

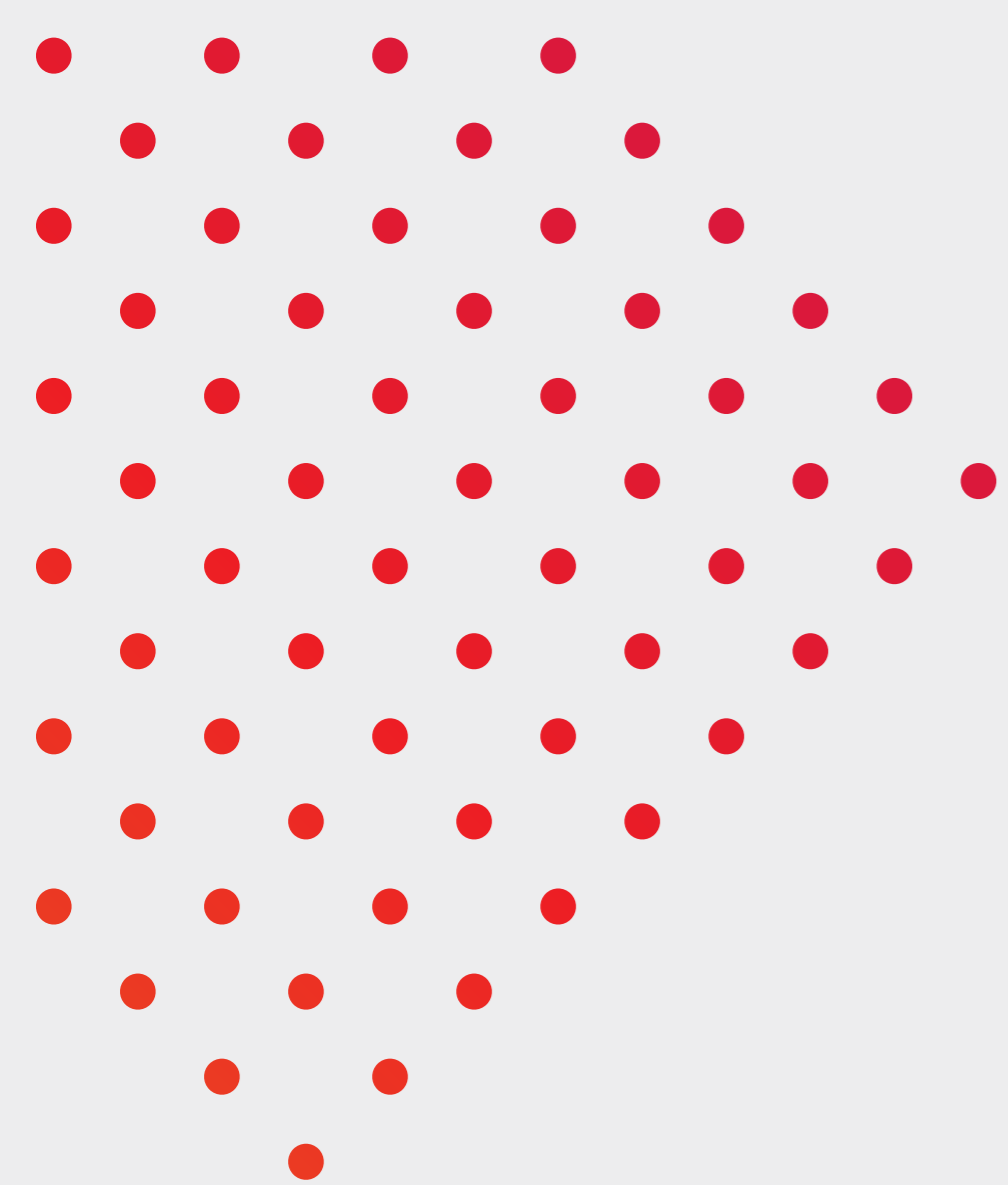
SOCIAL, ENVIRONMENTAL AND ECONOMIC RESPONSIBILITY REPORT 2019

FULL REPORT



Oded Eran, Chairman of the Board for the last three and a half years, passed away close to the date of publication of this report. Oded was an inspiring leader - a brilliant legal mind, a beacon of values, and a lover of mankind. Oded's contribution to the advancement of the extensive activities of Bank Hapoalim to benefit the society and economy of Israel was invaluable. With great love and admiration, we dedicate the 2019 Corporate Responsibility Report to his memory, his values, and his way of life.

May his memory be a blessing.



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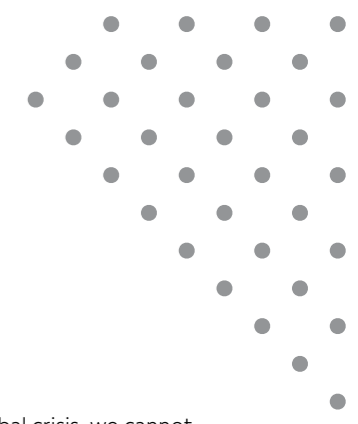
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Chairman and CEO of the bank letter

The annual corporate responsibility report of Bank Hapoalim for 2019 summarizes a significant year of social, environmental, and economic activity. The report reflects the bank's belief that while maintaining excellence in our business, we also have the obligation and the privilege to create added value for the society, community, and environment in which we operate. We are proud of the impact of our community and environmental activities this year, which had a beneficial effect on hundreds of thousands of people and on a wide range of businesses and communities across Israel.

In 2019, we continued to work to realize our commitment to our customers: "With You in Every Decision". Within this effort, we adapted our value offers to significant milestones such as weddings, buying a home, retirement, and more. We promoted innovation in products and services to benefit small and mid-sized businesses, aimed at

helping them successfully navigate a competitive and dynamic environment and creating growth opportunities for them. Accordingly, we launched our Expansion Package for business owners, which consists of banking benefits alongside education in professional skills from various content areas, including e-commerce. We were pleased to learn that this year's Marketest survey again named Bank Hapoalim the leading bank in the promotion of small businesses and creation of offers best suited to them. Beyond our commitment to deliver a high-quality professional response to our customers, we are also dedicated to the promotion of astute financial behavior for everyone in Israel. In 2019, we expanded the activities of the Financial Growth Center, which offers knowledge and tools for deeper financial understanding, through thousands of lectures, nationwide, open to the general public free of charge.

Bank Hapoalim leads and encourages innovation, in the Israeli economy in general and in the banking system in particular, viewing technological development as an opportunity to launch advanced, groundbreaking financial products and services and improve service for our various customers. This year, we were the first in the Israeli banking system to introduce an application allowing users to open an account directly from their mobile devices. We developed a service in which bank guarantees can be issued digitally, with electronic signatures, at any place and time. We also expanded our payment revolution, as the bit application grew to allow payment to selected businesses and receipt of insurance payments. Our leadership in digital innovation saves our customers and the general public precious time, while also benefiting the environment. During this digital revolution, we have insisted on personal treatment and service

for our customers, with special attention to senior-citizen customers who may need assistance with the transition to the banking world of tomorrow. We expanded the Poalim Digital Independence project this year, providing thousands of senior citizens with knowledge and tools for use of the digital channels, through courses held free of charge at training centers and bank's branches across Israel.

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. Accordingly, our branches are extensively distributed in Arab and the ultra-orthodox (Haredi) communities, offering targeted and adapted products and services.

The climate crisis is another challenge to which we are committed. We continue to work to reduce the environmental impacts and carbon footprint of the bank, while leading the banking system in financing for projects helping to promote green environments and renewable energies.

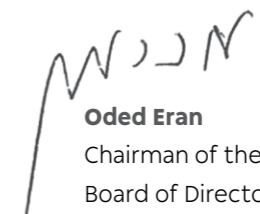
We see human capital as a key component of the bank's ability to continue to flourish. Bank Hapoalim works continually to nurture and develop its human capital. The bank employs thousands of employees nationwide, including from population groups under-represented in the job market. The volunteering spirit of the bank's employees, who take part in a wide range of community activities, reflects

the unique human tapestry of our team. We are proud to be the leaders in social action again this year, together with a diverse multitude of partners. In 2019, we chose to increase our activity in the area of the promotion of accessibility and empowerment of people with disabilities, based on the belief that this is not only our obligation as a business but also a moral imperative. We submitted an Accessibility Report, summarizing our extensive action in this area, to the Commissioner of Equal Rights for Persons with Disabilities at the Ministry of Justice; the report is the first of its kind in Israel, and our aim is to lead and encourage other business organizations to create impact and change in this area. This year, our commitment and activities aimed at empowering people with disabilities earned us the "Dov Lautman Diversity in Business" Award.

Our extensive activity in the various areas of corporate responsibility has earned the recognition of both local and international rating agencies, positioning us on a par with the world's leading banks in this field. The bank remains committed to the ten principles of the United Nations Global Compact (UNGC) and to the promotion of selected objectives within the United Nations Sustainable Development Goals (SDG's), which target sustainable development for communities and for future generations.

Our resolve to stand by our customers in every decision takes on even greater significance during times of crisis. At this writing, we are emerging from an

unprecedented global crisis; we cannot know when or how it may end. When the coronavirus outbreak began, we made preparations in order to maintain business continuity and robustness, while protecting the health of our employees and customers. Throughout this period, we ensured professional responsiveness and ready availability to our customers, and developed products and services adapted to their needs. In recognition of the financial implications of the crisis for small businesses, we offered these businesses special benefits to support them during this time. We also expanded service through the direct channels for all of our customers. At the same time, as part of our long-standing commitment to the community, we led a series of processes to assist in the national effort to combat the virus, through extensive support for hospitals, medical staff at the forefront of the struggle, and population groups hurt by the effects of the crisis. 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. As always, and all the more so in this challenging time, we are determined to stand by our customers, in every business or financial decision; to offer them professional, devoted guidance in growth processes for themselves and their businesses; and to work to create a robust, sustainable infrastructure for the economy, society, and environment of Israel.


Oded Eran
Chairman of the
Board of Directors


Dov Kotler
President and CEO

Corporate responsibility at Bank Hapoalim

This is the thirteenth report by Bank Hapoalim for its stakeholders, demonstrating the bank's continuing dedication to corporate responsibility over the course of many years. In 2019, we continued to create business opportunities while promoting social and environmental benefits; maintain a continual, proactive dialogue between the bank and its stakeholders – its customers, its employees, and the public; and promote initiatives to benefit the society and community of Israel. These activities contribute to progress on a substantial number of the UN Sustainable Development Goals (SDG's), as reflected in this report.

While this report summarizes the activities of the bank in 2019, in view of the coronavirus crisis, we have also chosen to include actions initiated by the bank for its stakeholders in order to stand by them during this challenging period. As an organization with a broad impact on the economy as a whole and on the general public, we recognize that the bank's commitment to action rooted in corporate social responsibility is especially significant during a crisis.

In view of the success of the implementation at the bank of a business concept founded on the principles of creating shared value and building trust with all stakeholders, we decided to decentralize the units of the Stakeholder Relations Division, as part of the organizational change performed at the bank in early 2020, and integrate them as an inherent element of ongoing operations. Most of these units now report to the Human Resources Division, as they continue their extensive work and deep commitment to the promotion of social and environmental values.

The social action of the bank is focused on several areas that are congruent with the bank's core capabilities and give full expression to the strengths of the bank and its employees. Most of the activities are led by the Social Banking Center, which promotes initiatives and partnerships with social and business impact, focusing on leadership of nationwide

endeavors in several main areas: digital literacy for senior citizens, empowerment of people with disabilities in Israel, and advancement of social mobility and employment in peripheral regions. In addition, the bank's Financial Growth Center offers workshops on astute financial behavior for private individuals and small businesses, free of charge, open to customers of all banks nationwide.

In 2019, we promoted responsible investment at the bank, in view of the growing awareness of this area around the world and among institutional investors in Israel. For the first time in the banking system in Israel, we added ESG ratings of global equities to our customer advisory systems; we also developed targeted financial products to allow our customers to take part in the advancement of social and environmental causes. We accord high importance to responsible investment, and we will continue to pursue progress in this area in the coming years.

We hope that you find the description of our extensive and varied activities in this report informative and interesting, and we invite you to share suggestions and new ideas to help us enhance our social and environmental impact through the creation of shared value for the bank and the community. If you have any suggestions in this area, please contact Mrs. Sharon Alaluf, Head of Corporate Social Responsibility at Bank Hapoalim, at sharon.alaluf@poalim.co.il.

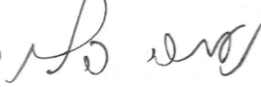
We would like to thank all of the employees and managers, at every level of the bank's work, who endeavor every day to realize the shared values of the bank and the community and who helped create this report.



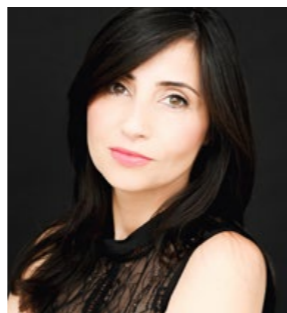


Ronit Meiri
Head of Organizational
Change Management
Human Resources Division





Naama Halevy-Peer
Head of Social
Banking Center
Human Resources Division





Sharon Alaluf
Head of Corporate
Social Responsibility
Human Resources Division



Values of the bank

Our mission

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






Our role

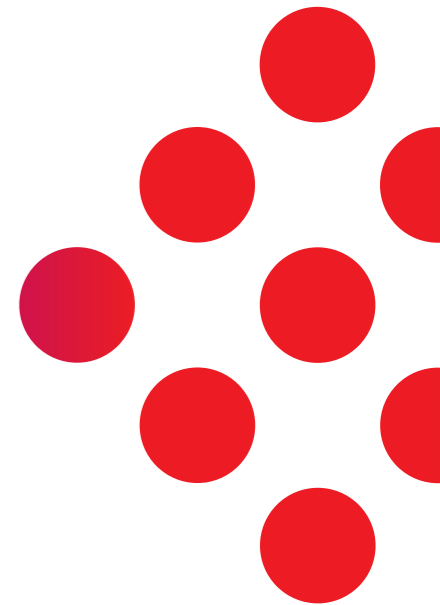
To enable people to make sound financial decisions. We offer guidance to customers, businesses, employees, and communities in any important decision, helping them make astute choices, achieve progress, evolve, and live better lives.

Our promise to our customers

We are with you in every decision.

Our core values

-  **Customer centricity**
Acting in partnership to benefit the customer
-  **Professionalism**
Staying curious, learning, and adding value
-  **Fairness and responsibility**
Choosing worthy action
-  **Humanity and caring**
Being respectful, listening, and showing empathy
-  **Initiative and innovation**
Driving the bank and its customers forward



Corporate responsibility in numbers - 2019

Responsible action to benefit customers

2.5 million

customers in Israel



215

accessible branches

nationwide; 40% located in socially and/or geographically peripheral regions

1,210

accessible ATMs and self-service stations

nationwide; 45% located in peripheral regions

Value-creating innovation

3.8 million

downloads

of bit (by customers of all banks) - the leading payment application in Israel



7

minutes

the time necessary to open a bank account, at any place and time, through the Poalim Open application

95%

customers' satisfaction

from the bank's website

Responsible action to enhance employees' capabilities and well-being

8,162

employees from every part of Israeli society and from every region of Israel



54%

of the management tier at the bank consists of women

Diversity Award

The bank won the "Dov Lautman Diversity in Business" Award for its actions towards inclusion of employees with disabilities in its workforce and raising public awareness to this issue

53,681

learning days for bank employees through various channels



Responsible action to protect the environment

NIS

6.4

billion

in credit granted for projects promoting the protection of the environment

Promotion of growth and financial inclusion

over

20k

participants in financial conduct workshops of the Financial Growth Center for the general public, free of charge



30k

senior-citizen customers

received knowledge, tools, and skills to master digital competence



First Place

in the banking system in promotion of small businesses in Israel (based on Marketest survey)

Action to benefit society and the community

NIS

43.9

million

in social and community investments in 2019



NIS

10

million

donated through the bit application to various non-profit organizations and social causes

161,110

hours of volunteering by bank employees for the community

Responsible supply chains

95%

of purchasing is from suppliers who are located and employ workers in Israel



71%

small and micro suppliers 71% of all the bank's suppliers are small and micro businesses

3.69

million in purchasing in 2019 from suppliers who primarily employ workers with disabilities

50%

reduction in the carbon footprint of the bank over the last decade; 9% reduction in 2019

62

million pages of paper saved annually due to digital document retention and the Poalim via Email service



First Place

(Platinum Plus category) in Maala ratings of corporate responsibility performance, of all companies in Israel

COVID-19

Responsible action for our stakeholders; coming through this together

When the coronavirus outbreak began, Bank Hapoalim made preparations in order to maintain business continuity and robustness, while protecting the health of our employees and customers. Throughout this period, we took care to maintain professional responsiveness and ready availability for our customers; develop products and services adapted to the needs of this time; expand the service delivered through our direct channels; and offer business clients targeted loans and special benefits to support them during the crisis. Within the long-standing commitment of the bank to the community, we led a series of processes aimed at assisting the national effort to combat the virus and support population groups harmed by the effects of the coronavirus crisis.



הסניף הנייד של בנק הפועלים בביקור במרכזי דיור מוגן

Customers



- ◆ Branches opened with scheduled appointments, to maintain safety rules.
- ◆ Expanding the transactions available through direct channels expanded.
- ◆ Call-center staffing increased.

Private customers

- ◆ **Loan payment deferral via digital channels**
Option to defer 3 payments on existing loans through the bank's website, without fees.
- ◆ **Mortgage payment deferral**
For a three-month period, through bank's website or call center.
- ◆ **Services for customers aged 70+**
 - ◆ Dedicated call center with rapid human response; mobile branch visits assisted-living facilities and day centers.
 - ◆ Bank cards sent to elderly allowance recipients via courier.
 - ◆ Online course developed for senior-citizen customers; pamphlet with instructions on the use of the digital channels distributed to these customers.
- ◆ **Deposits designed for turbulent markets**
Calm Track savings plans and Flexible Track deposits.
- ◆ Good Cause Savings: the bank matches the interest received by the customer on the deposit with a donation to people in need.
- ◆ **Digital loans with special terms**
"Getting Through This Together" loans with preferred interest rates and an option to defer payments by up to 3 months.

Self-employed and business customers

- ◆ **Loan fund for self-employed customers (in collaboration with "Lahav")**
Immediate loans via digital channels of up to NIS 10,000 for self-employed customers.
- ◆ **State-backed loans**
Rapid approval track.
- ◆ **Range of credit solutions for self-employed and business customers**
Loans with special terms and an option to defer payments by up to 6 months.
- ◆ **Assistance hotline for small businesses and self-employed customers**
"Lahav" experts answer businesses' questions in real time on the Onlife Facebook page.
- ◆ **Business call center**
Human response to any question or problem.

Employees



- ◆ Non of the employees was put on an un paid leave (with the exception of employees who asked for it).
- ◆ Appropriate system access provided to employees working from home.
- ◆ A safe and hygienic work environment.
- ◆ Continuous communication with employees; regular updates through the Portal to Go application and messages.
- ◆ Dedicated human-resources call center responds to employees' questions and needs during this period.
- ◆ Content area established for employees, presenting a range of sources for remote personal enrichment and development.
- ◆ Well-being activities to uphold morale and healthy lifestyles during lockdown: enrichment lectures via Zoom, including special activities for children of employees; subscriptions to digital platforms for workouts and good nutrition given to employees.
- ◆ Proactive contact with all retirees of the bank and assistance for them where necessary, through bank volunteers.

Community



- ◆ **Assistance for medical and health-care services**
 - ◆ NIS 750,000 donated to fifteen hospitals for coronavirus wards; 570 food packages delivered to medical teams.
 - ◆ Joining the resource development effort for "Magen David Adom" emergency services: a donation button developed in the Bit application and a donation of NIS 0.5 million by the bank.
 - ◆ A donation of NIS 200,000 to "Yad Sarah" and "United Hatzalah" for emergency medical equipment.
- ◆ **Support and assistance for population groups hurt by the crisis (elderly people, Holocaust survivors, families in financial distress)**
 - ◆ NIS 1 million donated for collaborations with community organizations.
 - ◆ 3,500 food packages delivered to elderly people and people in need.
 - ◆ "Mahpilim Mehalev" (Multiplying from the Heart) – An initiative led with community partners to raise donations from the public through the bit application; donations were doubled and transferred to people in need.
- ◆ **Guidance for non-profits and community organizations**
 - ◆ Providing tools for navigation of the crisis through the Erech Laderech program.
 - ◆ Young Managers of Tomorrow – An innovative free online course for children by the Financial Growth Center.
 - ◆ Individual response to questions from the public on family economics – An expert call center established in a collaboration of the Financial Growth Center, the non-profit organization Paamonim, and the Reshet 13 television network.

Stakeholder dialogues and listening to stakeholders

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. Towards that end, a unique index of sentiment and trust was developed at the bank, factoring in the full scope of perceptions, feelings, and emotions towards the bank among customers as well as the general public. The results of this measurement in 2019 indicated higher trust and positive sentiment towards the bank, compared

with the baseline measurement from 2018. 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 2019 (further details regarding the dialogue channels and outcomes are presented throughout this report).

Stakeholder	Selected dialogue and listening channels in 2019
Customers and the general public	<ul style="list-style-type: none"> • The Customer Insight Center reflects the voice of the customer to the management of the bank, on a regular basis, as it emerges from customer-bank interactions in aggregate. • Meetings with customers at the Usability Lab in the Innovation Division. 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. • Israel Business Trail – a one-month journey across Israeli communities, to visit hundreds of small and mid-sized businesses. • A wide range of digital empowerment meetings and workshops for senior citizens. • Direct interaction at the bank's extensive network of branches. • The bank's Customer Council. • Active dialogue channels maintained on four social networks: Facebook, LinkedIn, Twitter, and Telegram.
Employees	<ul style="list-style-type: none"> • Evaluation and development sessions held with all employees of the bank. • An organizational climate survey to examine the level of employees' sense of connectedness and satisfaction. • The organizational portal and the Portal To Go application. • Monthly roundtable meetings of employees with the CEO, and informal meetings of employees with members of the board of management. • The annual report conference, broadcast live to all employees of the bank. • Visits to branches by members of the board of management throughout the year.
Suppliers	<ul style="list-style-type: none"> • 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). • 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.

Stakeholder	Selected dialogue and listening channels in 2019
Regulators, government agencies, and local authorities	<ul style="list-style-type: none"> • 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. • 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. • Promotion of accessibility, in cooperation with the Equal Rights for Persons with Disabilities Commission at the Ministry of Justice.
Community and environmental organizations	<ul style="list-style-type: none"> • Dialogue and collaboration with a wide range of non-profits and social organizations working to promote various causes. • Collaborations with companies in areas such as recycling, energy efficiency, solar energy, wind energy, water treatment, etc. • 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.
Academia	<ul style="list-style-type: none"> • Dialogue with managers and professors at universities and colleges, including the Technion, Tel Aviv University, the College of management, and the Interdisciplinary Center.
CSR community	<ul style="list-style-type: none"> • Contact and professional dialogue with Israel's leading business organizations and CSR managers. • Maala – shared discussion and mutual assistance in facing professional problems and challenges. • Lectures on CSR at relevant venues (courses, academic institutions, conferences, etc.).

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.

