,774	89,627.7	108,125	92,480.1
<b>Recycling and responsible removal of waste</b>	Paper recycling (tons)	1,352	700	783	760	746
	Cardboard recycling (tons)	40	13	9.3	15.3	18.2
	Recycling of electronic waste at the bank (tons)	44	28.7	38	94	101.5
	Recycling of bottles and beverage containers (units)	108,000	101,843	104,690	105,720	112,514
	Collection of construction waste (m3)	2,168	2,526	2,112	1,904	1,555
	Collection of batteries (kg)	280	240	765	100	140
<b>Carbon footprint</b>	Collection of fluorescent bulbs (units)	6,740	2,680	2,340	1,230	1,179
	Greenhouse-gas emissions – total (tons CO2eq)	70,623	61,511	65,966	63,917	69,920
	Percent annual change in greenhouse-gas emissions (year on year, %)	-25.1%	-12.9%	7.2%	-3.1%	9%

\* Some data from previous years were improved, based on the report in the bank's Annual Financial Statements for 2018.

# GRI Index and Global Compact COP GRI Content Index<sup>1,2</sup>



Standard	Index	Description	Page	UNGC – COP	
GRI 102: General disclosure	102-1	Name of the organization	104	NR	
	102-2	Activities, brands, products, and services	104-105		
	102-3	Location of headquarters	104		
	102-4	Location of operations	14-105		
	102-5	Ownership and legal form	105		
	102-6	Markets served	104-105		
	102-7	Scale of the organization	7-10,25,71,104-105		
	102-8	Information on employees and other workers	71-73		
	102-9	Supply chain	64-67		
	102-10	Significant changes to the organization and its supply chain	6,104-105		
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2. <http://www.unglobalcompact.org/> - UNGC official site

1. For the materiality Disclosure Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English language version of the report.

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	<b>GRI 406: Non-Discrimination 2016</b>			
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GRI 407: Freedom of Association and Collective Bargaining	<b>GRI 103: Management approach 2016</b>			
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	103-1	Explanation of the material topic and its boundary	52-53,58	NR
	103-2	The management approach and its components	52-53,58	NR
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	<b>GRI 413: Local Communities 2016</b>			
	413-1	Operations with local community engagement, impact assessments, and development programs	52-61	NR
	413-2	Operations with significant and potential negative impacts on local communities	40-41	NR
	FS13	Access points in low-populated or economically disadvantaged areas by type	23,26-30,48	
	FS14	Initiatives to improve access to financial services for disadvantaged people	23-24	1,2,6
	GRI 414: Supplier Social Assessment	<b>GRI 103: Management approach 2016</b>		
103-1		Explanation of the material topic and its boundary	67	NR
103-2		The management approach and its components	67	NR
103-3		Evaluation of the management approach	67	
<b>GRI 414: Supplier Social Assessment 2016</b>				
414-1		New suppliers that were screened using social criteria	65,67	1,2,6
414-2		Negative social impacts in the supply chain and actions taken	65,67	

Standard	Index	Description	Page	UNGC – COP
GRI 417: Marketing and Labeling	<b>GRI 103: Management approach 2016</b>			
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	103-2	The management approach and its components	40	
	103-3	Evaluation of the management approach	40	
	<b>GRI 417: Marketing and Labeling 2016</b>			
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GRI 418: Customer Privacy	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	40-41	1
	103-2	The management approach and its components	40-41	
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	<b>GRI 418: Customer Privacy 2016</b>			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	41	
GRI 419: Socioeconomic Compliance	<b>GRI 103: Management approach 2016</b>			
	103-1	Explanation of the material topic and its boundary	111-112	NR
	103-2	The management approach and its components	111-112	NR
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	103-1	Explanation of the material topic and its boundary	7-9,11-12,23-28,31-32	NR
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	103-3	Evaluation of the management approach	4-9,11-12,23-28,31-32	
	<b>Product Profile (Sector Supplement)</b>			
	FS6	Percentage of the portfolio for business lines by specific region, size (E.G. micro/SME/large) and by sector	25	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	25	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	90	