About the report and material reported topics

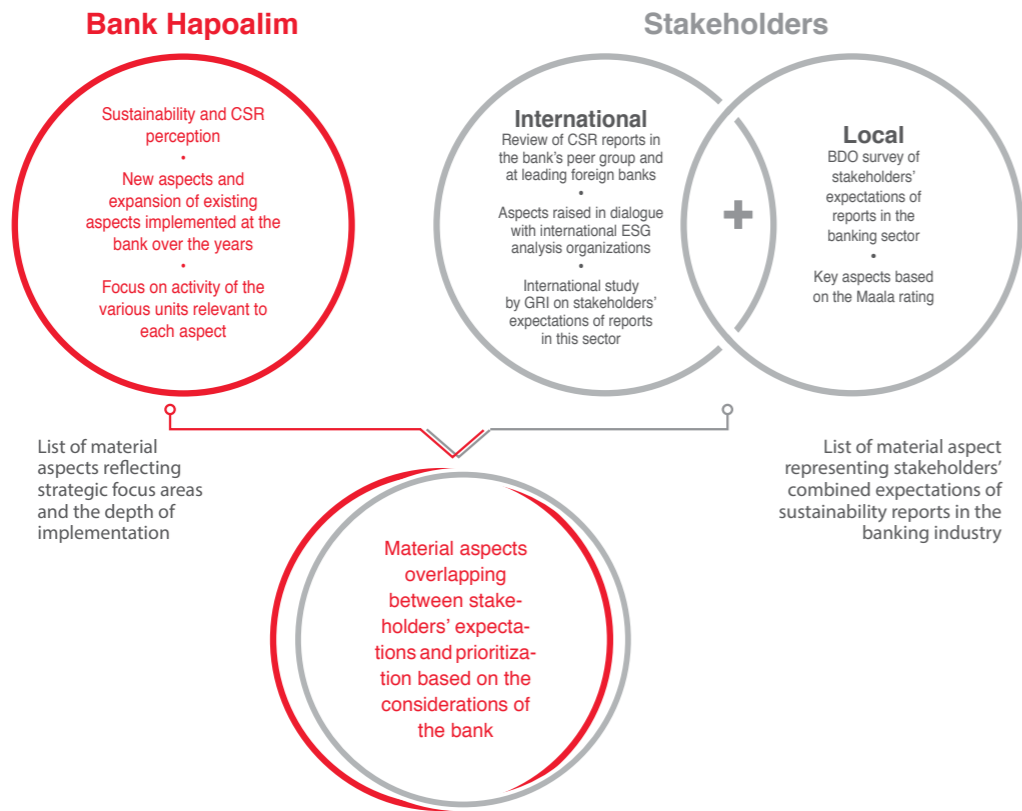
This CSR report refers to the calendar year 2019. This report was prepared in compliance with the Sustainability Report Standard (SRS) of the Global Reporting Initiative (GRI), at the most advanced level of transparency (In Accordance: Comprehensive). We have reported on our impact and activities in the areas of sustainability and CSR since 2007, in compliance with the recognized GRI international reporting guidelines. According to the GRI guidelines, we are required to focus our report on the topics most material to our activity, while including the expectations of our various stakeholders,

in alignment with our strategic approach. Material topics are defined as areas of activity in which we have a significant impact on our 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 bank with a wide range of stakeholders, in addition to 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 2018, with the addition of one new topic

at the core of the bank's strategy for the coming years: innovation. The topic "Developing products and services to promote 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. The topic title "Serving a diverse clientele and promoting sectors of the economy" has been changed to "Serving a diverse clientele and promoting financial inclusion," as this phrasing better summarizes and describes the actions taken by the bank to increase the accessibility of financial products and services for all of its customers.

List of material topics for sustainability reporting at Bank Hapoalim

The material topics in this report represent the topics important to the stakeholders of the bank. 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 the report. Instead, the list of the topics found to be material for both the bank and its stakeholders is presented without ordering by importance.



Material reporting topics

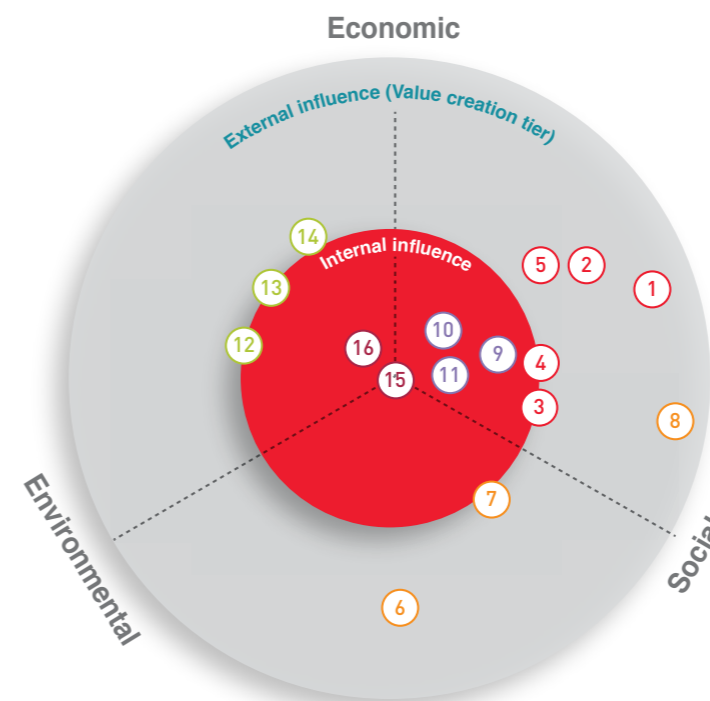
A table showing the connections between the topics material to the bank, presented here, and the topics defined in the GRI standard appears on p. 137.

- ◆ **Promotion of astute financial behavior for customers** – Providing information, products and tools, and individually adapted service and advice. Financial education and literacy for various customer segments.
- ◆ **Innovation** – Leading and encouraging innovation in the Israeli economy in general, and in the banking system in particular. In an evolving and complex digital world, the bank is continually reinventing itself, while maximizing meaningful value for its customers.
- ◆ **Serving a diverse clientele and promoting financial inclusion** – Accessibility and service targeted to specific customer segments, including small and mid-sized businesses, senior citizens, the Arab community, and the ultra-orthodox community; establishing a service concept; implementation and measurement of excellence in service; and presentation of the various service channels (branches, website, mobile, etc.).
- ◆ **Information security and privacy** – Management of information security at the bank and instilling principles for the protection of customers' privacy.
- ◆ **Accessibility** – Actions to promote physical accessibility and empower people with disabilities, aimed at their inclusion in society and in the workforce.
- ◆ **Responsible supply-chain management** – Embedding social responsibility and sustainability considerations in purchasing processes.
- ◆ **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.
- ◆ **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 engagement, its donation policy, and employee volunteering.
- ◆ **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.
- ◆ **Promotion of diversity, equal opportunities, and transparency** – Promotion of gender and sector equality, prevention of discrimination, and promotion of diverse employment.

- ◆ **Training and individual development** – Presentation of the area of training and learning at the bank.
- ◆ **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.
- ◆ **Development of products and services to promote sustainability and protect the environment** – Investment in infrastructures, products, and services with environmental value.
- ◆ **Examination of environmental risks in financing** – Management of environmental risks when granting financing for projects.
- ◆ **Corporate governance and ethics** – Presentation of the structure and activity of the board of directors; instilling ethics at the bank.
- ◆ **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.

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, and in particular about business continuity at the bank during the coronavirus outbreak, see p. 75 in the annual financial statements of the bank for 2019). 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 scale back 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 astute financial behavior for costumers.
2. Serving a diverse clientele and promoting financial inclusion
3. Innovation
4. Information security and privacy
5. Accessibility

Supply-chain:

6. Responsible supply-chain management

Community

7. Expansion of spheres of influence
8. Investment in the community

Employees

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

Environment

12. Reduction of environmental impacts
13. Developing products and services to promote sustainability and protect the environment
14. Examination of environmental risks in financing

Ethic

15. Corporate governance and ethics
16. Prevention of corruption

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.

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>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	As a leading financial entity, the bank makes financial services accessible, while providing advanced knowledge and tools for astute financial behavior to its customers. The bank is also a major employer in the Israeli economy, and contributes indirectly to employment in wider spheres (through financing, suppliers, support for the community, etc.).	<ul style="list-style-type: none"> Ensuring the accessibility of banking services for the entire population of Israel, with an emphasis on populations suffering from a lack of access to full banking services. 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. For several years, the bank has operated the Erech Laderech Initiative, in which dozens of non-profit organizations receive tools for fundraising and the creation of an income-generating arm, in order to ensure that they can survive over the long term and are capable of serving their beneficiaries in the community. Approximately 95% of the bank's purchasing is "blue and white" (made in Israel).
 <p>Reduce inequality within and among countries</p>	The bank works to adapt financial tools and services for diverse audiences, including senior citizens, the Arab community, the ultra-orthodox community, people with disabilities, and more. The bank also promotes diverse employment among its employees and in the supply chain.	<ul style="list-style-type: none"> Promotion of employment of workers from population groups characterized by underemployment. Making banking services accessible, and initiating programs and solutions for financial inclusion. Extensive educational and communications activity for various customer segments and population groups, aimed at promoting astute financial behavior for the bank's employees and customers, and for the general public in Israel. Various activities to promote social mobility and employment in peripheral regions, as a key element of social banking activity.

Sustainable Development Goals	Relevance to the activity of the bank	Examples of activities (detailed in the report)
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</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.	<ul style="list-style-type: none"> Hundreds of scholarships are granted to students at academic institutions throughout Israel; the bank's "Poalim for Success" fund grants scholarships to students in peripheral regions. 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'. Resources invested in education, with an emphasis on financial education. "Read and Succeed" activities aimed at boosting reading and writing skills among children, in the Arab and the ultra-orthodox communities.
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</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.	<ul style="list-style-type: none"> Financing for various infrastructure projects in Israel, and for projects promoting sustainability and protection of the environment. Development of innovative financial products, led by the Innovation Division at the bank, such as the bit application, which has led the payment revolution in Israel and is used by customers of all banks. Managing environmental risks in financing and credit for infrastructure and real-estate projects in order to ensure sustainable development.
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</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.	<ul style="list-style-type: none"> Over NIS 2.4 billion invested in financing of various renewable-energy projects, including solar energy, wind energy, and pumped storage. The bank won a tender to operate a state-backed fund granting loans for energy efficiency at businesses.
 <p>Ensure availability and sustainable management of water and sanitation for all</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.	<ul style="list-style-type: none"> Financing of 80% of water desalination plants in Israel. Financing of operators of waste treatment facilities, mainly producing water used in agriculture. This significantly reduces the quantity of wastewater flowing into the ocean, and contributes to the reduction of marine pollution.

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

Sustainable Development Goals



Achieve gender equality and empower all women and girls

- The bank establishes baseline salaries and benefits according to the employee's position and rank, regardless of gender.
- 54% of the bank's management tier are women.
- The bank runs unique training programs, in collaboration with non-profit organizations, for women entrepreneurs, aimed at providing participants with the financial skills and knowledge they need to start their own businesses (examples include the programs A Business of Your Own, in the Arab community; Future Enterprises; and Jasmine).
- The bank has set the goal of increasing the representation of women in the management tier, and aspires to 50% representation of women in senior management by 2023.



Make cities and human settlements inclusive, safe, resilient and sustainable

- Mortgages granted for residential real-estate construction, including unique mortgage products tailored to the Arab community.
- Targeted loans for private and business customers for the purchase of solar-energy systems to produce electricity from renewable energy sources.



Ensure sustainable consumption and production patterns

- A green purchasing policy, under which environment-friendly purchasing alternatives for products and services are examined.
- 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, recycling of bottles and cans, and responsible collection of disused pharmaceuticals.

Adoption of responsible initiatives 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 the Maala ratings for 2019, the bank earned the top ranking of all companies in Israel and of all banks, placing in the "Platinum Plus" category. 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.

ESG ratings – CSR performance of Bank Hapoalim from the perspective of local and international analysts

Capital-market analysts, both internationally and in Israel, include ESG (environmental, social, and governance) components in their evaluations of the performance of business firms and organizations. Investors around the world have shown growing interest in ESG aspects over recent years and have used this information to make investment decisions.

Bank Hapoalim maintains ongoing dialogue with local and international analysis firms that examine ESG metrics, and provides continual responsiveness to analysts' inquiries. 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 leading trends in the global corporate responsibility 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 corporate responsibility issues and promotes constant 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 key international metrics are compared.

Analysis firm	Bank Hapoalim score	Rating ¹
Bloomberg ESG Disclosure Score 	64.9	99 th percentile in the world's banking sector.
RobecoSAM (S&P Global)	59	68 th percentile in global banking sector
Sustainalytics 	Risk score 23.2 (medium risk level) Management score 48.3	85 th percentile in global banking sector
MSCI ² 	AA	86-99 th percentile in global banking sector
Vigeo Eiris 	45	The bank is ranked first of 34 banks in the regional ratings (Middle East - Africa), and 645 th of 4,842 companies in the index

1. Ratings are as received from the analysis firms as of the period in which the bank was reviewed during 2019, and are therefore subject to change.

2. The use by Bank Hapoalim of any MSCI ESG research LLC or its affiliates ("MSCI") DATA, and the use of MSCI logos trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendations, or information providers, and are provided 'as is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI.



The Ori family

Responsible Action to Benefit Customers

Being there for our customers in every decision and milestone

Bank Hapoalim is committed to providing meaningful value to its customers, by combining personal human service with technological innovation, and aspires to be the first place they turn for anything related to a financial decision. To realize this ambition, the bank has designed value offers and service packages relevant to significant milestones in customers' lives, in the understanding that financial decisions made by customers at these vital crossroads may have far-reaching implications for their future and the future of the people around them.

In 2019, the bank launched a strategic effort to map types of crucial junctures in customers' lives. These are moments in which the course of a person's life changes significantly, in a way that requires making and executing decisions in the financial sphere. The process consisted of an investigation of customer journeys, interviews and focus groups, leading to the delineation of meaningful crucial junctures including moving to a new home, a wedding, the birth of a child, divorce, illness, death of a relative, beginning a new job, and leaving a job. It also became clear that there was a need for a service methodology and the development of products and tools to provide a unique response to customers in financial crisis.

For each of the milestones, the bank set the goal of formulating three types of packages, offering customers products and services relevant to that situation and helping them make the financial decisions that are right for them:

- ◆ **Service package** - An ordered methodology for ways of delivering service and tailored treatment for customers confronting a milestone, including the provision of information and practical tools for bankers. Within this process, bankers received training in identifying customers who may be at a crucial juncture in their lives, and providing service with the necessary sensitivity to these customers, rooted in the realization that they may need special attention and that it may take longer than usual to address their needs.
- ◆ **Product package** - Products to support customers' needs at milestones in the areas of credit, deposits and planning.
- ◆ **Information and Knowledge package** - Relevant lectures and workshops offered by the Financial Growth Center.

In 2019, the bank focused on improving and expanding service for four types of milestones: divorce, weddings, death of a relative, and moving to a new home. Targeted packages were created for each milestone, with the aim of making it possible to provide customers with meaningful service and value while maintaining the necessary sensitivity to the crucial juncture in their lives. In 2020, the bank plans to continue to expand service packages for additional milestones.

Tools and products to promote astute financial behavior

Alongside the formulation of the service, product, and information packages tailored to the milestones, in the ambition to stand by the customers when they need to make financial decisions, the bank has developed a series of tools and products supporting astute financial behavior. These encompass both services provided in person by bankers at the branches and advising centers, and digital tools available to customers at any place and time, such as:

- ◆ **The bank's website** - The website offers a wide range of possibilities for accessible, immediate account management online. In addition to the presentation of routine 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 designed to help customers with smart management of their monthly budget, according to their income and financial goals. The service includes various digital budget-management tools.
- ◆ **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 advising

The bank offers private and business customers personalized service in the areas of credit, mortgages, and investments.

Financial investment advising

Hundreds of advisors nationwide provide private and business customers of the bank who have signed advising agreements³ with tailored investment advice, based on familiarity with their needs, preferences, and goals. The advisors use an advanced investment advising system called Advisor, which provides decision-support tools and extensive information to help build the investment portfolio best suited to the customer. In 2019, the bank launched the Smart Advice service within the capital-market application and on the bank's website. The system allows customers who have signed an advising agreement to receive personalized investment recommendations, through their mobile devices or the website.

Smart Advice service won the 2020 Product of the Year Award - Consumers' Choice, in the Investments category.



Responsible investments

Investments examined based on environmental, social, and governance (ESG) parameters have gained momentum worldwide over the last few years. At the end of 2018, total global investments in this area reached USD 30 trillion; they remain on a continual rapid upward trend. More and more investors today want to be certain that their money is exerting a positive impact and is not causing negative effects, through investment in companies that promote social and environmental values or through investment in financial assets with a social and environmental impact.

As awareness of this type of investment has grown globally, it is also rising among institutional investors in Israel. Bank Hapoalim has chosen to promote this approach to its customers, both by reflecting the ESG scores of global equities in its advisory systems and by developing targeted financial products.

For the first time in the banking system in Israel, interested customers can receive investment recommendations on global equities with high ESG ratings in investment advising sessions. This opportunity was introduced in June 2019.

The bank also launched three unique, exclusive savings plans with a positive social and environmental impact:

- ◆ **Poalim Accessibility Deposit** - As part of the bank's focus on social action to benefit people with disabilities, the bank developed a deposit, in collaboration with JDC Israel, allowing customers to save and earn interest while contributing to a good cause. The bank donates an amount equal to the interest accrued on the deposit to the development of innovative social services for people with disabilities.
- ◆ **Green Deposit** - A product developed by the bank in collaboration with the non-profit environmental organization Zalul, allowing customers to save while promoting a green environment. The bank donates an amount equal to the interest accrued on the deposit to Zalul, for a joint venture with the Israel Association of Community Centers, aimed at reducing the use of plastic tableware in preschools in peripheral regions.
- ◆ **ESG Structured Deposit** - A deposit tracking the performance of ten global equities with high ESG ratings, with a contingent bonus derived from their performance over a predefined period.

In addition to encouraging responsible investment among its customers, the bank includes investments in its own proprietary portfolio in ETFs tracking global equities with high ESG ratings, and performs impact investments in companies promoting social and environmental values.

³ Subject to the provisions of the Law for Regularization of the Occupation of Investment Advising, Investment Marketing, and Investment Portfolio Management, 1995.

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 bank has 22 pension advising centers at branches of the bank across Israel. The pension advisors offer professional, objective advice and 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 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.

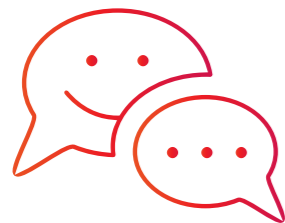
- ◆ **Presentation of pension portfolios on the bank's website** – Customers can use this feature to track their pension portfolios and any changes made to

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, and to adjust planning accordingly.

Enhanced value for customers as part of the service concept

Bank Hapoalim views continual improvement of service as the key to its business growth. The bank strives 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 service that creates a differentiated customer experience.



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 vital to listen to customers' expectations and needs, regularly and continuously, through various advanced platforms.

In 2019, the bank heard from hundreds of thousands of customers, through a range of channels. Several organizational moves were implemented as a result, with the aim of improving internal and external service.

Customer Insight Center

The Customer Insight 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, and in-depth processes through dialogue with the various stakeholders, including employees of the bank. These insights are regularly analyzed and translated into policies, actions, and suitable value offers.

Key processes to improve customer service in 2019

- ◆ **Scheduled appointments with bankers** – To improve the customer experience as well as the banker's experience, a transition from walk-in service to appointment-based service is underway. Customers can schedule an appointment with a banker at a branch, in advance, at the time most convenient for them, through various channels (website, application, and call center).
- ◆ **Poalim Business Call Center** – To increase availability to customers, a dedicated line for small businesses has been established within the Poalim by Telephone call center, offering access to information and transactions in a wide range of areas.
- ◆ **New self-service stations installed** allowing various banking transactions (see details in the subsection "Poalim Self-Service").

- ◆ **Improved service for senior citizens** – This effort encompassed comprehensive investigation of the needs of senior citizens, including identification of the challenges they face in coping with the new digital world. Based on insights derived from this process, attendants were stationed at branches to provide these customers with guidance on the use of the bank's digital tools, and mobile branch services were initiated (see details in the section "Senior citizens").
- ◆ **Branch mergers** – Comprehensive service and guidance is provided to both customers and bankers at merging branches; customer satisfaction is monitored approximately six months after the transition to the new branch.

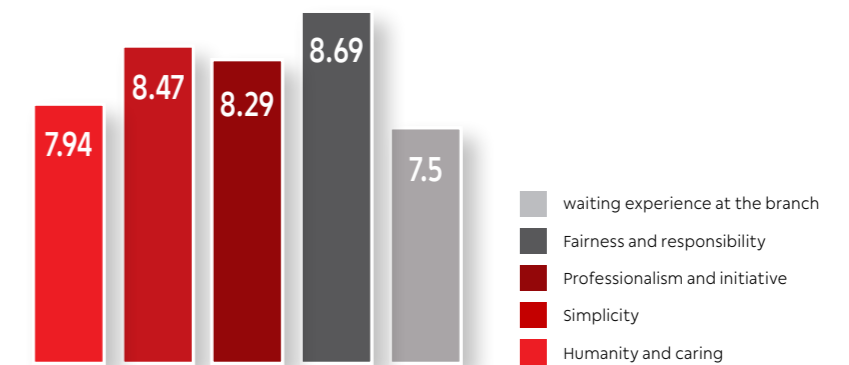
Empowering Customers Together

This project, launched in 2019, is aimed at supporting service at branches with large numbers of walk-in customers. Managers and employees from several head-office units visited branches during afternoon hours to individually assist and guide customers on using the digital channels and familiarize them with the available options. This effort allows bank headquarters employees to meet customers, provide assistance, listen, and gain insights from the interactions which they can later reflect to the relevant functions within the bank, in order to achieve improved processes and services.

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. In 2019, opportunities for listening to customers expanded through satisfaction surveys sent via text message closely following service experiences at branches and at the call center.

Customers' satisfaction with the service, 2019*



* A comparison to previous years is not shown, due to a change in measurement methodology in 2019.

2019 - planning vs. execution

2019 plans	Status
Creation of an advanced customer experience through service tracks matched to customers' needs and preferences.	✓ Completed
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 schedule appointments.	✓ Completed
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.	✓ Completed

LOOKING AHEAD

- Expansion of the range of transactions available during calls to the Poalim by Telephone call centers; continued guidance and instruction for customers on the use of the digital tools and services of the bank.
- Expansion of services offered via e-mail.

Branches

The branch network of the bank is the most extensive in Israel, with 215 retail branches. The bank has branches located across Israel, of which approximately 40% are in peripheral regions.

As part of its 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. Ten branches were merged in 2019, with guidance and support for customers at the merged branches: work processes were adapted to the characteristics of the customers; relevant information was sent by mail; and digital literacy conferences were held for customers, with an emphasis on the senior-citizen segment. A dedicated call center was also established for customers experiencing branch mergers; 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 is continually working to expand the services provided by its branch network.

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 secure the financial future of all of the bank's customers.
- ◆ **High-tech units** – The bank has ten units specializing in the high-tech industry, aimed at expanding services offered to start-ups and mature technology firms.
- ◆ **Cash specialist departments** – The bank has 42 branches serving customers who conduct activity in cash.
- ◆ **Mishkan representative offices** – The bank's 87 Mishkan offices assist and guide customers through the important process of buying a home. The mortgage network of the bank grew and improved in 2019, to adapt to evolving market needs and to the demand and changes in the real-estate industry.

Service offering for corporate banking customers

The Corporate Banking Division operates centers exclusively serving mid-sized and large businesses. Of the twelve business centers, six are dedicated to growing commercial businesses. The centers offer a professional and personal service experience in all areas of banking, with an emphasis on professional solutions matched to customers' 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.

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, receive in-principle mortgage approvals in certain cases, and receive information about existing mortgages. The interactive voice response (IVR) system for information and transactions 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. The contact center also responds to customers' written communications through Facebook, in Hebrew and Arabic, and via e-mail sent by customers through the bank's website.

New features at the contact center in 2019:

- ◆ Expansion of the IVR to Arabic and Russian;
- ◆ Personalized information for customers via IVR;
- ◆ Service in Arabic on the bank's Facebook page;
- ◆ Rapid voice response, in compliance with the law mandating human response to a customer within six minutes;
- ◆ Issuance of passwords and user codes to customers through IVR;
- ◆ In-principle approvals for some types of new mortgage applications.

2019 - planning vs. execution

2019 plans	Status
Launch of a service for scheduling a meeting with a banker at a branch through the call center.	✓ Completed
Launch of a dedicated call line for business clients.	✓ Completed

LOOKING AHEAD

- Service via chatbot.
- Opening a call center specifically for Mishkan customers, authorized to grant in-principle mortgage approvals.

1 million

customers are active users of the Poalim by Telephone service

16.5 million

calls were received on the IVR system in 2019, of which 3 million calls proceeded to a human response



❖ 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 population⁴. Bank Hapoalim views accessibility for people with disabilities as an essential value and as its obligation as a business, integral elements of its approach to service and social responsibility. In addition to the actions taken to ensure that the bank's buildings and services are accessible, the bank is committed to doing its part to make 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 chapters concerning employees and community).

Accessibility and empowerment for people with disabilities are crucial issues, in the eyes of the bank, and an integral part of the bank's service concept.

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 protecting human dignity.

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 as well as accessibilization of technological means, information, services, and products 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.

Accessibility of branches and buildings

As of the end of 2019, all of the bank's premises, except two branches, 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 at two branches; approval proceedings are in progress 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.

❖ Poalim Self-Service

Self-service stations nationwide allow customers to carry out a broad range of transactions, 24 hours a day. Customers are increasingly using the self-service channels to perform transactions previously conducted through bankers. The bank has 1,210 ATMs and self-service stations, more than any other bank in Israel. ATMs offer cash withdrawals, balance inquiries, cash and check deposits, payments into certain deposits, and more. 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.

4. 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_statisticsbtb.



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;
- ◆ Accessible passages – wide and obstacle-free;
- ◆ 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:
 - ◆ adapted desks and accessible chairs with handles, and an accessible waiting area.
 - ◆ **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** – 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.

In order to ensure that the bank remains accessible over time, accessibility features are regularly monitored and issues are remedied as necessary, through several functions:

- ◆ Branch employees and managers perform ongoing monitoring of accessibility status according to parameters established by accessibility managers at the bank, in collaboration with the Access Israel Foundation.
- ◆ Maintenance supervisors at the bank visit each of its locations (branches and head-office buildings) twice a year to check the physical accessibility of buildings, accessories, and furniture.
- ◆ Mehalev – The Israeli Center for Accessibility in Communication performs an annual examination of the proper functioning of accessibility devices installed at the branches, actively testing the devices and replacing batteries as necessary.
- ◆ In projects involving system changes or renovation of the bank's branches or buildings, an internal and/or external accessibility official ensures that accessibility is maintained in the new planning.

As part of the process of maintaining the accessibility of the bank's premises, bank employees can use an application to report a problem or lack of physical accessibility; reports are conveyed directly to the relevant party.

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. Accessible self-service deposit stations are also available 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. By the end of 2019, all of the bank's self-service stations were fully accessible.

Accessibility of banking services through 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.

Benefits, services, and products available to customers with disabilities

◆ Accessibility of information to customers:

- ◆ **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 aids 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;

- ◆ **Priority in line at the Poalim by Telephone call center** – Customers with disabilities have priority in line at the call center. They also have the option of using a voice signature, so that they do not need to remember and enter a password;

- ◆ **Mail-to-fax service** – Customers with disabilities can send instructions and documents to the bank by attaching a file to an e-mail, as a substitute for the fax service or the call center;

- ◆ Fee discounts;
- ◆ Card-free cash withdrawals via text messages sent to the customer's mobile phone.

Several steps were taken in 2019 to raise customers' awareness of the accessibility features at the bank:

- ◆ Accessibility features were posted on the bank's website;
- ◆ Accessibility features were presented at conferences of relevant non-profit organizations, such as the Access Israel Foundation, AKIM, and the Center for the Blind;
- ◆ Three informational videos on accessibility were posted on the bank's Facebook page and played on plasma screens at bank branches. The videos summarize the services adapted to customers with visual impairments, hearing impairments, and physical impairments.

International Day of Persons with Disabilities

The bank marks this day in recognition of the importance of supplying accessible, adapted service to customers with disabilities and the aspiration to raise awareness of this issue. During the day, bankers were directed to videos on accessible service on the organizational portal, and informational videos on the various accessibility means available at the bank were posted on the bank's Facebook page and displayed on plasma screens at the branches of the bank. Bankers who serve customers wore stickers saying, "I'm proud to provide accessible service."

Banking products to encourage accessibility in Israel

As part of the bank's commitment to the promotion of accessibility in Israel, dedicated banking products have been developed in the areas of credit and savings, and additional banking products have been adapted, to meet the needs of people with disabilities and of businesses seeking to become accessible.

The bank developed the Accessibility Toolbox for businesses, consisting of videos explaining how to adapt and improve the service experience for people with disabilities, and a targeted loan with preferred terms for making businesses accessible. Through these efforts, the bank helps small businesses comply with legal accessibility requirements, while gaining the added value of a wider audience.

Value offers for private customers

◆ Mortgages for people with disabilities

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, 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.

- ◆ **Targeted loans with preferred terms for the purchase of various types of equipment** - designed to assist customers with disabilities and their families.

- ◆ **Poalim Accessibility social deposit** – A unique deposit introduced by the bank in 2019, in collaboration with JDC Israel, allowing customers to save in a deposit while contributing to the JDC's Homecoming program, which supports community inclusion of people with disabilities. Over 1,000 customers have chosen this deposit, enabling the bank to donate NIS 200,000 to benefit people with disabilities.

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

At an organization serving millions of customers, training and instruction of employees to provide accessible service are a core element in the process of embedding accessibility. The bank accords high importance to employees' familiarity with the range of challenges faced by people with disabilities, alongside the various solutions available for the provision of 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, live instruction, and practice through simulations at the Poalim Campus. The innovative simulation setup improves employees' familiarity with the accessibility means available at the bank, demonstrating the use of accessible desks, Inductive Loopset devices, and Call Hear devices.

Accessible service self-test

Since 2018, the bank has conducted an annual voluntary self-test of the quality of service provided by the bank to customers with disabilities. The decision to perform a service self-test was made in the understanding that the process of instilling accessibility at a large organization is exceptionally complex, and based on a genuine desire to ensure that implementation is successful on the practical level and takes the full range of needs of people with disabilities into account. The test is conducted with the assistance of external testers with various disabilities who visit the branches of the bank as "mystery" customers, as well as experiencing the service offered by the call center and through the digital channels.

The key findings are presented to the board of management of the bank and to the management of the Retail Banking Division, and embedded in cross-division work plans.

Following the self-examination process, four branches won **Excellence in Accessibility certificates**. Where flaws and difficulties in implementing accessibility were discovered, training sessions on this subject were held at the branches and branch employees met with the Head of Accessibility of the bank.

2019 - planning vs. execution

2019 plans	Status
Development of a targeted loan with preferred terms for accessibility of private homes and purchases of assistive equipment and mobility devices.	✓ Completed
Inclusion of people with disabilities in advertising campaigns of the bank. This move puts people with disabilities on center stage, raising awareness and exhibiting the diversity of Israeli society.	✓ Completed
Continued activity to encourage businesses to promote accessibility and offer credit products with preferred terms for that purpose.	✓ Completed

LOOKING AHEAD

- Submission of the Accessibility Report to the Commissioner of Equal Rights for Persons with Disabilities at the Ministry of Justice.
- Completion of full accessibility at all premises of the bank.

❖ 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 complaints or requests they may have. The Ombudsman Department handles inquiries and complaints received through the bank's website and via mail or fax. Inquiries received at the Poalim by Telephone call center, on the bank's Facebook page, or at a branch that are not fully resolved, for any reason, are also referred to the Ombudsman Department for further care. Addressing complaints is an important focus for the various parts of the bank; extensive effort is invested in providing an accurate and appropriate response to complaints within a reasonable timeframe, while applying lessons learned and continually improving processes. Every case is examined in depth and treated according to the values of fairness and responsibility, protection of privacy, reliability, and transparency. The service compact on customer communications is displayed to customers at the branches of the bank, on the bank's website, and at self-service stations.

Inquiries with wider implications beyond the specific customer, such as recurring incidents at various units, or gaps in procedures or in organization-wide processes, are presented to the business functions at the bank for learning and improvement of the relevant procedures and processes.

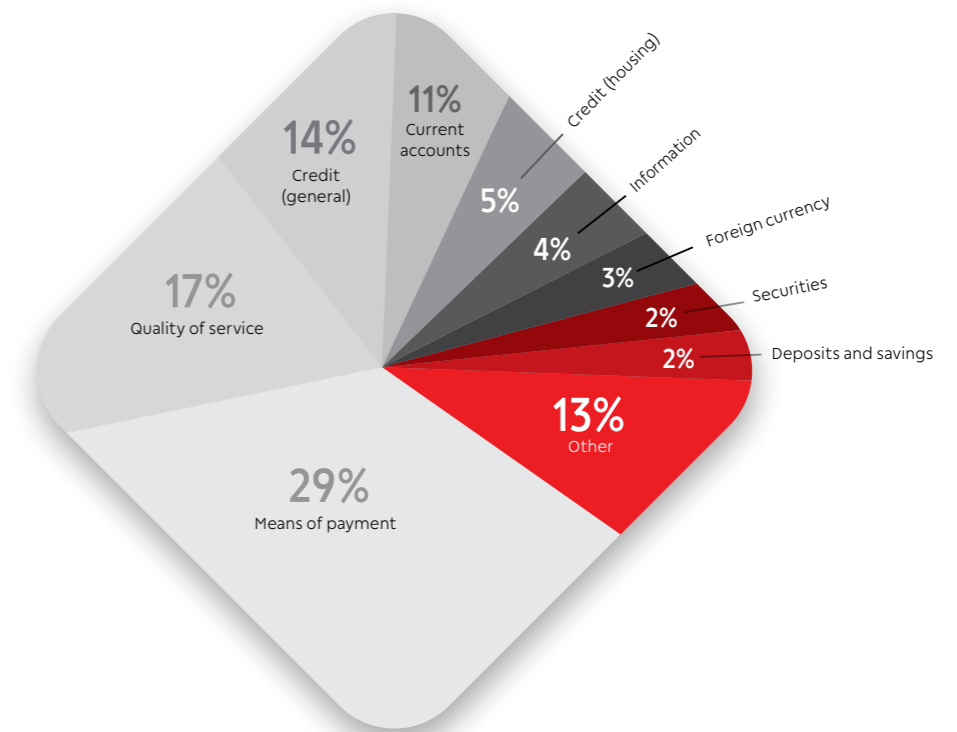
The department operates in accordance with Proper Conduct of Banking Business Directive 308A of the Bank of Israel, which took effect on April 1, 2015. The directive formalizes the obligation of a banking corporation to address customers' inquiries in a fair, reliable, and efficient manner, and is designed 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.

In 2019, the Ombudsman Department processed 8,706 inquiries (complaints and requests), versus 8,391 in 2018 (a 4% increase). This included 6,840 complaints, a 1.5% increase compared with the number of complaints in 2018.

Percentage of justified complaints: Due to a change in internal work processes pertaining to the categorization of complaints, principles for classification of a complaint as justified were updated and broadened. 1,058 complaints were classified as justified in 2019, or approximately 15% of total complaints, versus 445 (7%) in 2018.

Additional information which includes inquiries received at the Banking Supervision Department, is available in the department's annual report.

Distribution of complaints handled, by subject



Available Banking Compact

The banking system has established a compact for appropriate treatment of women who have experienced abuse and are staying in shelters or halfway houses. The compact was formulated by the Banking Supervision Department, in light of the understanding that women in this situation struggle to manage their finances, and that in the absence of solid financial guidance they may remain financially dependent on abusive partners. To implement the compact and assist these women, the bank has appointed liaison staff to be available to them in order to manage their accounts, with full confidentiality. The service includes ensuring that state allowances to which the women are entitled are at their disposal, and assisting them in dealing with joint accounts, obtaining reliefs on payments, spreading out payments on debts, and more. Taking this values-driven commitment to the next level, the bank holds financial growth workshops at shelters, offers individual guidance to women, and conducts holiday activities for the women and their children. The Ombudsman Department handled 79 inquiries in 2019 involving assistance for women who have experienced abuse, in areas such as opening accounts, granting loans, and more. Services were expanded, in a pilot program, to several community centers for abuse victims.

In 2019, Bank Hapoalim hosted the periodic conference of the member organizations of the Available Banking Compact dedicated to assistance for women who have experienced abuse. The conference concerned the importance, in terms of values and social issues, accorded by the banks to caring for this population in an empowering manner, while offering the women tools and guidance on astute financial behavior.

Social networks



147k

The bank has 147,000 social media followers, as the end of 2019

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

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

The bank created 250 posts on its Facebook page in 2019, about digital empowerment and innovation, financial growth, new products and services, community activities of the bank, and more.

The Bank Hapoalim Facebook page serves as a platform for service and dialogue with customers and the general public. Hundreds of posts and messages are received on the page each day. Communications are handled by a designated team, which responds and provides professional service within minutes. Salient topics raised on social media are passed on to professional functions at the bank and to the Customer Insight Center, with the aim of improving service and processes.

Facebook in Arabic

Bank Hapoalim is the first and only Israeli bank to introduce an Arabic-language Facebook page. The content on the page parallels the Hebrew page, with adaptations to the activity and information most relevant to Arab society. Service on the page, which has drawn

high satisfaction from users, is provided by Arabic-speaking bankers.

In 2019, the bank launched **Poli** – an innovative bot offering service through WhatsApp. The bot can help customers locate branches and ATMs and provide currency exchange rates, simply and quickly. Poli is available to customers of all banks, 24 hours a day and seven days a week.

2019 – planning vs. execution

2019 plans	Status
Launch of the Poalim page on Instagram.	✓ Completed
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.	✓ Completed
Expansion of the collaboration with the Financial Growth Center to reach additional online communities.	✓ Completed



Standing by our customers during the coronavirus outbreak

With the bank's activities scaled back according to the guidelines of the Ministry of Health and the Banking Supervision Department, the bank emphasized on maintaining maximum availability to customers and accessibility of all banking services. Core branches opened for scheduled appointments to maintain safety measures and call-center staffing expanded to provide high-availability responsiveness. New digital banking options were added, and services and products adapted specifically to customers' needs during this period were developed.

- **Loan payment deferral via digital channels**
Option to defer 3 payments on existing loans through the bank's website, without fees
- **Mortgage payment deferral**
For a period of three months. For further information, see the bank's website
- **Services for customers aged 70+**
Dedicated call center with rapid human response; mobile branch visits assisted-living facilities and day centers
- **Deposits designed for turbulent markets**
Calm Track savings plans and Flexible Track deposits
- **Digital loans with special terms**
"Getting Through it Together" loans with preferred interest rates and an option to defer payments by up to 3 months

Dr. Lior Haviv,
Winwork CEO



**Promotion of
Growth and
Financial Inclusion**

Promotion of Growth and Financial Inclusion

Financial inclusion refers to the access of private individuals and business owners to financial products and services responsive and adapted to their needs, and delivered to them in a responsible and sustainable manner. Access to financial services facilitates the management of people's everyday affairs and helps individuals, families, and business owners plan ahead and make informed financial decisions for the long term.

A study by the World Bank⁵ indicates that countries with broad financial inclusion have lower rates of social and gender inequality, and that access to digital financial services constitutes a higher level of financial inclusion, which should be aspired to as a goal.

With the aim of providing meaningful value to its customers and making financial services and products accessible to all customers, the bank mapped the unique needs of various communities and sectors, in order to deliver an adapted response to each and help them grow and thrive, while making knowledge on astute financial behavior accessible to the entire population of Israel.

Financial Growth Center

The Financial Growth Center was established at the Poalim Campus in 2018, as a hub for learning and acquiring knowledge and tools supporting astute financial behavior. The services of the Financial Growth Center are offered to 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, aligned with significant financial crossroads such as the growth of a family, taking a mortgage, career changes, pension planning, and more.

The work of the Financial Growth Center is conducted through advanced digital learning tools on a dedicated website; in-person lectures by top speakers; interactive learning through family games; lesson plans for elementary and middle-school students; and collaborations with non-profits, business organizations, and more. The activities of the center are rooted in cooperation with professionals within and outside the bank, including the nonprofit organization Paamonim, the

Adler Institute, TOOT Communication and Results, the Israel Financial Institute, and other organizations and non-profits.

Important collaborations to further the Financial Growth Center's vision of outreach to a broad audience across Israel in 2019 included:

- ◆ The Israel Association of Community Centers – lectures at community centers nationwide.
- ◆ ALD College – a collaboration aimed at providing knowledge and tools for astute financial behavior to IDF soldiers in combat roles nearing completion of their military service. Financial Growth Center instructors held preparatory courses for hundreds of soldiers, teaching them to make sound financial decisions in civilian life.
- ◆ Expansion of the sphere of influence of the center through TTT (Train the Trainer) programs. The center trains instructors and volunteers at various non-profit organizations, with the aim of expanding its sphere of influence as they pass on the knowledge and tools they have acquired.



over **20K** people

participated in more than 550 lectures and conferences held across Israel, on a wide range of subjects adapted to different audiences, such as personal and household budget management, setting financial boundaries for children, first steps in management of a business, recommended steps in buying a home, and more. ~70% of lectures are designed for households, while ~30% are for small businesses.

5. <https://www.worldbank.org/en/topic/financialinclusion/overview>

over a **million people**

have viewed digital content on the Financial Growth Center website, in Hebrew and Arabic

~ **280** 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 the self-employed, and more

~ **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

50 education lesson plans

50 Enriching Parents financial responsibility education lesson plans for first- to ninth-grade students are available on the center's website. Over 5,000 students participated in the lessons, within a collaboration with the Key Books Foundation

40 bank employees

were trained to become part of the center's team of instructors

~ **2,400** people

participated in lectures and workshops within collaborations of the Financial Growth Center with social non-profits and organizations, including Winwork, Bekol – Organization of Hard of Hearing People in Israel, Learn to Succeed, Amit La'Derech, Shetalem Nigunim, Educating for Excellence, ELEM - Youth in Distress, the Israeli Volunteer Association, Amanina, and more

2019 – planning vs. execution

2019 plans	Status
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.	✓ Completed
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.	✓ Completed
Increased exposure to new audiences, such as National Service (Sherut Leumi) members, senior citizens, soldiers newly discharged from the IDF, and more.	✓ Completed

LOOKING AHEAD

- Creation of partnerships with academia to expand the impact of financial education in Israel.
- Expansion of the range of digital content and activities offered, to expand spheres of influence.

Special activities of the Financial Growth Center during the time of the

Coronavirus



- Young Managers of Tomorrow – Two innovative online courses for children by the Financial Growth Center, offered free of charge. The courses are taught by top business and financial experts, in collaboration with social non-profits and organizations. Thousands of children participated in the courses, which were also offered in Arabic.
- An expert hotline created in a collaboration of the Financial Growth Center, Paamonim, and the Reshet 13 television network, providing individual responses to questions from the public on household economics.
- Production and distribution of focused content on astute financial behavior during the crisis, on the Financial Growth Center website and through various media.

Promoting the growth of small and mid-sized businesses

NIS
29.6
billion

The total balance of credit granted to the small-business sector as at the end of 2019 is NIS 29.6 billion⁶

4,026
loans

From the inception of the fund to the end of 2019, the bank granted 4,026 loans in a total amount of NIS 1.324 billion through the fund

Recognizing that the small and mid-sized business sector is the backbone and driving force of the Israeli economy, the bank has worked for many years to maximize meaningful value and promote innovation in services and products adapted to its evolving trends and needs.

e commerce is emerging as one of the most significant drivers transforming business practices and creating growth opportunities for businesses that previously operated only in brick-and-mortar spaces. The bank sees the growth potential of e commerce, and its value for small businesses, which are now able to expand their local and global activities more easily

However, the thriving e commerce arena and the transition to a "platform economy"⁷ come with complex challenges; to flourish in this competitive landscape, business owners must become familiar with a range of tools, from different content areas, and adapt to consumer tastes of the moment. The bank considers it part of its role to make a range of tools appropriate to the challenges of the times accessible to business owners, and to develop value offers contributing to the growth of small and mid-sized businesses in Israel.

Collaboration with Amazon

In a collaboration formed by Bank Hapoalim with the world's largest ecommerce platform, the bank has developed a value offer targeted to small and mid-sized businesses that work with Amazon or wish to do so, while offering benefits to holders of the bank's credit cards who make purchases on the site during large sale events.

Financing solutions

The bank grants credit to small businesses as part of its overall credit portfolio, which is the largest in the Israeli 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. 600 loans were granted through the fund in 2019, in a total amount of NIS 190 million. The bank also has a joint loan fund for industry with the Manufacturers' Association – the Manufacturers' Association Fund, and with the Korat Foundation, offering microfinance loans with special terms for micro-businesses, at a volume of NIS 1 million.
- ◆ **Instant Credit for Businesses** – This quick and simple service is available to customers at any time through a brief procedure on the bank's website, via mobile, or at the branches. 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.

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 conduits, available through the direct channels and digital platforms:

- ◆ **Extensive deployment of expert business bankers** – In addition to the bank's business departments, eighty retail-banking branches have been declared dedicated branches offering an especially broad range of solutions for small and mid-sized businesses.
- ◆ **Poalim Business application** – An account-management application designed for business owners.
- ◆ **Expansion Package** – Designed for small businesses aspiring to grow and develop (e.g. through transition to e commerce, exports, opening a new branch, acquiring equipment, and more). This value offer includes a range of banking benefits, as well as external banking services such as financing solutions with preferred terms, business guidance meetings, subsidized Export Institute services for relevant customers, consulting by leading e commerce experts, and more.
- ◆ **Business management tools and knowledge from the Financial Growth Center** – The Financial Growth Center has offered more than 150⁸ lectures nationwide for business owners, in addition to a website rich in content for businesses, including dozens of digital guides on managing a successful business. Workshops were held on starting a business, managing budgets, marketing and sales, and more, with special emphasis on knowledge and tools for entering the world of e commerce, such as opening an online store, digital marketing, and social media community management.

Approximately 7,000 people participated in activities targeted to small businesses. The Financial Growth Center also held focused conferences, such as a lecture on preparing a business for the summer months, attended by more than 130 business owners who sought to learn about sound financial management of a seasonal business.