## Material topics in the report and connection with GRI (SRS) indicators

Promotion of financial freedom for customers	GRI 203: Indirect Economic Impacts; GRI 413: Local Communities; Product Profile (Sector Supplement)
Serving a diverse clientele and promoting sectors of the economy	GRI 413: Local Communities; Product Profile (Sector Supplement)
Information security and privacy	GRI 418: Customer Privacy
Accessibility	GRI 413: Local Communities; FS13; FS14
Responsible supply-chain management	GRI 414: Supplier Social Assessments; GRI 204: Procurement Practices; GRI 417: Marketing and Labeling
Expanding our sphere of influence	GRI 203: Indirect Economic Impacts; GRI 201: Economic Performance; GRI 102: General Disclosure; GRI 413: Local Communities
Investing in the community	GRI 413: Local Communities
Promoting appropriate work environments	GRI 402: Labor/Management Relations; GRI 401: Employment; GRI 407: Freedom of Association and Collective Bargaining; GRI 406: Non-discrimination
Promoting diversity, equal opportunities, and transparency	GRI 405: Diversity and Equal Opportunity; GRI 102: General Disclosure; GRI 406: Non-discrimination
Training and personal development	GRI 404: Training and Education
Reducing environmental impacts	GRI 301: Materials; GRI 302: Energy; GRI 305: Emissions
Developing products and services to promote environmental sustainability and examining environmental risks in financing	GRI 203: Indirect Economic Impacts; Product Profile (Sector Supplement)
Examining environmental risks in financing	GRI 102: Key Impacts, Risks and Opportunities; GRI 201-2: Financial Implications and Other Risks and Opportunities due to Climate Change, GRI 203: Indirect Economic Impacts
Corporate governance and ethics	GRI 102: General Disclosure
Prevention of corruption	GRI 205: Anti-corruption; GRI 419: Socioeconomic Compliance



## Process controls for implementation of the CSR plan at Bank Hapoalim

An external assurance process allows readers of this report to verify the bank's self-report based on independent opinions from professional observers. The involvement of additional sources of control enables the bank to learn from the feedback received from those conducting the process and provides validation of the reliability of the report for stakeholders. The current report has undergone four assurance processes, each focusing on a different aspect of the report:

- ◆ The CSR and Sustainability Group at BDO Ziv Haft performed routine process controls.
- ◆ The CSR Institute performed quality assurance and examined the adequacy of the reporting.
- ◆ Control over the quality of reporting on the bank's carbon footprint was performed by the CSR and Sustainability Group at BDO Ziv Haft.
- ◆ The report was examined by GRI and found to be compliant with the material GRI process presentation requirements.

### BDO: Process controls for implementation of the CSR plan at Bank Hapoalim

The CSR and Sustainability Group at the accounting firm BDO has assisted Bank Hapoalim in the implementation of its sustainability and CSR program for thirteen years. The group's activities focus on monitoring the process and progress of the program for sustainability and social, economic, and environmental responsibility. The BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the processes performed by the bank throughout 2018 and during 2019, up to the date of publication of the report. During this period, the bank continued on its trajectory to implement and embed corporate social responsibility.

#### Process description

As part of the process controls, the bank's progress in three strata of activity was examined, as the basis for feedback on the implementation of the plan:

- A. Update and improvement of information infrastructures and CSR management metrics** – The department's consultants examined the CSR management system at the bank, the summarization of information collected, processes of generating information and processing it into metrics, and the bank's performance relative to its goals and objectives.
- B. Embedding CSR in core activities and in the various units** – In this area, the process of embedding CSR practices in the routine operations of the bank's units was examined, as well as the organizational change evoked at the bank as a result of this process. The assurance process also encompassed an examination of the method of development and implementation of new issues arising from reports by the various units.
- C. Examination of the results of implementation of the program (effectiveness of absorption)** – This stage consisted of an examination of the ways in which the bank had improved its performance on the various metrics, led new initiatives at the various units for activity in this area, developed new banking products, and created dialogue with stakeholders, while broadening its impact on the Israeli public.

## Findings, conclusion, and recommendations

Within our process controls, we suggest several areas for the bank to maintain and/or reinforce:

- ◆ **Digital literacy for senior citizens** – The bank has developed processes to empower senior citizens, through the Social Banking Center. The Poalim Digital Independence process is aimed at helping senior citizens navigate the digital space, saving them time and money and allowing better resource management for them and for the bank. We see this effort as a significant measure contributing to the accessibility of services offered to the senior-citizen population, and we expect additional processes to make financial products and services accessible to various population groups, with an emphasis on underprivileged segments.
- ◆ **Development of additional green products for private customers** – The bank continues to promote green energy and environmental solutions by granting credit for projects and infrastructures on a national scale. The bank has several green credit and loan products for private customers, such as loans to finance the purchase and installation of solar panels. We recommend further examination, increased sophistication, and continued development of products of this nature for private customers. In addition to the promotion of shared value inherent in such products, they can raise public awareness of the importance of sustainable environmental conduct.
- ◆ **Communicating the bank's actions in the area of CSR to employees** – The bank has a range of channels for intra-organizational communication, which contribute, among other matters, to employee engagement with the organization. In 2018, a bulletin summarizing the highlights of CSR activities was produced and distributed to all employees of the bank, and placed in branch waiting areas for customers, providing exposure for the bank's social and environmental activities and demonstrating the strategic importance accorded to this area of activity by the bank. We recommend building a process for continuous ongoing communication to all stakeholders of the bank, and embedding this process in the bank's routine work.

The foregoing review contains several points which, in our opinion, should be maintained and reinforced in order to improve the implementation of the plan and preserve the bank's leadership in this area.

#### Corporate Social Responsibility Group

BDO Consulting Group

June 2019



# Quality Assurance Declaration Bank Hapoalim 2018 CSR Report

## Introduction

**The Corporate Responsibility Institute** is an independent public entity dedicated to the promotion of the corporate social responsibility and sustainability approach. The institute operates within **the College of Law and Business**, an academic college for law, accounting, and business studies. The institute's activities include organizing professional meetings; writing reports, studies, and market surveys; adapting global applied methodologies for use in Israel; and more.

Transparency and the accountability of corporations for their social and environmental impact constitute one of the institute's core issues. In April 2019, Bank Hapoalim asked the institute to perform a quality assurance process for its 2018 CSR report. The quality assurance process was performed by Mr. Liad Ortar, head of the institute.

It is hereby declared that the institute receives payment to cover the time invested in this process. Beyond that, neither the institute nor Mr. Liad Ortar (who performed the assurance) have business consulting relationships with Bank Hapoalim; the quality assurance process was independent. During the course of the quality assurance process, a draft of the report was examined, and several work sessions were held to clarify various issues. Some of these issues have already been addressed in the current report; others may be included in future editions.

## Work method

Quality assurance for CSR reports is a process aimed primarily at improving the quality of the output through professional review. For the avoidance of doubt, quality assurance



constitutes an integral part of the reporting process. The objective is for any professional comments that arise during the work process to be absorbed as quickly and as correctly as possible. The process for this report was performed in accordance with the principles of the AA1000 Assurance Standard of the AccountAbility organization. Liad Ortar is a licensed examiner for AccountAbility. In accordance with this standard, the report was examined for its fulfillment of three key principles:

- 1. Inclusiveness** – Fully addresses the reported subjects and encompasses a wide range of stakeholders;
- 2. Materiality** – Addresses the material subjects in the activity of the company;
- 3. Responsiveness** – Reports on subjects raised by stakeholders.

This report was found to fulfill these principles satisfactorily. The depth and scope of the report are highly impressive, as in every year, on a par with reports by leading global banks.

This twelfth report continues the tradition of excellence at Bank Hapoalim in attaining the highest global reporting standard, and goes beyond that to present a new element: findings of an examination of the economic and social impact of the bank on the national accounts of the state of Israel. This measurement illustrates the key role of Bank Hapoalim in Israel and the extensive social consequences of all of its activities. Influence must be matched by responsibility, and it is my belief that the heads of Bank Hapoalim are fully aware of this connection.

## Key remarks

This report, the twelfth CSR report published by Bank Hapoalim, as noted, is a part of the movement towards adoption of sustainability reporting throughout the banking sector in Israel, in accordance with the requirements of the Supervisor of Banks. The report adopts the G4 reporting guidelines of the Global Reporting Initiative (GRI), and complies with the extensive reporting format known as Comprehensive. I hereby declare that the report by Bank Hapoalim complies with the scope of reporting and disclosure required at this level.

I would like to commend the bank for its attainment of its environmental objectives and for the continual reduction of its carbon footprint, as well as its other environmental data. Moreover, the bank is committed to maintaining its present level of carbon intensity even given forecasts of expansion of its activity.

The following are the key recommendations for the continued progress of reporting at Bank Hapoalim:

- ◆ **Sustainable Development Goals (SDGs)** – This is the third year in which the bank has reported on its approach to the United Nations Sustainable Development Goals. The SDGs consist of 17 global goals and 169 targets, with detailed performance metrics for each. Following the initial process of embedding the SDGs in the environmental and social management system of the bank, I believe that it would be appropriate to take the next step by examining the ways in which the bank's performance is measured in reference to the detailed performance metrics under each of the 17 goals.
- ◆ **Material issues** – Although the agenda of banks in Israel, as elsewhere in the world, does not change each year, there is an expectation of renewal and reexamination of the material issues once every several years. Today, there are structured quantitative tools for the collection of this information from stakeholders; clearly, the issues themselves should be reexamined, and new issues that may be raised by stakeholders during this dialogue should be added. The adoption of these tools makes the collection and processing of the information simple and convenient.

In conclusion, on a personal note, I was pleased to find the description in the report of the assistance granted by the bank to LGBT families who wish to have children. This activity is not to be taken for granted, and I congratulate you for it.