- ◆ **Poalim Small Business Success Mentors** – Several small businesses representing a variety of areas of activity and economic sectors were selected from among the bank's customers to participate in a process aimed at supporting their growth and financial robustness. The businesses received individual professional mentoring and guidance from senior executives and branch managers of the bank, over a period of six months.

Israel Business Trail

The Small Business Trail event, held for the second time in 2019, was a month-long journey across Israeli communities, aimed at empowering small businesses and boosting public visibility of the wide range of businesses in this country and the people behind the businesses. During the month, a Business Trail Patrol consisting of bank advisors and external consultants visited hundreds of Israeli businesses to provide tools for astute financial behavior. The Financial Growth Center held dozens of workshops in towns along the Business Trail on managing a business in a world where the rules of the game are changing. This project culminated in three main events in various parts of Israel, in collaboration with local authorities, designed to empower small businesses. The Business Trail and the participating small businesses gained extensive media exposure and public response.



A Marketest survey conducted in January 2020 named Bank Hapoalim the leading bank in the promotion of small businesses in Israel, and the bank offering the best adapted offers for this sector.

6. Not including Isracard liabilities of 1.6 billion NIS.

7. Platform economy – The economic arena is in transition from competition over the best product to competition over the best platform, offering customers a wide range of services and products through a single, user-friendly interface in ways that make their lives easier and simpler.

8. Cumulatively since mid-2018.

2019 - planning vs. execution

2019 plans	Status
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.	✓ Completed
Poalim Small Business Success Mentor – Guidance and mentoring for small businesses to support growth and financial robustness.	✓ Completed
Continuation of the Israel Business Trail project, with an emphasis on accessible businesses, and expansion to additional businesses.	✓ Completed

LOOKING AHEAD

- Realization of additional processes to provide expert guidance to small businesses taking their first steps in the digital space.



Supporting business clients and self-employed customers during the time of the coronavirus

In recognition of the financial ramifications of the crisis for small businesses, the bank offered various targeted loans and special benefits to support them during this period:

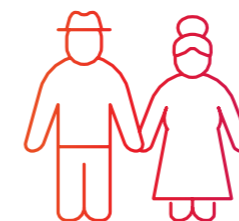
- **Loan fund for self-employed customers** (in collaboration with Lahav) - Immediate loans of up to NIS 10,000 via digital channels for self-employed customers
- **State-backed loans** Rapid approval track
- **Range of credit solutions for self-employed and business customers** Loans with special terms and an option to defer payments by up to 6 months
- **Assistance hotline for small businesses and self-employed customers** Lahav experts answer businesses' questions in real time on the Onlife Facebook page
- **Business call center** Human response to any question or problem

Supporting senior citizens

Poalim Digital Independence

Bank Hapoalim aspires to operational excellence and the adoption of innovative technologies to serve all of its customers. However, the bank recognizes that senior citizens may need focused support in the transition from traditional banking to the "banking of tomorrow". The bank has resolved to provide responsible assistance to senior citizens, aimed at enhancing their digital independence in all areas, thereby improving their quality of life.

The Poalim Digital Independence project, launched in 2018, was expanded in 2019 to reach thousands of senior citizens. 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 and day centers, specialized non-profits such as Machshava Tova and Applesseeds Academy, and more.



Stages of the digital empowerment process:

Listening and mapping needs

The digital empowerment process began with listening and learning about the needs of the senior-citizen population segment, through focus groups and questionnaires, a review of research in Israel and overseas, tours of elderly residential care facilities and senior-citizen population centers, and individual meetings with senior citizens at bank branches and at the mobile branch. During this dialogue, bank representatives encountered a broad range of patterns of use of digital means, engendering several key insights:

- ◆ Difficulties were identified in proficiency with the digital language, especially on smartphones, which impaired senior citizens' sense of confidence and personal independence;
- ◆ The lack of digital language proficiency led to growing dependence on relatives, usually children and grandchildren;
- ◆ Digital language offered an opportunity for connection with the younger generations;
- ◆ The most significant worry was the fear of malicious use of personal information and online fraud.

Establishing the intersegmental forum

The bank established an intersegmental forum, designed as a coalition of partners and amplifiers promoting digital literacy of senior citizens through sharing of knowledge, insights, technologies, and more. Leading organizations in this field in Israel are part of the forum, including the Ministry of Social Equality; the non-profit organizations Unistream,

Applesseeds Academy, and Machshava Tova; representatives of business firms; CEOs of non-profits; and more. The forum provides fertile ground for consultation, promotion of causes, and cross-sector collaborations, as needed.

Developing comprehensive support and education for senior-citizen customers

The bank has developed a comprehensive system of instruction, support, and opportunities to gain experience adapted to the needs of its senior-citizen customers:

- ◆ **Senior citizen digital literacy instruction centers** - The bank offers its senior-citizen customers extensive courses, free of charge, consisting of ten to sixteen three-hour sessions (according to the customer's level of knowledge). Participants gain a range of digital life skills, such as use of e-mail and search engines; online consumerism; safe browsing; exercising rights and use of government services; access to information and services in the areas of health care, leisure, transportation, and entertainment; and more. The courses are taught by professional instructors, in small groups of up to twenty participants, in order to allow individual hands-on experience in a learning-promoting environment, while also creating a supportive community and a wider network of relationships. Initially, fifteen instruction centers opened in social and geographical peripheral regions in Israel. In view of the success of this project and demand for the courses, the activity expanded to many additional locations nationwide. A total of 45 digital literacy instruction centers opened in 2019, serving hundreds of senior citizens.

435 instructional sessions

for senior-citizen customers of the bank were held in 2019, free of charge, in Hebrew, Arabic, and Amharic

over 3,000 senior-citizen

customers of the bank participated in Digital Cafe meetings



over 800K views

The bank's instructional videos have been viewed more than 800,000 times.

◆ **Digital Cafe** - The Digital Cafe component of this initiative consisted of instructional sessions on online banking held in an informal setting, over cake and coffee. The meetings were hosted by branches of the bank for senior-citizen customers during afternoon hours. The Digital Cafe offered customers a glimpse of the digital universe and supplied them with instructional materials, a user ID and password, and information and digital tools to help them practice basic account-management activities. 65 Digital Cafe meetings were held across Israel in 2019, with approximately fifty participants each.

◆ **Written digital-banking user guides for beginners** - At senior-citizen customers' request, guides written in simple, user-friendly language were prepared, in order to introduce customers to the bank's digital platforms. The user guides present information on the use of the bank's website, application, and ATMs; they are distributed free of charge at bank branches nationwide and are available for download on the bank's website.

The hard-copy user guides make this information accessible in a convenient and user-friendly form, with large print accompanied by illustrations and images explaining how to perform common account-management actions, such as viewing information on transactions and balances, ordering a checkbook, depositing a check, and more. Approximately 100,000 copies of the user guide were distributed in 2019.

◆ **Instructional videos** - The bank has produced sixteen instructional videos in which senior-citizen presenters demonstrate various actions using the digital channels, step by step, simply

and using clear language. The videos are embedded in the instructional materials, and cover a range of topics:

- ◆ The advantages of online banking;
- ◆ Online banking – where to begin;
- ◆ How the bank protects its customers online;
- ◆ How to recover a password;
- ◆ Keeping track of a bank account;
- ◆ How to deposit checks at an ATM;
- ◆ How to track credit-card transactions;
- ◆ How to order checkbooks on the bank's website;
- ◆ How to download the account management application;
- ◆ How to deposit checks using the application.

To view the videos, scan the code or search for "Poalim Digital Independence" on the Bank Hapoalim YouTube channel.



Digital instruction for the general public

◆ **Parent Days** - Six Parent Days were held over the course of the year, in which employees from various divisions invited their parents and other senior citizens from their families to a digital-banking event at the bank. Participants gained closer familiarity with the bank where their loved ones work, enjoyed enriching lectures on digital banking and avoiding Internet fraud, and experienced digital banking in person.

◆ **Activities at residential elderly care facilities** - During the year, digital-banking instruction sessions were held at dozens of residential care facilities and day centers for the elderly across Israel. The sessions consisted of a lecture entitled, "Digital and Financial Glimpses," followed by individual practice in areas such as safe browsing, use of WhatsApp, orientation on YouTube, and more. On Good Deeds Day, hundreds of bank employees volunteered to provide individual instruction to approximately 400 elderly residential care facility tenants.

◆ **Nationwide collaboration between the Bank of Israel and the banking system** - In the first phase of this project, lectures for senior citizens on digital banking empowerment were given by representatives of the bank across Israel. In the second phase, senior citizens were invited to visit branches of the bank during the months of June and July for individual instruction and practice in the use of digital services.

◆ **Summer Youth program** - Within the ambition to instill values of giving and helping others among adolescents, approximately 300 bank employees' children, aged 15-18, were employed during summer vacation, with full financing by the bank, to individually instruct 2,500 senior citizens on digital banking at branches of the bank. Five six-day sessions of this project were held during the summer vacation.

Service adapted for senior citizens

◆ **Dedicated rapid call center** - The bank has introduced a call line exclusively for customers above the age of seventy, which provides a rapid 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 eighty.

◆ **Mobile branch** - The mobile branch of the bank visits 32 towns across Israel to deliver banking services to remote communities, or to people who have difficulty reaching the bank's branches, and to supply mobile-banking services to the general population during emergencies. On each month, the mobile branch visits nineteen residential care facilities and day centers for the elderly. The branch is fully accessible to people with disabilities and equipped with a wide range of devices and adapted furniture for the convenience of customers who use a wheelchair.

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

over 30,000 senior citizens

received knowledge, tools, and skills for digital competence, which will serve them in every area of their lives.

Surveys conducted among the thousands of customers who participated in the instructional programs indicate:

95% of participants

expressed satisfaction and stated that they would recommend the program to a friend.

97% of participants

stated at the end of the program that they knew how to avoid Internet fraud, compared with 6% at the beginning of the program

2019 - planning vs. execution

2019 Plans	Status
Expansion of the Poalim Digital Independence initiative to all geographical deployment of Israel.	✓ Completed

LOOKING AHEAD

- Expansion of the Poalim Digital Independence initiative.
- Expansion of mobile branch services.



Supporting senior-citizen customers during the time of the coronavirus



- Three mobile branches of the bank delivered banking services to residential care facilities and day centers for the elderly across Israel
 - A call center dedicated to senior citizens (customers aged 70+) and people with disabilities was opened
 - A user guide for senior citizens on the use of digital tools was produced and distributed with national newspapers
- Senior citizens are the population most vulnerable to the coronavirus; they have therefore been directed to isolate at home, and to stay away from their children and grandchildren. This has led to increased dependence of this group on technological means for the consumption of services and products, including banking services. During the crisis, digital means also became the principal channel for maintaining relationships with friends and family and relieving loneliness. Accordingly, as part of the Poalim Digital Independence initiative, the bank invited its senior-citizen customers to take advantage of their time isolating at home to improve their digital skills, by participating in a course through the bank's YouTube channel on digital financial management. The course consists of sixteen short instructional videos demonstrating, simply and clearly, how to carry out a range of banking activities without leaving the house. The videos drew approximately 800,000 views. The bank also continued to hold digital literacy courses, using Zoom.

Supporting growth in the Arab community

Bank Hapoalim supports the development of the Arab community and considers it to have great potential for growth, which, when realized, will contribute to higher productivity and quality of life for the population of Israel as a whole.

The bank is active in a variety of areas of life in the Arab community, with the aim of bolstering the many positive developments underway in this sector, while taking a holistic view of all the challenges and barriers it confronts. The activity of the bank includes developing targeted value offers and adapting all services to the Arabic language, alongside extensive reach of the branch network, with 27 branches in Arab towns and 15 additional branches in mixed towns.

Special activities are also conducted to support the financial development of students, women, small-business owners, and more.

Guidance in buying a home and taking a mortgage

A research report on the mortgage market published by the Bank of Israel in 2017 indicated that the Arab sector accounted for only 2% of this market. The bank subsequently began an in-depth study of the causes and factors of this situation, and identified concerns in Arab society over a long-term mortgage on a family home, arising from a lack of awareness of the available options for financing. These concerns may lead to the selection of short-term financing options that impede repayment and can lead to financial and social difficulties.

The bank therefore prepared a large-scale effort, in 2019, to promote and improve the accessibility of mortgages in the Arab community, encompassing:

- ◆ Production of explanatory materials in Arabic;
- ◆ Establishment of a dedicated mortgage unit at the Nazareth branch of the bank, consisting of employees from the Arab community, primarily serving residents of northern Israel;
- ◆ Explanatory and instructional conferences on mortgages held for customers;
- ◆ A first-of-its-kind conference for professionals in the area of mortgages in the Arab community, aimed at raising awareness of barriers and solutions;
- ◆ Improvement and expansion of terms of a unique product offering a solution for cases in which a home is purchased or built on land with multiple owners (according to the Ottoman Law).

Activities to benefit Arab students

◆ **Scholarships** – In order to encourage higher education, the bank has created collaborations with several non-profit organizations in the Arab community, within which approximately 150 scholarships were granted in 2019 to students in this sector; in return, the students volunteered in the community. For example, fifty students were granted scholarships in a collaboration of the bank with the non-profit organization Amanina. The students also received knowledge and tools for household budget management, and volunteered to mentor and guide 100 families in the Arab community on astute financial behavior. In a similar collaboration with the Nazareth Foundation, students received scholarships and volunteered to guide high-school students in the eleventh grade on astute financial behavior.

◆ **Assistance in preparing for higher education** – In a collaboration with the non-profit organization Kav Mashve and the psychometric testing preparation institution Infinity, the bank aided approximately 600 high-school graduates with comprehensive preparation for higher education. This program included a subsidy for a psychometric testing preparatory course, lessons in spoken Hebrew (as a way of overcoming language barriers in education), and individual counseling on selection of the course of study best suited to each student.

◆ **Joint program with Bokra** - The collaboration with Bokra, a well-known and popular Arabic website, was formed in order to gain familiarity with the needs of Arab students and provide suitable solutions for them. The host of the online show visited college campuses to talk with students about the financial challenges they face. This collaboration continued in 2019, expanding to additional academic institutions.

Promoting economic growth of the Arab community

◆ **Conferences and economic Conventions**- Several conferences have been held within a collaboration with the Arab Economic Forum, aimed at raising awareness, helping to remove barriers, and promoting economic growth and development of the Arab community. These activities included:

◆ A national economic conference, with the participation of the newspaper *Globes* and hundreds of businesspeople and opinion leaders. The conference addressed various economic and social issues and challenges confronting businesses in the Arab sector.

◆ A conference in collaboration with the management of the Tel Aviv Stock Exchange and the Israel Securities Authority, aimed at encouraging Arab businesses to join the stock exchange.

◆ **Launch of the Financial Growth Center website in Arabic** - Content includes digital guides on astute financial behavior for individuals and households, as well as for entrepreneurs and small businesses.

◆ Launch of the bank's Facebook page in Arabic.

◆ **A Business of Your Own** - A unique training program for women entrepreneurs, held for the third year. This program, launched by the bank in collaboration with the non-profit organization Economic Empowerment for

Women in Israel, is aimed at supporting the inclusion of Arab women in employment and business. Eighty women participated in the program in 2019, receiving training and education in various areas related to the foundation, development, and management of a business, including individual guidance from leading lecturers in this field.

◆ **Activity to support the growth of small and mid-sized businesses** - Quarterly comprehensive meetings were held with businesspeople in Arab towns in 2019, to provide tools and knowledge and promote their financial growth. The bank was also a partner in a conference for the encouragement of women's entrepreneurship. The bank's Business Trail project included businesses in Arab and mixed towns.

Community Activities

◆ **Supporting children's reading and writing skills** - The Read and Succeed program was held in the Arab sector for the tenth consecutive year. Read and Succeed fairs were held in various Arab towns, offering children's books at discounted prices. The bank also held the Young Author competition, aimed at boosting children's creative-writing skills, for the fourth consecutive year. 150 children and adolescents from across Israel submitted their stories to the competition, and the ten winning stories were published in a book distributed to customers at branches of the bank in Arab towns.

◆ **Activities on holidays and special occasions** - As part of the bank's partnership with the Arab community, several events were held to celebrate holidays and special occasions. Examples include an event for the Druze holiday Ziyarat al-Nabi Shu'ayb; Iftar meals during the month of Ramadan, with food packages distributed to families in need; and a Christmas event for the Christian community.

In the winter of 2019, several Arab communities in Israel were damaged by severe flooding. As a response, the bank contacted local authorities in the affected areas and worked to assist families in need through donations of space heaters and food packages.



2019 - planning vs. execution

2019 plans	Status
Launch of the Financial Growth Center website in Arabic.	✓ Completed
Opening a Facebook page for the bank in the Arab sector, including service responses in Arabic.	✓ Completed Bank Hapoalim is the first Israeli bank to introduce an Arabic-language Facebook page.

LOOKING AHEAD

• Continued proactive activity in the area of housing finance solutions, promotion of small businesses, and encouragement of higher education for the Arab community

Supporting growth in the ultra-orthodox (Haredi) sector

Bank Hapoalim has eleven branches in towns characterized by significant ultra-orthodox populations, and nine additional branches in mixed towns. The bank respects ultra-orthodox 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 ultra-orthodox sector is experiencing continual change and growth processes; Bank Hapoalim sees strategic importance and a values-driven commitment in supporting the development of this community.

The bank also has a website adapted for observant customers, which can be used to log into accounts, receive routine banking information, and perform various account transactions.

The bank offers a range of credit solutions for ultra-orthodox customers, adapted to the milestones characteristic of this group. In response to ultra-orthodox customers' financing needs during preparation for

the High Holidays and Passover, the bank introduced a range of solutions to finance the exceptional expenses typical at these times of year, with repayment periods extended from five to six years. The bank also offers a loan with preferred terms for weddings, designed for young couples and their parents, for up to eight years.

In 2019, a dedicated sector manager was appointed for the ultra-orthodox community, with the aim of developing more extensive activities at the bank to support its growth.

Unique projects in the Haredi sector in 2019

- ◆ **Wise Living project** – The Wise Living project, in its fifth year in 2019, 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 of this 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** – A program aimed at encouraging the development of reading and writing skills of children and adolescents. To celebrate the tenth year of this program in the Haredi sector, a month-long contest was held, with awards for the winners, focused on well-known figures in Haredi world. As in every year, children's books were offered for sale at branches of the bank at discounted prices, which met high demand.
- ◆ **Lectures and workshops in collaboration with the Financial Growth Center** – Fifteen lectures on mortgages, household economics, and tools for astute financial behavior were held at branches of the bank and in lecture halls in ultra-orthodox towns in 2019. An evening dedicated to women was also held, led by a speaker from outside the bank, in collaboration with the non-profit organization Ze Laze, which works to help widowers, widows, orphans, and victims of terrorist attacks.

2019 - planning vs. execution

2019 plans	Status
Mentoring for the Prog College entrepreneur incubator.	✓ Completed Two sessions of the Prog incubator were held in 2019, sponsored by the bank and attended by twenty women entrepreneur small-business owners. The entrepreneurs gained empowerment and tools to help develop and grow their businesses. Branch managers of the bank served as mentors for the incubator.

LOOKING AHEAD

- Collaboration with Bizmax Jerusalem and Achim Center in Bnei Brak – shared work spaces offering comprehensive support to ultra-orthodox entrepreneurs (men only) in Bnei Brak and Jerusalem. Within this collaboration, the bank will provide lectures on various financial subjects, as well as value offers tailored to small and mid-sized businesses.
- Individual financial guidance for sixty families who need to improve their financial situations, through a collaboration with the Belz Hasidic dynasty. Sixty families will work directly with a professional consultant for a year; 250 additional families will receive guidance through an innovative online platform supporting astute financial behavior.

Supporting new immigrants

Tens of thousands of new immigrants arrive in Israel every year. Bank Hapoalim is there for immigrants taking their first steps in a new country, maintaining relationships with the Jewish Agency, the IFCJ, and immigration absorption centers across Israel to respond to immigrants' financial needs.

The bank has prepared processes and services adapted to new immigrants:

- ◆ Bankers fluent in foreign languages are posted at eighteen of the branches of the bank to guide new immigrants in opening a bank account and provide tools for astute financial behavior.
- ◆ The bank was represented at an immigration fair in Minsk, attended by 500 prospective immigrants, presenting the range of banking and financial tools and services available to help immigrants in their early days in Israel.
- ◆ At a fair for new immigrant students held at the Interdisciplinary Center Herzliya, banking services were offered by the bank's mobile branch.
- ◆ Workshops and lectures designed for immigrants were conducted in several languages, in collaboration with the Financial Growth Center.
- ◆ Summer programs were held for 83 children of new immigrants, sponsored by the bank, in collaboration with the IFCJ, in three municipalities.

Supporting customers in times of crisis



The bank provides guidance to customers who encounter financial difficulties, to help them emerge from the crisis with dignity and strive for renewed financial stability. Recognizing that financial recovery requires holistic, multi-systemic solutions, the bank established the Poalim Recovery Unit.

The unit conducts a process characterized by continuous dialogue, the formation of mutual trust, and the imparting of tools, reflecting 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.



Value Creating Innovation

Value-Creating Innovation

Bank Hapoalim sees technological development as an opportunity to proactively create advanced financial products and services for its customers, thereby also stimulating innovation in the Israeli economy in general and in the banking system in particular. Innovation at the bank is led by a designated division: the Innovation and Strategy Division, which oversees all of the bank's digital properties. The core activity of the division is the creation of an advanced, innovative user experience in the digital banking channels and initiation of banking value offers based on customers' needs, allowing banking activity to be conducted from anywhere, at any time.

New products developed at the bank are tested in the division's User Lab as early as the planning and development phase, to ensure that they are user-friendly and meet customer needs. Usability testing is also performed throughout the lifetime of a product, to ascertain that it still delivers an optimal response. In 2019, the Digital Business Client Council was established to enable the bank to listen to customers' voices, receive suggestions for improvement, and assess satisfaction with existing products and services.

6 million visits

The bank's website had six million visits in 2019, the highest user count in the banking system

Innovation in products and services

bit - The leading payment application in Israel

3.8

million downloads

Bank Hapoalim is leading the payment revolution in Israel with bit, the first payment application in the Israeli banking system. 3.8 million customers of all banks have downloaded the application at this writing.

In 2019, the bank promoted numerous collaborations with bit in various areas and sectors, creating meaningful value and offering convenience and simplicity in payment transfers for both the customers of the bank and its business partners.

◆ **bit for insurance** - A collaboration allowing customers of all banks who are owed refunds from various insurance companies (Harel, Migdal, Menorah, Ayalon, and others) to receive the money directly into their bank accounts through bit. An additional collaboration signed with Amitim Pension Funds allows members of the eight pension funds under its management to redeem funds using the application.

◆ **bit for e commerce** - Expansion of the payment revolution to the retail sector through collaborations between the bank and various leading consumer-goods companies (Domino's Pizza, Rami Levy, Mahsanei Hashmal, Shekem Electric, Dor Alon, and more), allowing customers of all banks to pay for their online purchases using bit.

◆ **bit for transportation** - Bank Hapoalim has won a Ministry of Transportation tender (with the applications Moovit and Pango) aimed at leading a change in public transportation in Israel using the Moovit, bit, and Pango applications. The integrated service will significantly improve the public transportation user experience, allowing customers to choose to pay for transportation easily, simply, and securely using bit.

◆ **bit for students** - A collaboration with Bar Ilan University allows students to pay tuition using bit. This type of collaboration is valuable to the academic institution, in that it improves and shortens the collection process, reduces costs, and lowers the number of calls to its call center.

◆ **bit for social value** - bit is the first application in Israel to enable hundreds of thousands of people to donate money for a range of social causes. In 2019, the application served as a key conduit for donations in national fundraising drives for children with disabilities and for holiday meals for people in need (see details in the section, "Action to benefit the community").



bit earns recognition, in Israel and internationally:

- ◆ 2019 Product of the Year in the category of payment applications for businesses.
- ◆ 2019 Product of the Year in the category of payment applications for customers.
- ◆ Gold Win, the most prestigious title in the Effie Awards.
- ◆ First place in the payment application category of the Globes brand index.
- ◆ Global recognition as second-place winner in the PayTech Awards, in which most of the leading players in this industry around the world compete.

Innovation for private customers

In 2019, the bank introduced a new marketing site for private customers. The website contains information and tools to help customers make informed financial decisions and practice astute financial behavior, in seven key financial content areas, and a new advanced search engine, making it easier for customers to locate the information they need and perform banking transactions.

95%

Customer satisfaction with the Bank Hapoalim website is at 95%, on average

Using an application to open a bank account from anywhere, at any time, in seven minutes

- In the digital age, customers expect full availability of banking information and services and a pleasant, simple, convenient experience when carrying out banking transactions, without depending on external parties. Understanding this, the Innovation and Strategy Division initiated and led the development of the Poalim Open application, which allows customers to open a bank account in seven minutes, at any place and time, using only their smartphone camera and identity certificate. The service is based on innovative technologies for facial recognition and for photographing and decoding identifying documents. These technologies, derived from the defense industries, require minimal user interaction and meet the strictest standards of information security.



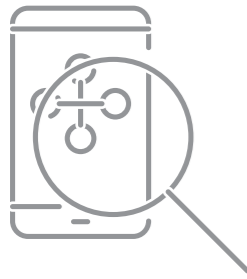
The Poalim Open application - Open application won a digital innovation award from Meda Conferences, the Digital Israel Organization, and the members of the steering committee of the Go Mobile 2019 conference. The award recognized excellence in digital banking, inspiring activity, and an example of advanced technologies implemented to improve service, while maintaining simplicity, convenience, and speed, to form a groundbreaking customer experience.

◆ **Logging in to the bank's website by fingerprint** - Customers today must remember many different passwords in order to access services in various areas, from health care to finances;

the need to remember a password is especially off-putting to older customers, and constitutes a barrier to the use of the digital channels. Studies also indicate that customers find biometric identification a better, faster, safer user experience, given the assumption that if their device is stolen or lost, it will still be protected against access by unauthorized users.

To respond to customers' expectations and needs, the Innovation and Strategy Division developed a rapid log-in option on the bank's website using a fingerprint, with no need to enter a password or user code.

The service, designed for customers who access the bank's website from their smartphones, is used by hundreds of thousands of people. Bank Hapoalim is the first bank in Israel to use this technology as a means of identification for access to its website.



Innovation for capital-market customers

The Bank Hapoalim capital-market trading application, designed to provide the bank's customers with an advanced, groundbreaking trading experience, was launched in late 2018 and gained momentum during the course of 2019. The application enables customers to use their smartphone as a quick, easily available working tool for obtaining updates on market developments and continuing their usual activities when they are not at a computer. The application allows users to search, buy, and sell securities on rapid new infrastructure, and has a unique feature for visual display of the development of the portfolio over the course of the trading day. The bank also launched the innovative Smart Advice service, which assists customers with informed investment decisions. Users receive personalized investment recommendations from an investment advisor through alerts sent directly to their mobile phones.



Smart Advice won the 2020 Product of the Year Award – Consumers' Choice, in the Investments category.

Innovation for business customers

The bank's business clients require fast, accessible, innovative solutions that enable them to invest most of their time in managing their businesses. In recognition of this reality, the bank develops a wide range of advanced tools and services adapted to the needs of business customers, while continually working to improve the digital solutions available to them.

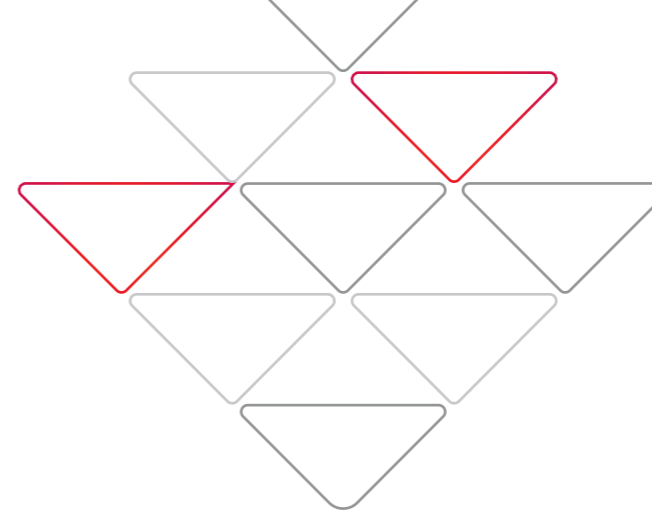
◆ Innovation revolution in guarantees -

One of the areas of traditional banking that has always entailed complex bureaucratic procedures is bank guarantees. In the ambition to save precious time for customers, beneficiaries, and branch bankers, the bank has developed a digital bank guarantee issuance procedure, with electronic signature, which can be carried out at any place and time without dependence on a banker and without the need to visit a branch to collect the guarantee. This is important news for business customers, who require bank guarantees in various situations (tenders, contracts, agreements, and more), and can now manage large numbers of digital guarantees with ease and convenience. The procedure also provides added value to beneficiaries, who may not be Bank Hapoalim customers, in that they can now receive the guarantee directly via e-mail, making it easy to file and retain.



◆ Cash Management – an up-to-date overview of all of the accounts of the business -

A key challenge in managing the finances of a mid-sized or large business is monitoring several different bank accounts, including accounts of subsidiaries, which may be located in different countries. In response to this challenge, the Cash Management service, now embedded in the bank's website, enables business customers to view all of their asset and liability balances – credit, deposits, guarantees, securities, etc. in all of their accounts, at banks in Israel and elsewhere, on one screen. This service helps finance managers see the bigger picture and make informed decisions in real time, while saving costs and time. The service also offers a module designated for cash-flow forecast management, which allows users to view future transactions and monitor overall activity on a daily basis.



Project 100

A program encouraging intra-organizational innovation, formulated based on the understanding that leadership of entrepreneurial and innovative processes by a variety of employees from different ranks and divisions can stimulate creative thinking and advance feasible innovative solutions.

Of the hundreds of employees who applied for the program, a representative team of entrepreneurs from various units and roles within the bank was assembled. The entrepreneurs were equipped with working methodologies to initiate projects, such as Lean Startup and Business Model Canvas; they gained experience with techniques for storytelling and building presentations, and met with mentors in and outside the bank.

Initiatives in various areas of banking were developed within this program in 2019, some of which were integrated into the bank's work plans, while others are in pilot stages to consider further application.

2019 - planning vs. execution

2019 plans	Status
Opening a bank account digitally, without dependence on human service, in an innovative and rapid process.	✓ Completed
Production of digital bank guarantees at any place and time, without the need to visit a branch.	✓ Completed
Poalim Brain – continued development of a learning banking system.	A decision was made to change the format of this project and apply a different algorithmic platform.
Insurance claim payments for customers of Harel Insurance through the bit application, for customers of all banks.	✓ Completed The collaboration was also expanded to additional insurance companies and to Amitim Pension Funds.

LOOKING AHEAD

- Launch of bit for businesses as part of the bank leading role in the payment revolution in Israel.
- Continued, accelerated transition of customer activity to advanced digital banking available 24/7; launch of a new groundbreaking mobile application for private customers, developed based on in-depth understanding of and comprehensive responsiveness to their needs, which will allow millions of customers to manage their banking activity in its entirety with ease, convenience, and simplicity.
- In light of the coronavirus crisis and its consequences – development of adapted solutions in the digital space for resuming routines, in terms of introduction of new financial products and services for customers as well as expansion of communication channels with bankers.



Innovation during the time of the coronavirus

Leadership of processes in the digital channels has been aimed at providing relief to customers and enabling them to continue to operate their accounts remotely, including:



- The option to defer mortgage payments, directly from the bank's website
- Deferral of existing loans via digital channels, without the need to contact a branch or the call center
- Payment into deposit plans adapted for this period using the bank's website
- Production of a user guide for the public on key digital-banking activities, to help customers avoid visiting branches during the crisis and raise awareness of the range of digital tools available
- Various solutions for business clients via digital channels, including:
 - A designated loan fund for self-employed customers, in collaboration with Lahav; customers receive the loan directly into their accounts following a quick process on the website or application.
 - An option for business owners to defer loan payments for several months.

Poalim High-Tech

The Poalim High-Tech program was established five 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 entrepreneurial 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. Poalim High-Tech also creates value for the entrepreneur community in the following ways:

- ◆ **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, workspaces, service providers, entrepreneurs, 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, including an individual meeting.
 - ◆ **Screening and mentoring for third parties** – 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.
- ### Accessibility Section at the 8200 Accelerator
- Within the bank's promotion of technological entrepreneurship creating 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. The Accessibility Section of the accelerator was created in 2019, in collaboration with and financed by the Social Banking Center at Bank Hapoalim, with the aim of supporting start-up companies working to develop technological solutions for people with disabilities. The Accessibility Section provided financial and professional support to four selected ventures identified as having the potential to improve the quality of life of millions of people with disabilities, in Israel and worldwide. These initiatives were chosen from among hundreds of applicants by a team of judges consisting of representatives of Bank Hapoalim, 8200 alumni, leading venture-capital funds, and large Israeli technology firms. Each of the four winning initiatives received professional consultation from the bank and a monetary grant. The following initiatives were selected for the Accessibility Section:
- ◆ **RenewSenses** – A start-up company that has developed a technological system for the conversion of visual images to sound, in real time, for people with visual impairments and blindness, by creating "synthetic vision."
 - ◆ **ReSymmetry** – A start-up company that has developed a smart robotic wheelchair allowing changes in sitting positions and helping to prevent damage caused by a lack of movement.
 - ◆ **Skelable** – A start-up company developing a wearable robot for stroke patients, to shorten the rehabilitation process and for patients after stroke, and increase patients independence by enabling them to perform everyday actions.
 - ◆ **Skillset** – A company that has developed a system for specification and screening of job candidates with disabilities, improving their odds of obtaining positions and being included in the job market.
- The various ventures, including the four graduates of the Accessibility Section, were presented at an event held at Bank Hapoalim in July 2019 to celebrate the end of the fifth session of Impact 8200, attended by the top executives in Israeli high-tech.

Krembo Wings' children - a youth movement
for children with disabilities



**Responsible
Action to Benefit
Society and the
Community**

Responsible Action to Benefit Society and the Community

Bank Hapoalim views action to benefit the society and community of Israel as an integral part of its responsibilities. This approach obligates the bank to ensure that in addition to the direct economic value arising from its routine business operations, its actions also generate significant added value for the general public, while promoting social and environmental values.

The bank's activity dedicated to the community takes the form of community engagement, monetary donations, cash-equivalent donations, and extensive volunteering.

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.



NIS
43.9⁹
million

Total investment in the community by Bank Hapoalim in 2019

The Social Banking Center has formulated a new strategy, implemented in 2019, based on the aim of creating meaningful social impact. The essence of the strategy is a focus 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 investments.

The selected focus areas are causes essential to the resilience of Israeli society and aligned with the core business activities of the bank:

- ◆ Financial education;
- ◆ Accessibility and empowerment for people with disabilities;
- ◆ Digital literacy for senior citizens;
- ◆ Social mobility and employment.

Distribution of donations in 2019



⁹ Includes investment of approximately NIS 6.5 million through the Financial Growth Center, and investment of approximately NIS 2.5 million through the Shared Value Fund.

Social investments in 2019

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 astute financial behavior for the general public in Israel, rooted in the belief that action in this area will lead to economic growth and a thriving future society.

Impact of the bank's social investment in the promotion of financial education in 2019:

- ◆ **22,000 people** received knowledge and tools for astute financial behavior in workshops run by the Financial Growth Center; over a million people learned from the center's website, which is also available in Arabic.
- ◆ **7,778 students** received knowledge and tools for astute financial behavior, for individuals and families, in a financial education program developed in collaboration with ORT Israel.
- ◆ **440 students** from Israel's periphery received access to higher education through scholarships granted by the bank.
- ◆ **120 social non-profits and organizations** received tools for fundraising and development of an income-generating arm through participation in the Erech Laderech program.

Selected initiatives in 2019:

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 supporting astute

financial behavior; its services are offered to the general public nationwide free of charge. The Financial Growth Center teaches content relevant to significant financial crossroads in people's lives, such as expansion of the family, taking a mortgage, career changes, pension planning, and more.

The work of the Financial Growth Center is conducted through advanced digital learning tools on a dedicated website; in-person lectures by top speakers; interactive learning through family games; lesson plans for elementary and middle-school students; and collaborations with non-profits, business organizations, and more. For further information about the activity of the center, see the section "Financial inclusion," on pages 38-39.

Financial education for secondary-school students

7,778 students

received knowledge and tools for astute financial behavior, for individuals and families, in a financial education program developed for secondary schools in collaboration with ORT Israel. The program is designed to equip students for independent adult life and raise their awareness of the importance of astute financial behavior. In addition, dozens of new teachers receive training each year in order to participate in teaching the twenty-hour program. This activity has also been expanded into the Arab community, and adapted materials in Arabic were developed for the program.

27,878 students have participated in this program over the last five years.

Promoting higher education in peripheral regions

440 students

received access to higher education through scholarships granted by the bank.

◆ **70 outstanding students from peripheral regions** received scholarships for undergraduate degrees from the Poalim for Success Fund established by the bank. Within the scholarship program, the students participated in a program on astute financial behavior. Using the knowledge and skills they acquired, they volunteered at the non-profit organization Educating for Excellence, which works to achieve equal opportunities and encourage excellence among children and adolescents in peripheral regions. The students worked with 2,500 children during their volunteer activities.

◆ **370 students** from various population segments received higher-education scholarships sponsored by the bank through funds including the Nazareth Foundation, the Amanina Foundation, and the Lieutenant Colonel Salach Falakh Foundation. Scholarship recipients participated in an educational program on financial conduct, and used the knowledge and tools they acquired to mentor more than 300 families on astute financial behavior.

Guidance for at-risk youth on astute financial behavior

340 adolescents at risk have received knowledge and tools for astute financial behavior through a collaboration with the non-profit organization ELEM – Youth in Distress. The goal of the program is to promote financial education among young people in high-risk situations, preparing

them for independent life and helping them find their place in the world of work. Participants are mentored in groups and individually by volunteers from the community, volunteers of the non-profit, and employees of the bank; they also participate in a Financial Growth Center workshop on astute financial behavior.

Guidance on astute financial behavior for social non-profit organizations

In 2019, the bank continued to work to empower the third sector and impart business and management tools to social non-profits and organizations, with the aim of promoting long-term financial robustness leading to reduced dependence on donations. In the Erech Laderech initiative, led by the bank in collaboration with the non-profit organization Topaz, 55 social non-profits and organizations received guidance and training in 2019, providing tools for fundraising and the development of an income-generating arm. Organizations from the first two sessions 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. Approximately 120 social non-profits and organizations have participated in the program in the three years of its activity. In addition, a Facebook Community was established, followed by 700 members from different NGOs, who receive tolls and information.

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 population¹⁰. 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 2019, the bank expanded its activity in the area of the promotion of accessibility and the 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. Within this effort, the bank takes action to improve quality of life for people with disabilities and the way they are treated, emphasizing collaborations and leadership of initiatives in four main areas: promoting employment of people with disabilities, encouraging innovation in the development of assistive technologies (social tech), promoting equality through sports, and raising awareness of the inclusion of people with disabilities in all areas of life.

In 2019, the bank contributed to the empowerment of hundreds of thousands of people with disabilities – children and adults – through a range of processes initiated in collaboration with selected organizations and non-profits in this field, including Access Israel, Beit Issie Shapiro, Variety, Etgarim, Shalva House, Na Laga'at Center, the Jordan River Village, Krembo Wings, House of Wheels, AKIM, and more. These organizations work to support people with disabilities in all areas of life and help them maximize their individual potential and achieve optimal inclusion in society.

Bank Hapoalim produced a detailed report on its activity with all stakeholders to promote accessibility in Israel. The report was presented to the Commissioner of Equal Rights for Persons with Disabilities in February 2020.

Impact of the bank's social investment in the promotion of accessibility in Israel in 2019:

- ◆ **30,000 hours** of treatment were given to children with disabilities as a result of fundraising broadcasts and art exhibitions sponsored by the bank.
- ◆ **35,000 children** and adults with disabilities benefited from assistive technologies developed with the sponsorship of the bank, helping to improve their quality of life.
- ◆ **Over 10,000 people** participated in inclusive sports events with people with disabilities, sponsored by the bank.
- ◆ **24,000 wheelchairs** were borrowed at hospitals through the WheelShare project.
- ◆ **Over 500,000 people** signed the Inclusion Compact, supporting inclusion of children with disabilities.

Selected initiatives in 2019: Promoting employment of people with disabilities

The employment rate among people with disabilities of working age is approximately 50%, compared with 73% of people without disabilities. Average monthly wages of employed people with disabilities are lower by approximately NIS 1,200 than average wages of people without disabilities; further, many people with disabilities are employed in positions that do not correspond to their level of education or qualifications. These figures reflect the need for progress in the employment of people with disabilities.

Examples of processes led by the bank in this area:

- ◆ Collaboration with the website www.yoocanfind.com, a global community for people with disabilities. Within this project, the original website was translated into Hebrew, and a job board was established for job seekers with disabilities.
- ◆ Winwork – A business-social initiative founded by people with disabilities with the aim of helping people from this population group, as well as people without disabilities, develop careers as entrepreneurs and business

owners. This project, supported by the bank, includes a program imparting the skills and competencies needed to start a business, as well as personal and professional guidance, using assistive technologies.

Encouraging innovation in the development of assistive technologies (social tech)

- ◆ Launch of the Accessibility Section in the 8200 Impact Social Accelerator – An innovative program to support start-up companies developing initiatives, services, and solutions for people with disabilities.
- ◆ Establishment of Assistive Technology – Access for All, a technological innovation center, in collaboration with Beit Issie Shapiro, to promote technological innovation processes for improvement of the quality of life of people with disabilities.
- ◆ Installation of stations where wheelchairs can be borrowed free of charge at thirteen hospitals across Israel, in collaboration with WheelShare.

Promoting equality through sports

The participation of people with disabilities in athletic activities contributes to their inclusion in society and to better quality of life and self-esteem. Recognizing this, the bank has led several processes aimed at promoting equality through sports:

- ◆ Sponsorship for the Olympic Committee and Paralympic Committee, and personal monthly stipends granted to ten selected athletes, including Paralympics athletes.
- ◆ Establishment of the Unified Soccer League, which consists of six unified teams where the players are soccer club fans and people with intellectual or mental disabilities. The unified teams will begin playing in early 2020, guided

by professional coaches, on the parent teams' soccer fields. This project was conducted in collaboration with JDC Israel.

- ◆ Support for the establishment of a unique soccer team that most of its players are people with disabilities, in collaboration with The Maccabi Tel Aviv Soccer Club Foundation. The goal of this activity is to encourage education on inclusion and acceptance of differences through the most popular sport in Israel.
- ◆ Wheels of Hope – For the last eleven years, the bank has been the main sponsor for the Wheels of Hope bicycle ride, run by the Etgarim Foundation, in which people with and without disabilities ride together.

Raising awareness of inclusion of people with disabilities in all areas of life

- ◆ 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, following a survey by the Israel Association of Community Centers indicating that 89% of parents were unwilling for their children to participate in shared leisure activities with children with disabilities. In the campaign, the Inclusion Compact was posted at all branches of Bank Hapoalim and at the head-office buildings, and customers of the bank were invited to sign the compact. Concurrently, a digital campaign encouraging everyone in Israel to sign the compact drew over half a million participants.
- ◆ Raising resources for non-profit organizations working to empower children with disabilities:
 - ◆ The bank led key fundraising broadcasts for the non-profit organizations Variety and Shalva, which work for the well-

being of adults and children with disabilities. Hundreds of Bank Hapoalim employees participated in these campaigns by staffing the call centers provided for the broadcast day by the bank. The bank also developed a button in its Bit application for easy donations to these organizations during the month of the campaign.

◆ Art exhibition – For two decades, the bank has held an annual exhibition at its head-office building, with all proceeds of artwork sales donated to a non-profit organization selected by the bank. This year, the exhibition was dedicated to Krembo Wings, an inclusive shared youth movement for children and adolescents in general and special education. Approximately 500 works of art by leading artists in Israel were offered for sale at the exhibition, raising NIS 1.3 million for the organization.

- ◆ Inclusion of people with disabilities in advertising campaigns – Within the effort to empower and include people with disabilities in all areas of life, the bank is committed to including people with disabilities in its advertising campaigns, in order to give expression to the diversity of Israeli society.
- ◆ Valuable 500 – An initiative aimed at inviting 500 CEOs of leading companies worldwide to join in committing themselves and the organizations under their leadership to embedding accessibility in their organizational agenda, by conducting at least one activity in this area and publicizing the issue. Bank Hapoalim has committed to participation in this endeavor, and hosted the first meeting, which was held in Israel.

Additional information about the bank's activity on behalf of people with disabilities is presented in the Accessibility Report, available on the Bank Hapoalim website.

10. According to data of the Equal Rights for Persons with Disabilities Commission, Ministry of Justice, 2019. https://www.gov.il/he/departments/publications/reports/2018_statisticstbt

Digital literacy for senior citizens

Bank Hapoalim has resolved to assist senior citizens in enhancing their digital independence in all areas, thereby improving their quality of life. This effort involves multi-sector cooperation (business, public, and third sector), including the Ministry of Social Equality, JDC Eshel, business partners, elderly residential care facilities and day centers, specialized non-profits such as Machshava Tova and Appleseeds Academy, and more.

30,000

senior citizens

received knowledge, tools, and skills to master digital competence

Additional information about the bank's activity to promote digital literacy for senior citizens is available in the section "Inclusion and financial growth," on pages 43-45.

Social mobility and employment in peripheral regions

The bank has invested in a wide range of projects in socially and geographically peripheral regions of Israel for many years, focusing on initiatives in the areas of education and entrepreneurship targeted to college students and adolescents, assistance for population groups subject to under-employment, and mentoring for families experiencing financial difficulties.

Impact of the bank's investment in social mobility and employment in peripheral regions in 2019:

- ◆ **2,000 families** experiencing financial difficulties received individual mentoring and guidance on developing skills for astute financial behavior and entering the employment market.
- ◆ **500 people** from diverse population segments entered the employment market.
- ◆ **1,200 people** received guidance and advice on employment through the non-profit organization Be-Atzmi, financed by the bank.
- ◆ **100 women** entrepreneurs received training and guidance on founding a small business, in collaboration with the non-profit organization Future Enterprises.
- ◆ **1,950 adolescents** received training and tools on entrepreneurship and adult life skills.