Sincerely yours,

**Liad Ortar**  
Head of Corporate Social Responsibility Institute  
College of Law and Business



## Carbon Footprint

### Work method

Our work is based on prevalent principles for carbon calculation and marking, developed by the Technical Working Group of the British government. The data were adapted to Israel through the Israel Greenhouse Gas Emission Recording System – Operating Rules and Reporting Guidelines, issued by the Samuel Neaman Institute and the Ministry of Environmental Protection in March 2016. Emission coefficients used for these calculations are national figures published by professional entities such as the Public Utility Authority for Electricity, the Central Bureau of Statistics, and the Samuel Neaman Institute, which is linked to the Technion. Consumption data were supplied by the bank, under its responsibility. As of the date of preparation of this report, the Ministry of Environmental Protection has not published emission coefficients for 2018; the calculation of the bank's carbon footprint is therefore based on emission coefficients for 2017.

### Calculation and reporting of the carbon footprint of Bank Hapoalim

The bank continued the consistent measurement of its carbon footprint in 2018, further to the transition to analysis of its carbon footprint according to the prevalent international standards, effected during 2008-2015, and the reports to the Israel Greenhouse Gas Emission Recording System beginning in 2010. The total carbon footprint of Bank Hapoalim in 2018 stood at approximately 58,319 tons of carbon dioxide equivalent (CO<sub>2</sub>eq). Greenhouse-gas emissions from the bank's routine operations mainly derive from electricity consumption at the head-office buildings, branches, and other facilities of the bank (75%); the vehicle fleet (8.9%); paper consumption (5.2%); and construction work (3.2%). Notably, of the total carbon footprint figure of the bank for 2017, approximately 8,780 tons CO<sub>2</sub>eq are classified as Scope 3 (voluntary reporting). Excluding Scope 3, the carbon footprint would stand at approximately 49,538 tons CO<sub>2</sub>eq. The decrease in the bank's carbon footprint in 2018 in comparison to 2017 is approximately 5,599 tons CO<sub>2</sub>eq, or 8.8%. This annual reduction mainly resulted from a decrease of approximately 21% in fuel consumption and a reduction of approximately 50% in construction work.

#### Summary of findings

Significant changes in the composition of the emissions:

- ◆ Power consumption: Total power consumption decreased by approximately 3.1% in 2018 compared with 2017.
- ◆ Fuel consumption: The bank's consumption of fuel decreased by approximately 21% in 2018. The main cause of the decrease is the increased use of fuel-efficient vehicles (with TSI turbo engines), which help improve fuel savings.
- ◆ New construction: Emissions fell by 50% due to a decrease in construction work at the bank as compared to 2017.
- ◆ Paper consumption: An additional reduction (further to the trend of recent years) of approximately 14% was noted in emissions, compared with 2017, as a result of paper savings.

- ◆ Coolant gases: Total emissions from the use of coolant gases rose slightly, by approximately 4% in 2018 as compared with 2017.
- ◆ Sewage: The responsibility for emissions resulting from the treatment of sewage for the bank's employees was transferred to the purification plants, in accordance with the directives of the Emissions Reporting System.

### Components in the calculation of the carbon footprint of the bank

- ◆ The bank monitors and calculates greenhouse-gas emissions caused by electricity consumption, use of the vehicle fleet, consumption of paper and ink, emission of coolant gases, purchases of electronic equipment, new construction and renovations, employee flights and hotel stays, and water consumption.
- ◆ The preceding reports of the bank presented the reduction of greenhouse-gas emissions at source as a result of direct banking; however, a decision was made not to include this information in the presentation of the bank's carbon footprint in this report. This component is difficult to quantify, due to the lack of thorough research on this subject and the inability to measure and assess the true savings in paper consumption, movement of paper through the entire supply chain to the online-banking customer, emissions resulting from customers' use of the Internet, and in particular the reduced number of visits to bank branches using private vehicles. Furthermore, emission cutbacks are based on the principle of additionality – i.e., an addition relative to the ordinary business scenario. Given that the use of electronic banking today is a "business as usual" scenario, it does not have the property of additionality.
- ◆ It should be noted that extensive activities with environmental and social significance described in this report are not reflected in quantitative terms in the calculation of the reduction of the bank's carbon footprint. For example, the various forms of recycling and the collection of fluorescent light bulbs, including mercury removal and safe disposal, as well as the separate collection and disposal of batteries, contribute to the reduction of various pollutants and toxins in employees' environment, in waste-disposal facilities, and in the environment in general, but do not reduce the emission of greenhouse gases.
- ◆ The bank does not measure greenhouse-gas emissions from employees' travel in private vehicles, production of solid waste, advertising, travel by suppliers and customers, consumption of disposable plastic, gardening services, and cleaning services.
- ◆ Beyond the activities within the bank, a noteworthy effort is the significant expansion of the project for separation of electronic waste, initiated and operated by the bank, to additional Israeli towns. There is no doubt that this worthwhile project contributed to higher public awareness and more accessible recycling in this area.

#### Corporate Social Responsibility Group

BDO Consulting Group  
May 2019