Selected initiatives in 2019:

Guidance for families experiencing financial difficulties

2,000

families

experiencing financial difficulties received individual mentoring and guidance on developing skills for astute financial behavior and entering the employment market. This project was conducted through collaborations with non-profit organizations specializing in this field: Lehetiv, Paamonim, Chasdei Lev, and Be-Atzmi. Most of the families in the program reported success in creating wider employment opportunities and improved earning capability.

Job placement assistance for degree holders in the Arab community and of Ethiopian descent

200 academic degree holders from the Arab community received assistance with job placement, in a program created in collaboration with the non-profit organization Kav Mashve, academic institutions, and large employers in Israel. In addition, **150 academic degree** holders of Ethiopian descent participated in a job-placement program for degree holders run in collaboration with the non-profit organization Olim Beyahad.

Over **1,000** degree holders

in these population segments received job-placement assistance from the bank over the last three years.

Encouraging teen entrepreneurship and supporting adolescents' inclusion in society and in the job market

- ◆ 700 adolescents from the Zoharim and Kedma Youth Villages gained access to educational and therapeutic services and received tools for inclusion in society and in the job market as a result of the bank's donation.
- ◆ 1,120 adolescents participated in the Unistream entrepreneurial program, which offered them a rare opportunity to experience founding a start-up company, from the idea phase to business development and resource raising.
- ◆ 50 adolescents from the Bedouin community participated in the Desert Stars program, in which they attended workshops on the development of personal capabilities and leadership skills.
- ◆ 80 adolescents of Ethiopian descent will participate in Sparks of Science, a science

empowerment program for outstanding students, consisting of individual mentoring sessions with Weizmann Institute students and workshops on leadership and empowerment. The program will be held annually for four years, improving participants' prospects for their military service and encouraging higher education.

Projects that have become a tradition

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 thirty towns in peripheral regions, gaining enjoyable experiences while also learning about basic concepts of economics and tools for astute financial behavior.

mobile libraries operated in collaboration with the Key Books Foundation. The mobile libraries visit peripheral regions and hold various activities adapted to local communities, including financial education lessons at selected schools.

ongoing for sixteen years.

In just the last five years, more than two million 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.

Opening attractions and museums to the public during Passover vacation

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, led by the bank, has been

Beyond the activities based on the focus social causes described above, Poalim for the Community maintains long-term partnerships and invests in various non-profit organizations engaged in additional social fields, including health care, welfare, and assistance for people in need.

Read and Succeed

Over the last five years, 48,000 children and adolescents have participated in financial education and reading encouragement programs within the Read and Succeed project, aimed at improving the reading and writing skills of children and adolescents in Israel. This project includes

Action to benefit society and the community during the COVID-19 period

The bank is committed to aiding the national effort to battle the coronavirus and has led a range of social initiatives, focusing on three main areas as described below:



- **Assistance for medical and health-care services –** Support for medical teams; donations to coronavirus wards at fifteen hospitals and to Magen David Adom emergency services.
- **Well-being and financial support for groups experiencing distress** (elderly people, Holocaust survivors, families coping with financial difficulties) – Donations for collaboration with non-profits; food packages distributed to the elderly and people in need; leadership of a fundraising drive through the bit application, with donations matched and delivered to people in need.
- **Tools and knowledge for astute financial behavior –** Guidance of non-profit organizations in navigating the crisis through the Erech Laderech program; consultation and support hotlines for people and families in distress; Young Managers of Tomorrow, an online course for children.

Donations by the bank for these activities - NIS 2.5 million. See next page for details and additional information about the various activities >>



Action to benefit society and the community during the COVID-19 period

Assistance for medical and health-care services

NIS 750,000 were donated to fifteen hospitals for the wards on the front lines of the battle against the coronavirus 570 packages of food and snacks were delivered for medical teams treating COVID-19 patients

The bank participated in a national fundraising effort – NIS 1.8 million were raised through a button developed in the bank's bit application allowing easy, quick donations to Magen David Adom emergency services. The bank also donated NIS 0.5 million to Magen David Adom

NIS 100,000 were donated for the acquisition of protective equipment kits for United Hatzala volunteers who support solitary elderly people through medical supervision

NIS 100,000 were donated to Yad Sarah for the acquisition of respiratory equipment

Assistance for people in financial distress due to the coronavirus crisis through specializing organizations

The Erch Laderech program provides consulting and tools on how to navigate the crisis to NGOs

A designated call center to assist people with questions regarding household budget management

Providing knowledge and tools for astute financial behavior



Action to benefit society and the community during the COVID-19 period

Well-being and financial support

Launch of the Good Cause Savings deposit plan, which allows customers to save while having a positive impact, through donations by the bank that match the interest accrued on the deposit. Thanks to deposits in this plan, the bank donated NIS 200,000 to non-profit organizations working for the well-being of the population segments most vulnerable to the consequences of the coronavirus crisis, including elderly people, people in poverty, and Holocaust survivors

Leadership of a fundraising drive through the bit application with social partners (the non-profit organization Lev Ohev, the Schusterman Foundation, the Rashi Foundation, and more). Donations were doubled and transferred to people in need. NIS 6.7 million were donated within this effort

3,500 food packages were distributed by bank employees to Holocaust survivors, solitary elderly people, and families in distress. Hundreds of craft kits and games were distributed to 120 non-profit organizations, children's activity centers, youth clubs, and elderly day centers

A NIS 150,000 sponsorship was granted for a national hotline for elderly people and people with disabilities who need assistance obtaining food and medication. 26,300 calls were answered

A total of NIS 650,000 was donated to NGOs and social organizations assisting people in need

Young Managers of Tomorrow – An online entrepreneurship course for children, offered free of charge by the Financial Growth Center



• Poalim volunteers

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 bank's broad geographical deployment makes it possible to volunteer for a wide range of activities, so that the local branch becomes a center for social improvement in the local community. 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.

Volunteering activities are varied and conducted with many community partners, so that employees can choose to take part in an activity continuously over the course of the year, or at specific points in time, according to their individual constraints, such as activities on holidays and activities conducted across the entire bank on Good Deeds Day.

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 foster homes; package and distribute food to people in need; and give talks throughout Israel on astute financial behavior.

Volunteer work is performed through integrative management and an orderly organizational structure, consisting of the Volunteering Administration – a core group

of 46 regional social leaders responsible for managing volunteering partnerships and programs at the regional and local level with community partners, and a network of 410 leaders who serve as liaisons to all employees and oversee volunteering at the level of individuals and branches.

A software system has been developed to manage and track volunteering activities at the bank, in which volunteers can enter information about their activities. The system has a user-friendly search engine, so that employees interested in volunteering close to home can find suitable venues aligned with their preferences.

As in every year, outstanding employee volunteers were commended at an event attended by management in 2019.

Volunteer activity in 2019

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 2019:

- ◆ **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 taught enrichment classes at schools throughout Israel on financial and other subjects. Parents working at the bank and bank retirees also gave lectures for their children and their children's classmates, in the Enriching Parents project.

- ◆ **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, and 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, approximately 1,400 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. Participants learn about the underprivileged segments of Israeli society and experience community work over the course of a week. Five five-day sessions of this program were held in the summer of 2019, emphasizing financial education and accessibility for people with disabilities (in collaboration with the Access Israel Foundation).

Bank employees' children who participated in 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.



~
161,110
hours

6,900 managers and employees of the bank performed ~161,110 hours of community volunteer work.¹¹ Approximately 20% of the hours volunteered were paid for by the bank

~
3,500
employees

volunteered regularly in 2019. Overall, approximately 44% of the bank's employees volunteered on a regular basis

~
6,900
employees

participated in volunteering activities on Good Deeds Day, held for the thirteenth consecutive year

Over
1,000
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

~
1,000 children

participated in 34 courses on financial and other subjects, taught at 28 schools by more than 350 bank employee volunteers, in the program A Different Lesson ("Shiur Acher")

More than
30 lectures

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

Training sessions for employees interested in volunteering regularly in specific areas were held in 2019. This includes:

12
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.

2019 – planning vs. execution

2019 plans	Status
Upgrade of the bank's volunteer management system.	✓ Completed

¹¹ The number of volunteer hours includes employees' children's activities in the Summer Youth program – a total of approximately 45,500 hours of activity annually.

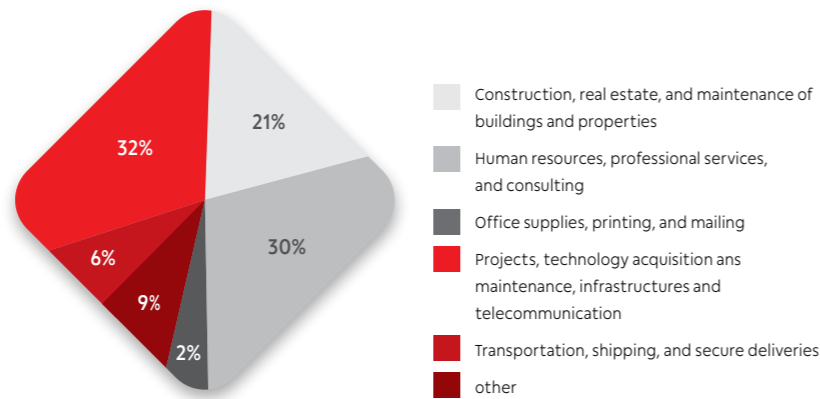


Responsible Supply Chains

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 2,700 suppliers from this pool during 2019. The bank's supplier pool contains suppliers of varying sizes (large, mid-sized, small, and micro businesses). Approximately 95% of purchasing at Bank Hapoalim is from suppliers who are located and employ workers in Israel

Distribution of Bank Hapoalim purchasing in 2019



~
95%
of purchasing

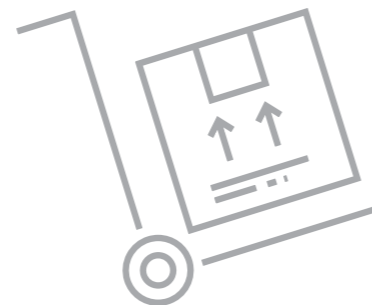
Approximately 95% of purchasing at Bank Hapoalim is from suppliers who are located in Israel and employ local workers

Purchasing at the bank is managed by corporate purchasing, 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, using a 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.

Responsible purchasing

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 in-depth analysis of the purchasing patterns and characteristics of suppliers of the bank, and is being implemented according to the responsible purchasing policy.



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



Policy implementation is 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 monitoring (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 in request for proposal processes, prioritizing suppliers who have embedded sustainability and corporate responsibility principles in their routine operations. In addition, both suppliers in long-term working relationships with the bank

and new suppliers are asked to sign a social responsibility document, as part of their contract. The document encompasses commitments to prevent bribery and corruption; comply with legally required terms with regard to wages; protect employees' benefits and provide an appropriate and suitable work environment; prevent harassment and promote equal opportunities; avoid the employment of children, forced employment, or any form of illegal employment; protect the health, security, and safety of employees; and protect the environment and use environment-friendly materials. 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' statement of 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 2019, the bank continued to examine and choose environment-friendly purchasing alternatives when acquiring products. Within this process, hybrid vehicles were included in the selection of leasing vehicles offered to employees, and an agreement was formed with Ecommunity, which employs workers with disabilities in electronic waste recycling.

for people in need, employment of people with disabilities, and more. Call Yechol, a company employing workers with disabilities, was added to the bank's supplier pool in 2019 (see details in the section on diverse employment). In 2019, purchasing from socially oriented suppliers reached approximately NIS 3.69 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. In 2019, the corporate purchasing unit hosted the Business Opportunities Conference of the Small and Medium Business Agency, in collaboration with

the Ministry of the Economy and MAOF Business Support Services for Small and Medium Businesses. Approximately 100 owners of small and mid-sized businesses who are not suppliers of the bank attended the conference, which was aimed at getting to know them and giving them the opportunity to join the bank's supplier pool.

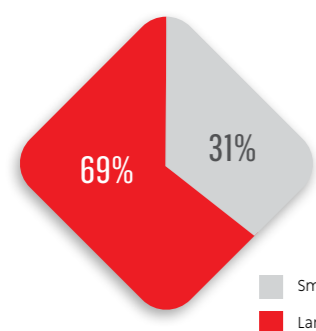
Sharing professional knowledge

The purchasing staff at the bank routinely shares professional knowledge with the suppliers of 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. 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.

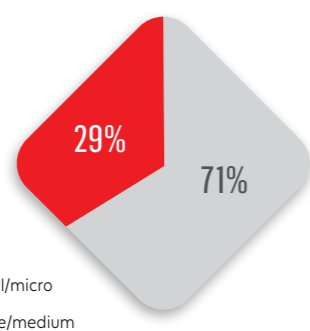
Empowerment of socially conscious suppliers

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

Segmentation of suppliers by purchasing volume



Segmentation of suppliers by size



Creation of collaborations to promote social values

In 2019, the corporate purchasing unit formed a collaboration between the company Funjoya, which specializes in producing events for college students, and the non-profit organization Youth of Light, which supports at-risk adolescents. As part of the collaboration, Funjoya purchased gifts for students participating in its conferences from the non-profit.

2019 - planning vs. execution

2019 plans	Status
Addition of a section concerning the prevention of sexual harassment to the suppliers' declaration of responsible conduct.	✓ Completed
Revamping the internal code of ethics of the bank regarding supplier relationships.	✓ Completed
Examination of additional collaborations with socially conscious suppliers.	✓ Performed routinely

LOOKING AHEAD

• Continued collaborations with social suppliers and suppliers promoting the reduction of environmental impacts.

Protecting the rights of workers employed by external contractors

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, and 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 process 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 2019, Hilan conducted examinations at all of the employment contractor companies engaged by the bank (ten suppliers).

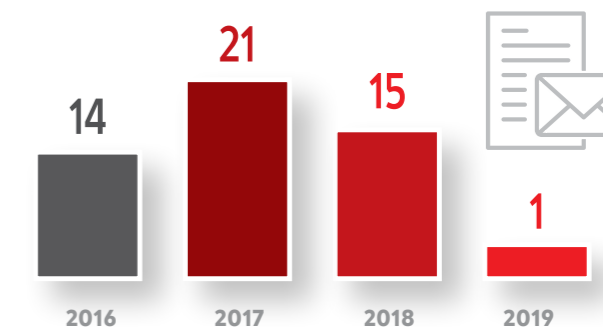
To ensure that the rights of contractor workers employed on the bank's premises are protected, the bank operates a dedicated contact center in the Human Resources Division. The bank informs contractor workers of the existence of the contact center, and has them sign a document explaining their rights. One inquiry from an external contractor worker was processed by the center in 2019.

During 2019, workshops on astute financial behavior were held for contractor workers, led by instructors from the Financial Growth Center.

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.

Processing inquiries from external contractor employees



Social Networks team at the Poalim by Telephone call center



**Responsible
Action to Enhance
Employees'
Capabilities and
Well-being**



Responsible Action to Enhance Employees' Capabilities and Well-being

Bank Hapoalim sees its employees as the key to its success. They are the ones who support the customers of the bank 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 activities for the benefit of its employees are conducted in continual dialogue with them and in partnership with the employee union at the bank.

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 derives 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, four focus areas have been selected: Leadership in the new world of work; Designing the employee experience; Development of advanced management tools; Creating value for internal and external customers.

Characteristics of the work environment at the bank:

- ◆ Maintaining labor relations;
- ◆ Excellence in performance over the long term;
- ◆ Continual learning;
- ◆ A range of opportunities for personal, managerial, and professional development;
- ◆ Equal opportunities and prevention of discrimination.

8,162¹²

The bank employees in 2019

45.5

Average age of bank employees

18.5 years

Average length of service of bank employees

12. Excluding employees on parental leave and bed rest during pregnancy, external contractor employees (including couriers), and employees of subsidiaries.

98%

employees

98% of the employees of the bank are employed full time

92%

of employees employed directly by the bank

while 8% are employed by external staffing agencies (compared with 9% in 2018)¹³

477

new employees
joined the bank in 2019

Segmentation of employees by age and gender

Age	Women	Men	Total	Percentage
Up to 30	622	184	806	10%
31-50	3,101	1,567	4,668	57%
Over 51	1,634	1,054	2,688	33%
Total	5,357	2,805	8,162	100%

13. In terms of positions. External staffing agency workers are employed at call centers, in IT services, in programming, and more.

88.2%

Employment agreement

88.2% of the employees of the bank (permanent and temporary) are employed under a 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 (88.2%), excluding those employed under personal employment contracts

335

Parental leave

335 women and 9 men took parental leave in 2019, while 300 women and 9 men returned to the bank after parental leave. Employees returning from parental leave generally resume their previous positions, or begin a new position at their request

69%

academic degrees

69% of the employees of the bank hold academic degrees, compared with 68% in 2018

210

employees
retired from the bank in 2019 (of all departing employees)

Education of employees of the bank¹⁴ by age

Age/ education	Bachelor's degree	Master's degree	Doctoral degree	No academic degree	Percentage of degree holders in each age group
18-21	1			35	3%
22-30	310	55		405	47%
31-40	992	623		345	82%
41-50	1,111	1,031	7	545	80%
51-60	725	560	7	829	61%
61+	149	81	1	350	40%
Total	3,288	2,350	15	2,509	69%
Percentage	40%	29%	0.2%	31%	100%

New employees hired, by age and gender

Year	2017				2018				2019			
	Women	Men	Total	Percentage	Women	Men	Total	Percentage	Women	Men	Total	Percentage
Up to 30	416	141	557	70%	242	70	312	67%	216	78	294	62%
31-50	123	103	226	28%	77	68	145	31%	95	81	176	37%
Over 51	5	6	11	1%	3	6	9	2%	2	5	7	1%
Total	544	250	794	100%	322	144	466	100%	313	164	477	100%

Departure/retirement of employees, by age and gender

Year	2017				2018				2019			
	Women	Men	Total	Percentage	Women	Men	Total	Percentage	Women	Men	Total	Percentage
Up to 30	172	59	231	27%	209	80	289	35%	213	63	276	42%
31-50	170	115	285	33%	89	104	193	23%	89	68	157	24%
Over 51	212	131	343	40%	197	143	340	41%	130	89	219	34%
Total	554	305	859	100%	495	327	822	100%	432	220	652	100%

Employee absences by gender

Sick days		Vacations ¹⁴		Reserve military duty		Total	
Women	Men	Women	Men	Women	Men	Women	Men
81,989	29,719	127,101	66,233	52	1,727	209,141	97,679

Total employee absences (days of absence)

Sick days ¹⁵	Vacations ¹⁶	Reserve military duty	Total
111,708	193,334	1,779	306,820

During the reported year, there were no cases of loss of life due to workplace accidents.

14. Excluding employees on parental leave and bed rest during pregnancy, external contractor employees (including couriers), and employees of subsidiaries.

15. Including reported illness and illness of a family member.

16. Excluding unpaid leave and parental leave.

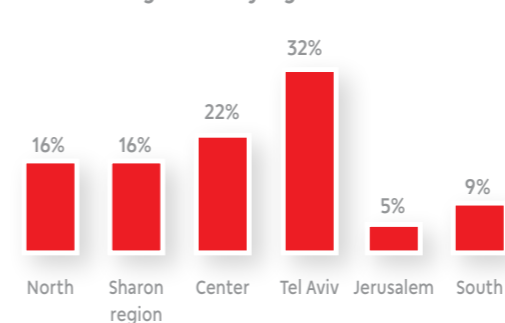
Employees of the bank by full/part-time positions

Full or part-time position / year	2017	2018	2019
Full-time position	98%	98%	98%
Part-time position	2%	2%	2%
Number of employees	100%	100%	100%

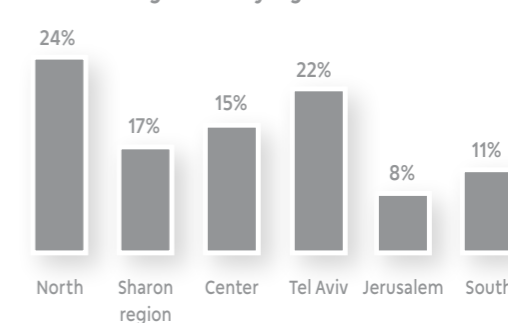
Distribution of employees of the bank by type of employment agreement

	Permanent employees	Temporary employees	Senior employees	Total
Collective contract	76%	12.2%		88.2%
Personal contract	0.2%	10.2%	1.5%	11.8%

Permanent employees of the bank, segmented by region of residence



Temporary employees of the bank, segmented by region of residence



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.

Multiple channels for dialogue:

◆ **Organizational portal** – The bank's organizational portal serves 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 comments.

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 productive dialogue through the range of tools available on 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.
- ◆ **Roundtable meetings** – A roundtable meeting with the CEO is held each month with bank employees whose birthdays fall in that month. Participating employees can raise various subjects and issues for discussion at these sessions.
- ◆ **Open Dialogue meetings** – Each month, a different member of the board of management of the bank hosts a session for open dialogue on equal terms, attended by employees from various units.
- ◆ **Feedback and evaluation** – In 2019, 99% of the employees of the bank participated in a process of evaluation of their individual performance in 2018. 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.
- ◆ **Poalim Ze Anachnu (“Poalim is Us”) magazine** – An intra-organizational publication that serves as a platform for employees to share special experiences and inspiring personal stories.

The Forum 600 Conference in 2019 was dedicated to the subject, “Leadership in the new world of work,” addressing the changes that need to be adopted in order to maintain leadership in this area. At the conference, executives gained skills for self-observation and development of leadership capabilities, with an emphasis on team empowerment and leading changes.



Internal communications and regular dialogue during the coronavirus period

Internal communications became more important than ever during the days of the coronavirus crisis, as a contributing factor to maintaining the organizational conversation through this challenging period, with the unprecedented added element of work from home.

Throughout this period, regular communication was maintained with employees through a range of channels: the organizational portal, the Portal To Go, text messages, divisional WhatsApp groups, and Zoom calls.

Dialogue with employees includes real-time updates and instructions on coronavirus issues, direct messages from the management of the bank, content on various subjects relevant to improving the employee experience during this period (nutrition, parenting, exercise, and more), and perspectives on work taking place in the field during the crisis, including through a series of short videos on the bank’s activities in the new reality.

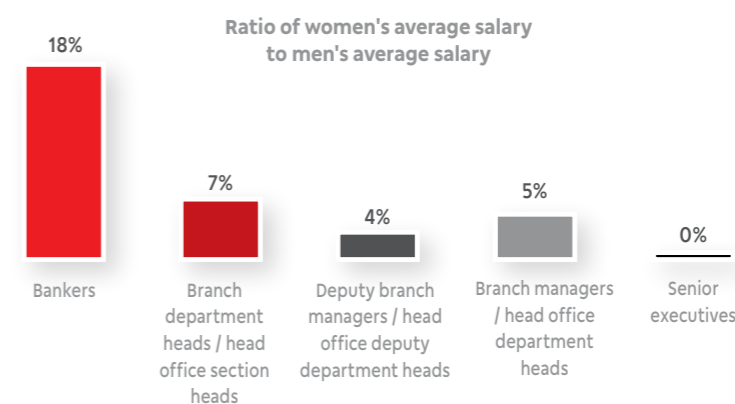
Promoting diversity, equal opportunities, and transparency

Non-discrimination

Bank Hapoalim employs, promotes, and makes decisions regarding employees based on pertinent considerations, such as qualifications and performance, without discrimination due to religion, race, sex, political views, sexual orientation, disabilities, medical conditions, socioeconomic status, or marital status. No justified complaints of discrimination were filed at the bank in 2019.

Equality in wages and terms

Bank Hapoalim is fair and transparent with regard to the terms of employment of its employees. In general, the remuneration and benefits 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 and allows control over the terms of the wages. **Basic wages and related benefits are established at the bank according to employees’ position and rank, regardless of gender.**



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). The 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 law on this matter in 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.

The 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 for 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 of the bank. 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, which presents the law, the process for handling sexual harassment, frequently asked questions, and do's and don'ts.

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 therefore invites, promotes, and encourages hiring and inclusion of employees from every part of Israeli society, including from population groups underrepresented in the job market¹⁷, and adapts hiring and onboarding processes for them to any extent necessary. 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. The bank has appointed an official in the Human Resources Area to lead and oversee diverse employment.

~

35%

of bank employees

live in peripheral regions. Bank employees come from every region in Israel and from all the segments of Israeli society

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.

The bank won the Dov Lautman Diversity in Business Award for the second time in 2019, in recognition of its actions in 2018. The award, given by Ma'ala and the Israeli Forum for Employment Diversity, was bestowed on the bank for its commitment and multi-systemic efforts to include employees with disabilities on its team, while raising awareness of this issue in various ways.

In 2019, the bank applied several measures aimed at including and retaining employees with disabilities:

Accommodations during screening:

- ◆ Publication of available positions in channels suited to this population 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:

- ◆ New employees hired at the bank meet regularly with mentors and employment coordinators from non-profit organizations specializing in placement and retention of employees with disabilities in the workplace.
- ◆ Necessary 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 employee 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.
- ◆ Benefit packages to encourage learning and development for people with disabilities, including scholarships and adaptations in acceptance and studying conditions.

- ◆ Ongoing guidance and follow-up with employees with disabilities hired at the bank.

Raising awareness among 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.
- ◆ Development of a plan to raise awareness in this area, including dissemination of explanatory information within and outside the bank.
- ◆ Posting the Inclusion Compact at the bank's branches and headquarters (as part of the Doors Open for Everyone project), and inviting employees and managers to sign the compact, thereby declaring that they support inclusion of children with disabilities in mainstream settings in all areas of life.

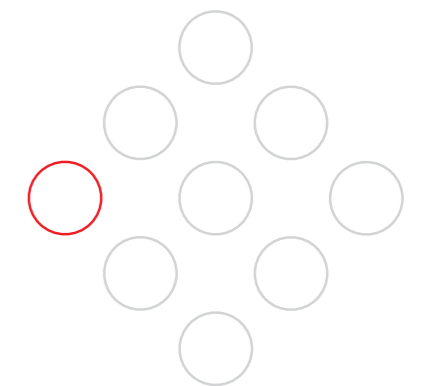
Special initiatives to promote employment of people with disabilities:

- ◆ **Program for hiring and inclusion of employees with high-functioning autism** – The bank recruited nine employees who are on the autism spectrum, within a collaboration with Beit Ekstein. These employees were hired for flexible part-time positions, and individual plans were formulated for each employee to support successful long-term employment at the bank.
- ◆ **Recruitment of deaf and hearing-impaired people for the written communications staff at the Poalim by Telephone call center** – The unique hiring process for these positions was designed and adapted for people with hearing impairments, in collaboration

with relevant non-profit organizations. Adaptations were implemented from the interview stage to accessible testing, and in orientation and training activities during onboarding.

- ◆ **Employment of Call Yechol workers with disabilities** – Call Yechol is a company employing people with disabilities, which specializes in setting up call centers through outsourcing (approximately 70% of the company's employees have a physical or mental disability). The bank uses Call Yechol call-center services for various projects.

Parenting of a child with special needs is rife with challenges throughout the child's life. A team of occupational welfare professionals at the bank is available to employees and retirees who are parents of children with disabilities. The support services offered include consultation by telephone, in-person meetings, and home visits; privacy and confidentiality are strictly maintained. The bank also grants these employees a larger quota of days and hours of absence, beyond legal requirements, to care for children with disabilities. Conferences and seminars are held on full realization of the families' rights, covering legal and welfare aspects.



17. According to the definition of the Israeli Forum for Employment Diversity, these groups primarily include people from the ultra-orthodox (Haredi) community, people from the Arab community, Israelis of Ethiopian descent, and people with disabilities.

20%

In 2019, approximately 20% of all employees hired by the bank were from underrepresented population groups

Segmentation of hiring of employees from under-employed population groups:

In 2019, 11% of total employees hired were drawn from the Arab sector, approximately 4% were from the ultra-orthodox sector, approximately 2% were of Ethiopian descent, and 4% were people with disabilities, based on their declaration

11.5%

of the bank's employees are from underrepresented population groups

2%

of the bank's employees are ultra-orthodox²⁰

6.2%

of the bank's employees are Arab¹⁹

65.6%

of the employees of the bank are women, versus approximately 59.4% in the Israeli workforce

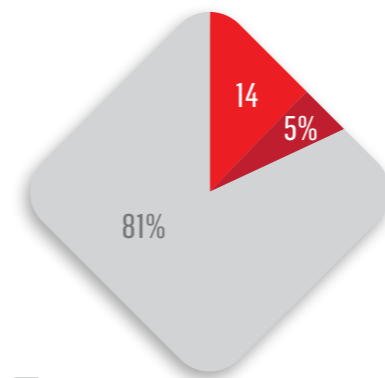
54%



The proportion of women in management

positions at the bank is 54%, versus approximately 34% in the Israeli workforce¹⁸

Segmentation of employees from the Arab community by rank*



- Employees
- Middle management
- First-tier management

6.2% of employees of the bank are from the Arab community, of which 19% in management positions. Executives from the Arab community constitute 4.12% of the total management tier of the bank.

Comparison of numbers of men and women at each rank

Bank employees by gender and rank

Rank	Women	Men	Total
Heads of divisions	4	9	13
Senior executives	30	54	84
First-tier management	279	306	585
Second-tier management	927	695	1,622
Employees	4,117	1,741	5,858
Total	5,357	2,805	8,162

The bank celebrated the Sigd holiday of the community of Israelis of Ethiopian descent for the first time in 2019. This millennia-old tradition is infused with a spirit of togetherness and solidarity. Employees gained exposure to Ethiopian culture, through food, music, and the community's unique story.

18. Gender Index, according to the Central Bureau of Statistics
 19. Refers to bank employees only, excluding workers employed by contractors.
 20. Based on an estimate.

2019 - planning vs. execution

2019 plans	Status
Continued efforts to instill an organizational culture promoting workplace diversity, with an emphasis on inclusion of people with disabilities and acceptance of differences.	✓ Completed
Implementation of a program for increasing the percentage of women in senior management positions at the bank.	Implementation of this plan is in progress, and expected to continue in 2020.

LOOKING AHEAD

- Expansion of the community of diversity partners.
- Implementation of the diversity program of the Equal Employment Opportunity Commission in the work of the units of the bank.

Individual development and learning

The bank cultivates a culture of learning and invests in technological and managerial professional training to impart capabilities and skills, preserve and improve expertise, and empower its employees and executives. The training program at the bank is adapted to its future needs and to the age of digital banking; planning is based on the skills of tomorrow which employees are expected to need.

Most professional and management training at the bank is led by the Poalim Campus, which serves as the central arena for change-generating learning leading to personal, organizational, and professional growth and to improved performance. The approach to learning integrates the need for employees who are highly professional and have the ability to learn and think flexibly with employees' need to develop and expand their range of skills. The learning program at the bank encompasses professional courses and instruction, and a variety of workshops and advanced training for the development of management and leadership skills and the enhancement of individual capabilities.

The Poalim Campus promotes an organization-wide culture of life-long learning (LLL) and uses advanced methods including online courses, digital learning modules, videos, and podcasts. Learning can be accessed through a range of platforms and channels: a national training center with classrooms, a simulation center, and an interactive classroom; learning hours at branches; training sessions at regional administrations; the banking portal; and a learning system used to distribute study materials and digital courses, among other means.

The Campus works to map employees' knowledge gaps, with the aim of adapting focused training programs and developing online training tools to minimize such gaps. The effectiveness of learning is regularly evaluated in Campus courses and development programs, using assessments during and after the course.

Employees' ability to learn has been identified as one of the keys to success at a role; the Campus has therefore developed tools to improve the learning and independent studying capabilities of employees. A new course entitled, "Learning How to Learn," was introduced as part of this effort.

Professional training

Training is conducted through a wide range of courses and coaching sessions, which also cover content related to compliance, regulation, and business skills, adapted to the category of employee and the strategic focus areas of the bank.

Bankers' training includes courses at the national training center when they begin working at the bank, courses to maintain professional qualifications, and senior courses on various banking topics. Focused training programs are tailored precisely to knowledge gaps of specific groups of employees.

The Poalim Campus works to develop training programs for the digital age. The first fully digital course was created in late 2019; digital learning is also embedded in existing courses and coaching programs, as relevant to the topic.

20% 

of total learning at the bank was performed through online methods in 2019

Targeted professional training is also provided for bankers at the central back offices and at the Poalim by Telephone call center, from basic instruction for all new employees to advanced training for experienced employees, aimed at achieving expertise in specific knowledge areas. 46,000 hours of training for bankers at the central back offices and call center were held in 2019.

The support divisions of the bank (Information Technology, Innovation, Audit, Risk Management, and more) also conduct internal training programs.

Leadership and executive development

The bank accords strategic importance to the development of its core leadership; in 2019, the Campus and the Human

Resources Area focused on developing the leadership of tomorrow by identifying senior executive and leadership potential, and on orientation and guidance for managers beginning new roles.

◆ **Development of management potential** – A process was conducted in 2019 to find the next generation of leaders at the bank, through identifying and developing a group of managers with the potential to serve in senior executive positions. A development program was designed specifically for this group, encompassing a senior command course, a mentoring program, and participation in cross-division strategic projects. The program was developed with the aim of empowering the future generation of senior executives at the bank, strengthening their abilities, and creating a network of colleagues and a platform for productive dialogue for them.

◆ **Management through Being** – Approximately 300 managers from all levels participated in this unique program, which works on the development of listening, communication, and 'being' skills. The program emphasizes the connection between interpersonal relationships and business results; topics addressed include how to have a difficult conversation, coping with conflict, and building personal and team resilience when dealing with changes.

An organizational climate survey is conducted every year in order to allow employees to express their attitudes, opinions, and feelings about various aspects of the work of the bank, including management and leadership, the perception of the bank's leadership, partnerships between units, coping with organizational changes, and more. 80.6% of employees of the bank participated in the survey in 2019. Following the analysis of the findings of the survey and communication of the results to the relevant functions, work plans were

formulated, with leadership focus areas selected for improvement and courses of action for the divisions of the bank.

Upgrade – cultivating and developing the capabilities of tomorrow

The world of work is undergoing many technological and other changes; the skills required to navigate it will evolve and become more sophisticated. Following in-depth study of trends in Israel and worldwide, the bank identified nine key capabilities that will be essential in the future world of work and are relevant to banking: critical thinking and complex problem solving; emotional intelligence; creativity; flexible thinking; data-driven decision making; negotiating; teamwork and collaboration; digital literacy; and curiosity and the ability to learn. The Campus is setting up ways of preparing the bank's employees and equipping them with the relevant skills:

◆ **Coaching days** – The coaching days, developed according to the necessary capabilities of the future, include workshops in areas such as development of emotional intelligence, individual coping with changes, critical thinking, creativity as a tool for complex problem solving, effectively conducting a discussion, negotiating, and more. Employees and managers are invited to participate in their choice of coaching days in these areas. The coaching days are held in various locations in Israel, to provide maximum accessibility for participants.

◆ **Restart** – In view of the growing demand for technological professions, the Campus, in collaboration with the Human Resources Area, is leading a project in which employees are offered courses to retrain for professions such as data analyst, analyst, COBOL programmer, Agile coach, and more. Employees will train for these professions in comprehensive courses, with the aim of subsequently entering these roles at the bank.

◆ **MOOCs (massive open online courses)** – The bank's online university offers employees a wide range of courses from leading universities in Israel and overseas. The courses are taken in a format developed at the bank, combining independent study online with a supporting environment consisting of frontal instruction sessions and professional leadership by a subject expert. This innovative model is aligned with the needs of the employees and the organization; the course selection emphasizes the professions and capabilities of the future. Employees report high levels of satisfaction with the learning experience and its contribution to their professional and personal development. **The number of participants is rising steadily each year:**

◆ 173 employees completed online courses in 2019, on subjects such as digital transformation, the financial markets, cybersecurity, and more (employees could choose from fifteen online courses).

◆ A new session of the online university program, offering eighteen courses, opened in late 2019 with approximately 1,000 employees registered. Courses are offered in English, Hebrew, and Arabic, in a wide range of subjects, including programming, data analysis, negotiations, spoken Arabic, positive psychology, Excel, Kubernetes, and more.

◆ **LEAD Simulation Center** – The center was established in 2019, for coaching and promotion of interpersonal skills such as listening, empathy, asking

questions, and motivating. These skills are an integral part of the professional content areas at the bank, and serve as the foundation for the formation of trust-based relationships and business excellence. Study at the Simulation Center relies on innovative methods and effective, experience-based formats. Over 250 employees used the Simulation Center in 2019.

Courses in Arabic were held during the year, as a bridge to Arabic language and culture, focusing on expansion of vocabulary, improvement of conversation skills, and familiarity with traditions and customs of the Arab community.



56,736
A total of 56,736 days of learning were held

30,500
days of learning were held at the Poalim Campus, in 460 course sessions

53%
of employees of the bank participated in various Campus courses

42%
of managers participated in training at the Leadership Center

91%
of training participants expressed high to very high satisfaction with the activity

124
learning modules were studied in the learning system in 2019

69%
of the employees of the bank hold academic degrees; 29% hold graduate degrees

316 employees
In 2019, 316 employees studied for academic degrees (undergraduate and graduate) through a joint fund of the board of management and the employee union. 27 additional employees participated in language courses

Intra-organizational learning and employee development

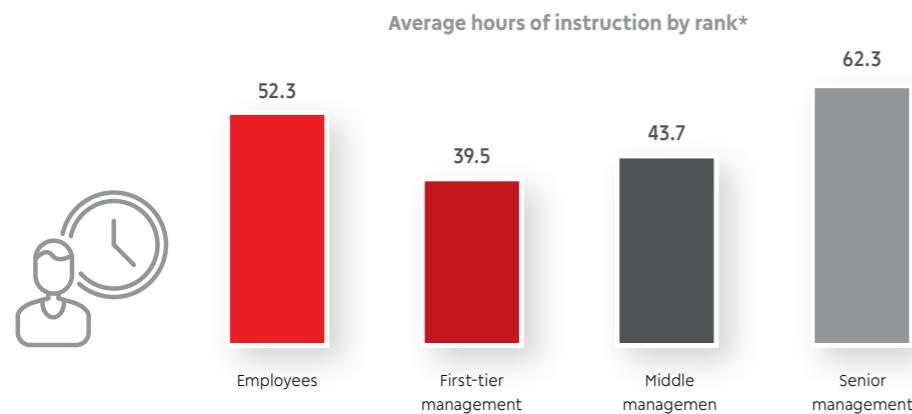
Days of learning*	Average hours of learning per employee	Number of Campus course sessions	Percentage of position-specific training programs**	Percentage of managerial/behavioral training programs***	Training by gender: women/men****
53,861	51.2	460	72%	28%	67/33%

* Includes training of bank employees (excluding external workers) at the Poalim Campus, Campus in the Field, and Poalim by Telephone call center; MOOCs at the Technology Unit, Innovation Unit, Security Unit, and Central Back Office; and online learning modules.

** Including training sessions such as banking coaching days, courses on information systems, and professional banking courses.

*** Including coaching days, executive development programs, online courses (MOOC), and afternoon Campus courses.

**** The segmentation of training by gender is consistent with the overall ratio of women to men at the bank.



* The data refer to training held at the Poalim Campus only. The emphasis in 2019 was on leadership training for senior executives.

2019 – planning vs. execution

2019 plans	Status
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.	✓ Completed

LOOKING AHEAD

- Development of learning content at the bank based on conclusions of the design thinking process to plan future learning performed in collaboration with employees.
- Completion of digitization of additional courses, and conducting training integrating online study with traditional study.

Ensuring a supportive and empowering work environment

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. 38,797 queries to MASHAB were documented in 2019, from 8,813 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. A unique mentoring workshop for bank employees coping with separation and divorce was held for the first time in 2019. The workshop addressed the emotional, legal, and financial aspects of separation, as well as the ways in which the crisis might be an opportunity for growth.

- ◆ **Employee loans** - The Bank Employees Credit (ELH) system offers loans to eligible employees of the bank through a quick, simple, user-friendly procedure on the bank's website.

Financial Fitness Center

The Financial Fitness Center, established in 2018, promotes astute financial behavior of employees. The center offers employees workshops, information, and tools to assist in optimal household budget management. Financial coaches at the center, who are bank employees with knowledge and experience in this area trained for this role, also provide individual and family mentoring. Six workshops on astute financial behavior were held in 2019, and 32 families of bank employees received individual mentoring from financial coaches.

Avenues for promotion and development

The bank fosters an organizational culture encouraging employee mobility and transitions among units, as opportunities for development, learning, strengthening organizational connectedness, and enhancing employees' sense of meaning. This culture is reflected in the Maavarim ("Transitions") system, which helps manage available positions at the bank fairly and transparently and promotes equal opportunities for professional and managerial development.

1,391 employees

were appointed to new positions within the bank, of which 359 management roles, during 2019.





Recruiting, screening, and onboarding new employees

Recruitment and screening processes of new employees at Bank Hapoalim are conducted in the recognition that the employee experience begins at this stage. In order to enlarge the pool of potential candidates, an innovative social-media recruitment campaign and an intra-organizational drive to encourage employees to recommend candidates were conducted. As part of the onboarding process, welcome conferences, satisfaction

surveys regarding the hiring process, and orientation days were held for new employees, to strengthen their connection with the bank.

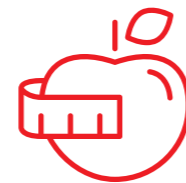
The screening process at the bank is adapted to the technological age and to advanced global methods. The range of tools in use includes **gaming** – a test taken from home, via mobile phone or tablet; **avatars** – a test in the form of an interactive video simulating the work

environment at a branch; an **in-house test battery** – as a substitute for sending candidates to screening institutes; and **text messaging** to invite candidates to interviews, including a map and directions. Another unique screening process in an escape-room format was added in 2019, to examine social dynamics of job candidates.

LOOKING AHEAD

• Opening of a flexible employment track for bankers, aimed at hiring high-quality employees in various fields who need flexible work hours. These bankers will work flexibly, with split days and part-time positions.

As part of the process of recruiting employees with technological skills, in the ambition to create opportunities and include employees from every part of society and from population groups underrepresented in the job market, the Technology Division maintains collaborations with non-profit organizations (such as WeCode, Kamatech, and Tech Career) engaged in training young people from geographically and socially peripheral regions for technological professions. This collaboration offers initial employment opportunities for graduates of these programs as programmers at Bank Hapoalim.



Well-being activities and promotion of healthy lifestyles

Promotion of healthy lifestyles among employees

- ◆ **Sports** – The bank manages and coaches a wide range of sports teams for employees, participates in sports events for workplaces, and subsidizes events such as marathons, bike races, and more. The bank also offers employees subsidized memberships at fitness centers and swimming pools across Israel.
- ◆ **Physical examinations and raising awareness of healthy lifestyles** – The bank subsidizes periodical physical examinations for its employees, and conducts a wide range of lectures and

workshops on healthy lifestyles and good nutrition.

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 employs 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 and support services

Employees of the bank benefit from an extensive array of social and well-being services in many different areas. These services provide solutions for a broad range of employee preferences and needs: leisure



activities, healthy lifestyles, enrichment for employees and their families, and more. The bank's well-being policy takes the form of various activities employees can choose, in order to enhance well-being, strengthen their sense of belonging, and solidify the perception of the bank as a leading organization and employer. 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, sports facilities, fitness centers, and swimming pools. Two welfare staff members offer employees support in situations of distress, crisis, and change in their personal or occupational lives. Any employee can request assistance directly while the service is completely confidential.

Work-life balance

In order to provide employees with a comfortable foundation for balancing work and leisure, the bank has instituted a shortened 40.5-hour work week; many positions at the bank do not permit overtime work beyond a predetermined quota. Most employees also have a higher quota of annual vacation days than required by law, as part of their terms of employment. As additional measures to support balancing the needs of home and work, the branches of the bank changed their split-shift days to Wednesday, rather than Thursday, and established "Personal Tuesday" – an effort is made to keep the work day shorter on Tuesdays, with no meetings scheduled in the afternoon. Recognizing that daily life today can lead to tension and stress, the bank holds awareness and mindfulness workshops at the Campus for employees, designed

to teach skills for relieving stress. Other workshops offered address optimal time management and family relationships.

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, 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 organizational portal. A new agreement for 2018-2022 was signed at the bank in 2019, covering the 88.2% of the permanent and temporary employees of the bank who are part of the collective agreement. The parties

to the agreement are the employees of the bank, the management of the bank, and the Histadrut New General Labor Federation, which is the largest employee union in Israel; they are responsible for implementation of the labor agreement, which addresses matters including employee wages, bonuses, and voluntary retirement terms.

Insurance and funds for employees

Bank Hapoalim pays salaries to its employees in accordance with collective or personal employment contracts signed with each employee. Employees have 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 in times of need:

- ◆ **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** – A foundation financed by the board of management budget, designed to assist employees who encounter financial difficulties or family crises.
- ◆ **Management and employees' joint fund** – A fund managed by the bank, jointly with the employee union, using employee and management resources to finance activities related to well-being and assistance for employees and retirees.



Safety

The bank's safety policy establishes the responsibilities of managers in this area, in accordance with the requirements of the law. Professional safety oversight at the bank is performed by the Security and Safety Department. Pursuant to the requirements of the Organization of Labor Inspection Regulations, the Security and Safety Department prepares, manages, and monitors the implementation of the annual safety plan. 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. The bank also embeds safety considerations in decision-making processes at all levels, in order to minimize negative health effects on its employees, suppliers, customers, and all visitors to its premises.

Each year, an annual report on employee safety and safety incidents is submitted to the board of directors and board of management of the bank. Significant safety incidents are reported immediately. The bank conducts training, instruction, and education activities as part of structured work processes to promote awareness



and responsibility with regard to maintaining safety. All employees of the bank are expected to maintain up-to-date knowledge through safety tutorials, 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.

Safety risk assessments are performed routinely, in accordance with the law and with the bank's safety procedures. The Safety Committee, chaired by the Head of Logistics, convenes quarterly and receives a current status report on safety management. A dedicated content area on the organizational portal presents safety tips and procedures for employees of the bank, as well as a form for reporting work accidents.

The bank's Security Center monitors all of its security and safety systems. In the case of an incident, the center acts and alerts all relevant parties to respond, such as the police, firefighters, emergency medical services, security systems, etc. The center also provides personal assistance to employees and their families in times of need.

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 2019-2022) is in progress at the bank; approximately 900

employees are expected to participate. As part of the implementation of this plan, the board of management and board of directors of the bank formulated an offer for voluntary retirement, in coordination with the employee union, in cases of alignment between the wishes of the employee and the bank. The offer presents an opportunity to retire with exceptionally good terms, including a special bonus for employees who retire between the ages of 53 and 56. The bank also arranges professional advisory services to assist employees in making the decision best suited to them and their families.



Activities of the bank to benefit employees during the days of the coronavirus

The bank's activity was reduced at the peak of the crisis, in accordance with the instructions of the Ministry of Health and the Banking Supervision Department. The bank strictly maintained a safe work environment, to protect the health of its employees, and arranged safe transportation for employees to and from work when necessary. The bank maintained continuous employment, refraining from proactively placing employees on unpaid leave, and provided comprehensive support and assistance for employees throughout the crisis:

- Transition to flexible work hours; access to the systems and infrastructures necessary for their work to employees working from home.
- Ensuring a safe and hygienic work environment at the headquarters and branches.
- Regular communication with employees in isolation or ill with COVID-19.
- Continuous communication with employees; regular updates through the Portal to Go application and Zoom messages.
- Well-being activities to uphold morale and maintain healthy lifestyles during the lockdown:
 - Invitation for all employees of the bank to participate in Zoom meetings on various subjects relevant to the crisis period, such as maintaining healthy nutrition and lifestyle, parenting challenges, and more.
 - Subscription to a digital platform allowing access to home exercise videos and participation in the Sugar Free Challenge program.
 - Activities for children of employees via Zoom.
- A dedicated human-resources call center responded to employees' questions and needs during this period.
- Direct communication maintained with retirees of the bank through the employee union, assistance in purchasing medication and food (through employees who volunteered), and aid with aspects of nursing care and finances where necessary.



Responsible Action to Protect the Environment

❖ Responsible Action to Protect the Environment

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. The policy, prepared by environmental management professionals, was approved by the board of management and board of directors, who are responsible for supervising its execution and assessing its implementation on an annual basis. The policy constitutes an integral part of the bank's strategy, as 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.

Key points of the environmental policy of the bank:

- ◆ The bank views the protection of the environment as a social value, and manages this issue 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 value – 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;
- ◆ Green transportation and reduction of fuel consumption;
- ◆ Consumption of paper resources;
- ◆ Green purchasing (office supplies and peripheral computer equipment);
- ◆ 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, reducing individual environmental impacts within the activity of the bank.

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 in need of 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 tested its certification under this standard through an external institute in 2019. This certification is now 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 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, there were no offenses related to environmental matters, and the bank and its officers were not parties to substantial legal proceedings related to environmental matters. There were no discoveries of leaks or spills of hazardous materials as a result of the operational activity of the bank during the reported year.

❖ Developing products and services for the protection of the environment



Within its social responsibility and commitment to protecting the environment, the bank develops credit products for its business and retail customers aimed at financing activities that promote sustainability and the protection of the environment. 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. As part of this commitment, the bank is a partner in financing for the construction of solar-energy plants, such as Ashalim; financing and investment in solar-energy systems, such as at Mivtachim; financing for solar-energy facilities installed on rooftops of poultry and cattle pens in agricultural communities in Israel; and more. In addition, the bank has granted credit for two biogas-driven power stations, in Beer Tuvia and Hadera, and was appointed an organizer of Genesis Wind, the largest wind energy venture in Israel, in which 42 wind turbines will be built in the Golan Heights, with power production capacity of approximately 189 megawatts (the financial closing of the project occurred in the first quarter of 2020).

Beyond its support for projects promoting sustainability and the protection of the environment on the national scale, in 2019 the bank continued to offer its customers solutions to finance processes supporting sustainability for households and businesses:

Guidance for business clients in applications for energy efficiency grants

In 2019, the bank won a tender to operate a state-backed fund granting loans for energy efficiency to massive power consumers (relative to the average electricity consumption in Israel). Cumulative potential credit in this fund is up to NIS 1.3 billion. The bank is also financing an energy efficiency project in which streetlights are replaced with more efficient LED lighting in several cities in Israel (Safed, Herzliya, and Lod).

Dedicated loans for private customers to finance purchases and installations of solar-energy systems

Rate regulation is a state initiative allowing households, farmers, and businesses to install solar-energy systems for the production of electricity, for their own use or for sale at a predetermined price to the Israel Electric Corporation. Bank Hapoalim identified this initiative 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% financing 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.

Financing of solar-energy systems during construction or purchase of single-family houses (green mortgages)

Available to any customer interested in financing (through a mortgage) 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.

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. The bank participates in financing of several companies in the area of sewage purification, which produce treated wastewater used in agriculture.

Waste treatment facilities

In 2019, the bank provided financing for several initiatives in the area of sorting, separating, and recycling waste in various parts of Israel. Examples include the recycling park built in collaboration with the Dan Regional Association for Environmental Infrastructure, which contains facilities for household waste treatment and energy production from waste; collaboration on the restoration of the Hiriya waste dump site; and environmental education.



As of the end of 2019, the bank has granted credit in a cumulative amount of approximately NIS 6.4 billion for projects promoting sustainability and the protection of the environment²¹

NIS
1.45
billion
for water desalination and purification projects

NIS
0.9
billion
for solar energy projects

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.

NIS
2.06
billion
for green building projects

NIS
0.6
billion
for waste treatment and energy efficiency

NIS
0.9
billion
for wind and pumped storage energy production

NIS
0.5
billion
for mass transit

2019 – planning vs. execution

2019 plans	Status
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.	✓ Completed

LOOKING AHEAD

• Continued financing for projects promoting sustainability, the protection of the environment, and energy efficiency, while raising public awareness of this issue.

Examining environmental risks in financing

In recognition of the importance of sustainable environmental management, Bank Hapoalim manages its exposure to environmental risks through an 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. Risk management is based on policy formulated and approved by 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 Division, 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. The team reports regularly to the board of directors and board of management on the environmental risk level of credit

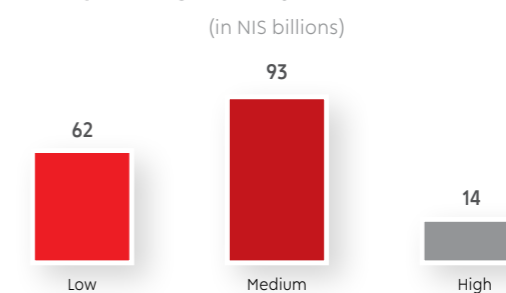
applicants. A report on environmental risk management and control in credit granting is also submitted to the audit committee. The team routinely participates in training and instruction to maintain its professional expertise and comply with leading international standards in environmental risk management.

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 and its environmental impacts, as well as individual consideration of the environmental risks that may materially affect the corporation, according to its business activities. Environmental risk is also analyzed and rated on a scale of 1-5 in targeted analyst reviews. A prerequisite for specific financing of projects is an examination of the project's impact on the environment. The customer is required to prepare an environmental ground 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. In construction and real estate, an assessor is also required to evaluate potential land pollution before financing for a project can be approved.

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, image risk, and legal 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. Environmental risk management processes related to credit are relevant to underwriting, the value of real-estate collateral, land surveys, and monitoring by control functions. Information about environmental incidents with a material impact on a corporation that is a borrower of the bank constitutes a criterion for activating supervisory mechanisms.
- ◆ **Management of investment risks** – managing exposure to environmental risks in direct investments by the bank (in the Nostro portfolio and in general).
- ◆ **Management of operational risks** – adapting operational systems to regulatory changes on environmental matters.

Total exposure segmented by economic sector risk level



21. This amount includes NIS 450 million approved to finance the Genesis Wind project in late 2019; this financing was granted in early 2020.

❖ Reducing carbon emissions

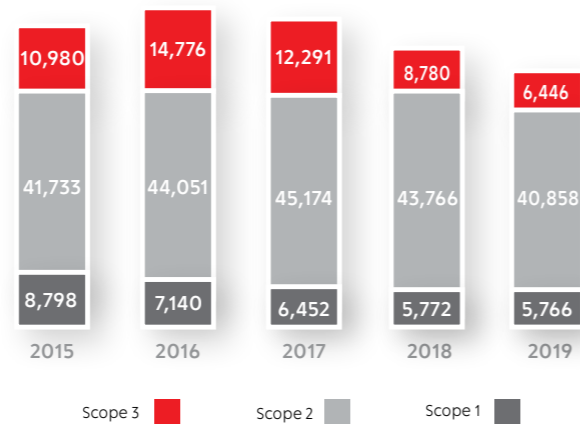
Bank Hapoalim monitors the main components of its activity that contribute to the emission of greenhouse gases. Bank Hapoalim joined the voluntary greenhouse-gas reporting system of the Ministry of Environmental Protection in 2010. Since then, the bank has reported to the recording system in accordance 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

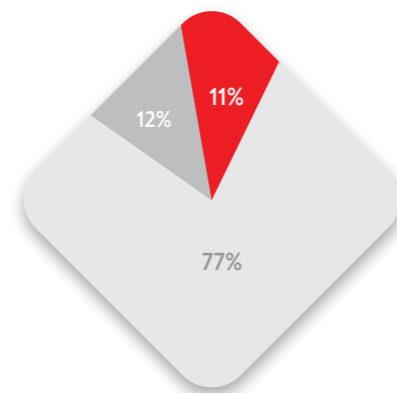
In general, the bank uses five main types of air-conditioning systems: split air conditioners, central air conditioners, VRF systems, cooling towers, and chillers. The older systems use freon gas, which is permitted by law, but may be harmful to the ozone layer. The bank is working to replace these existing 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 metric tonnes of coolant gas, of which more than 85% is the environmentally-friendly R-410a.

Carbon footprint of Bank Hapoalim in 2019: The total carbon footprint of the bank in 2019 is 53,070 metric tonnes CO₂eq (including all three scopes), down approximately 9% from 2018. Total Scope 2 emissions decreased by approximately 6.6%, due to a significant decrease in the electricity consumption of the bank. For the first time this year, Scope 3 calculations were based on the most recent emission factors published by DEFRA (the Department for Environment, Food and Rural Affairs in the United Kingdom). Scope 3 shows decreases of approximately 14% in water consumption, 11% in paper consumption, and 54% in total mileage of employee flights at the bank.

Carbon footprint of the bank – breakdown by scope (CO₂e)



Breakdown of carbon footprint by measurement scope



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



The bank has reduced its carbon footprint by approximately 50% over the last decade, mainly due to energy savings and efficiencies, the transition to consumption of electricity from Dorad, and significant savings processes leading to substantial reduction of paper consumption

Carbon footprint intensity of the bank

Year	2015	2016	2017	2018	2019	Change vs. 2018
Total	61,511	65,967	63,917	58,318	53,070	-9%
Per employee	6.91	7.5	7.35	7.03	6.50	-7.5%
Per square meter*	0.20	0.20	0.22	0.20	0.19	-6.7%

2019 – planning vs. execution

2019 plans	Status
In 2017, the bank set a multi-year target of reducing the volume of greenhouse-gas emissions resulting from its activity by 1% annually over the coming five years, in absolute terms, and maintaining 0% growth in emission intensity as a result of its activity.	✓ Completed Emissions decreased in absolute terms.

LOOKING AHEAD

• The bank aspires to continue to reduce greenhouse-gas emissions resulting from its activity each year, for an additional 30% cutback by 2025.

❖ 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 optimal solutions. 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.

However, in 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. In 2019, 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 branches, 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. Nine new VRF systems were installed in 2019.

Green IT

The bank also works to achieve energy savings and efficiency through a thorough examination of the possibilities for green 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 Area 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 2019, 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. Video-conferencing systems have been installed at the bank's business centers, to reduce the need for employees to travel to meetings outside the office and contribute to fuel and time savings. 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.



3.6%

decrease

Data on the bank's total power consumption in 2019 indicate a decrease of 3.6% compared with 2018.

This decrease adds to the consistent decrease in power consumption at the bank over the last three years; however, as energy efficiency processes have been implemented at the bank for several years, the potential for energy savings is reduced from year to year. It should also be noted that while power consumption at the bank's branches and buildings decreased, due to the reduction of square footage and energy efficiency processes, among other factors, power consumption at Rotem, the bank's main IT site, increased by approximately 500,000 kWh relative to 2018. This increase resulted from growing use of the bank's digital services, which require the use of the server farm and backup systems at the Rotem site.

Power consumption at Bank Hapoalim – multi-annual

year	2015	2016	2017	2018	2019	Change vs. 2018
Total (kWh)	84,579,103	86,388,184	86,232,616	86,217,677	83,123,204	-3.6%
Total (GJ)	304,485	310,997	310,437	310,383	299,243	-3.6%
Bank area in sq. m.	291,512	285,251	288,897	280,600	273,697	-2.5%
Consumption per square meter (kWh)*	278.4*	280.7	267.5	274.3	268.1	-2.3%

* Power consumption per square meter was calculated based on total consumption of 73,371,044 kWh. This total does not include the bank's consumption at the Rotem site (approximately 9.7 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.

2019 - planning vs. execution

2019 plans	Status
Identification of additional sources of energy efficiency and savings in the market and implementation at the bank.	✓ Completed
Continued replacement of lighting fixtures at branches with LED bulbs, in collaboration with corporate purchasing.	✓ Completed
In 2017, the bank set a multi-year target of reducing its electricity consumption by at least 0.5% annually, in absolute terms, over the coming five years, and a total of 3% by the target year.	✓ Completed

LOOKING AHEAD

• Acquisition of CoolMaster communication coordinating controllers and installation in VRF air-conditioning systems (which constitute 90% of the air-conditioning systems at the bank). The controllers allow remote management and operation of the VRF systems to create a fixed-temperature work environment, which leads to electricity savings and better energy efficiency. In a pilot project in 2019, the controllers were successfully installed at one of the branches of the bank. This process is planned to expand to ninety branches in 2020.

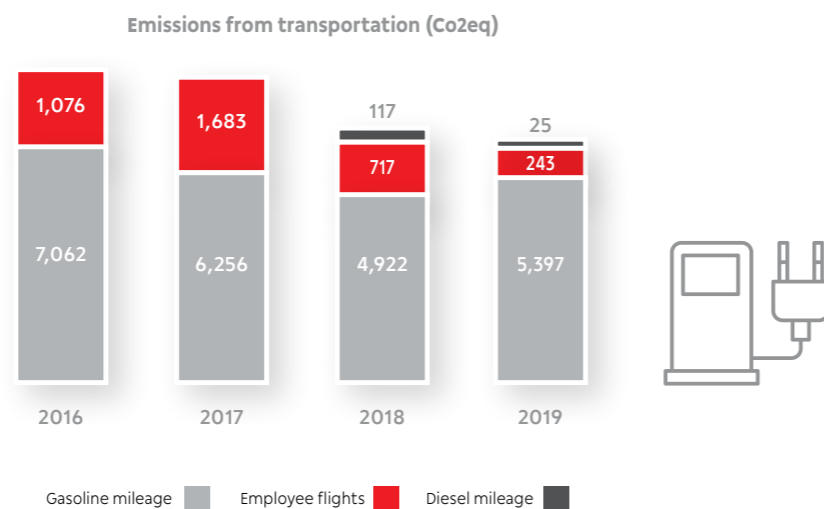
Reduction of energy consumption in transportation

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.
- ♦ Reducing mileage and flights through transition to virtual meetings whenever possible and increased use of conference-call systems.
- ♦ 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 reduce the need for customers to visit a branch, contributing to reduced travel and air pollution.

Year	2015	2016	2017	2018	2019
Number of vehicles in leasing fleet	1,106	1,155	1,024	953	930
Annual fuel consumption (in liters, gasoline and diesel)	3,599,730	3,021,768	2,746,344	2,203,957	2,380,344
Mileage in kilometers per liter (based on manufacturer data)	10	9.5	10	12	20
Number of hybrid vehicles in the fleet	22	18	15	48	99



Notes

- Mileage emissions presented above are included in total emissions in Scopes 1 and 3 below:
 - In 2019, vehicle mileage emissions constitute approximately 94% of total Scope 1 emissions, and emissions from employee flights constitute approximately 4% of total Scope 3 emissions.
 - In 2018, vehicle mileage emissions constitute approximately 87% of total Scope 1 emissions, and emissions from employee flights constitute approximately 8% of total Scope 3 emissions.
 - In 2017, vehicle mileage emissions constitute approximately 97% of total Scope 1 emissions, and emissions from employee flights constitute approximately 14% of total Scope 3 emissions.
 - In 2016, vehicle mileage emissions constitute approximately 99% of total Scope 1 emissions, and emissions from employee flights constitute approximately 11% of total Scope 3 emissions.
- In the past, employee flight emissions were calculated using a breakdown into short and long flights only. Beginning in 2019, the calculation refers to total mileage of employee flights by destination. However, total flight distance decreased by approximately 54% in 2019, reaching 1,341,504 km, compared with 2,923,717 km in 2018.

Management of paper resources

Paper is one of the main raw materials consumed during the routine operations of the bank, in view of the nature of its activity; as such, this resource is managed based on the overall approach of reducing consumption and increasing recycling. The ongoing processes aimed at reducing paper consumption at the bank continued in 2019, with new initiatives added.

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 in its mailings to customers.

Processes to reduce paper consumption at the bank in 2019:

Digital signatures and customer service via touch screen

Several years ago, the bank added the option for customers at its branches to sign documents on a tablet screen. According to estimates, this change contributes annual paper savings of

approximately 62 million pages. Instructional activities for employees and customers were conducted during 2019 to encourage the use of this technology.

Automation of collateral forms

The bank continued the process of automating collateral forms in 2019, transitioning from manual to computer-based forms. Automation of eleven forms for vehicle and deposit liens was completed by the end of 2019.

Automation of mortgage applications

The requirement to print out construction permit submission plans and send them to the Pledge Registrar was eliminated in 2019. In a complementary process, the bank developed a computer-based platform allowing customers to send documents related to the mortgage application process to the relevant government agencies.

Reducing branch document inventories

In order to reduce the inventory of documents at the branches, some documents were uploaded to the

organizational portal, so that they are available to bankers and can be printed if necessary.

Raising awareness and engagement of employees and customers in saving paper to protect the environment

Throughout 2019, a campaign targeted to employees was conducted with the aim of encouraging the reduction of paper use and the protection of the environment. Messaging for customers also encouraged them to receive mail via e-mail.

Transition to printing centers

42 new printing centers were installed in 2019, replacing 2,025 individual printers (which were donated to the community). Savings on printed pages of approximately 65% relative to 2018 were recorded at the bank's head office as a result.

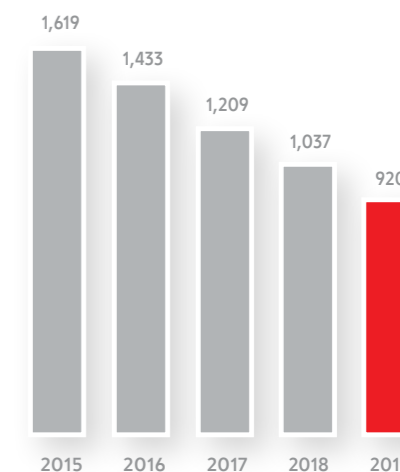
~
202
million pages

The Paperless Branch project contributes estimated savings of 202 million pages of paper per year.

~
210k
new customers

In 2019, approximately 210,000 customers registered for a service allowing them to receive messages electronically, through the bank's website or their e-mail inboxes. The scope of services available via e-mail to interested customers expands each year; loan amortization schedules can now also be received by e-mail

Paper consumption at the bank (in metric tonnes)





Paper consumption:

117 metric tons

Paper consumption at the bank decreased by 117 metric tonnes in 2019, relative to 2018



Cardboard recycling:

23.6 metric tons

of cardboard were collected and transferred for recycling in 2019



Paper recycling:

575 metric tons

of paper were collected and transferred for recycling in 2019



4,000 trees

Paper consumption savings in 2019, compared with 2018, are equivalent to saving approximately 4,000 trees from being cut down for the paper industry

2019 - planning vs. execution

2019 plans	Status
Transition to double-sided printing at branches.	✓ Completed
Continued scanning of business client borrower files, removal of paper from branches, and transition to virtual borrower files.	✓ Completed as of the end of 2019, removal, scanning, and encoding have been completed at all branches.
Digital signatures of mortgages and encouraging the use of digital signatures in additional areas of banking.	✓ Completed
Creation of a focused plan for bank departments that rely heavily on printing, and finding solutions to cut back paper use.	✓ Completed by the transition to printing centers.
Encouraging paper savings through marketing activities and the Paper Challenge for employees of the bank.	✓ Completed
Continued encouragement of customers to switch to e-mail notifications.	✓ Completed

LOOKING AHEAD

• 5% reduction in paper consumption at the bank compared with 2019.

❖ 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; together 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

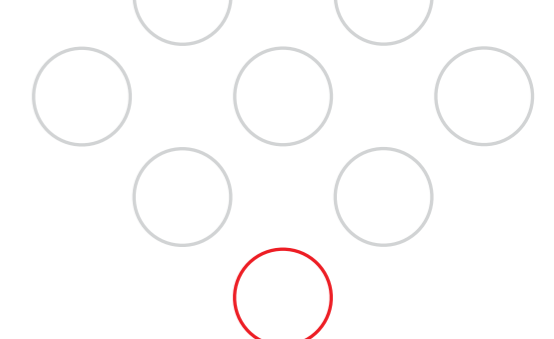
In 2019, the bank updated its purchasing specifications for the renovation of existing buildings and for the construction of new offices and branches according to green-building principles, through an external expert consultant. It is important to note that many branches are located in shopping malls and commercial centers not owned by the bank, where the bank cannot alter the infrastructures of the buildings. The bank intends to bring as many of the elements of green building as possible to these

sites, although the properties involved may not meet accepted green building standards. In addition, construction projects of the bank use environment-friendly elements such as efficient air-conditioning units, energy-efficient LED 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 underscore 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, a social business employing people with disabilities, which specializes in electronic waste recycling. Reusable IT equipment is returned to the bank after refurbishing and donated. Since the beginning of the collaboration with Ecommunity in 2018, 587 computers have been donated to the community, at an estimated value of approximately NIS 250,000. Head-office employees can also bring electronic waste from their homes to the collection center at Rubinstein Towers in Tel Aviv.
- ◆ **Construction waste removal** – Waste created by the bank as a result of its activity is responsibly removed to a site specializing in waste sorting, 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 specialist waste sorting 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 recycling at the bank

The bank encourages its employees to collect and recycle resources; towards that end, a range of specifically designed recycling receptacles has 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.



62.7 metric tons

Electronic waste

Approximately 62.7 metric tonnes were collected and removed from recycling receptacles at the bank



1,964 cubic meters

Construction waste

1,964 cubic meters of waste were removed during construction work



757 kg

Fluorescent bulbs

Approximately 757 kilograms were collected for orderly removal



13,085

Ink and toner cartridges

The bank used 11,323 toner cartridges and 1,762 ink cartridges for printers and fax machines



797 kg

Batteries

797 kilograms of used batteries (from household and industrial use) were collected at the buildings of the bank and transferred for responsible burial



96,971

Beverage bottles and cans

Approximately 96,971 bottles and cans were collected at the bank for recycling



Disposal of medications:

13 sacks of unused medications were collected from receptacles at the bank's buildings, estimated at a value of NIS 62,000. Unexpired medications are donated to patients in need through the non-profit organization Haverim Lerefuah (Friends for Health)

2019 - planning vs. execution

2019 Plans	Status
Update of purchasing specifications of the bank to advanced standards based on green-building principles.	✓ Completed

LOOKING AHEAD

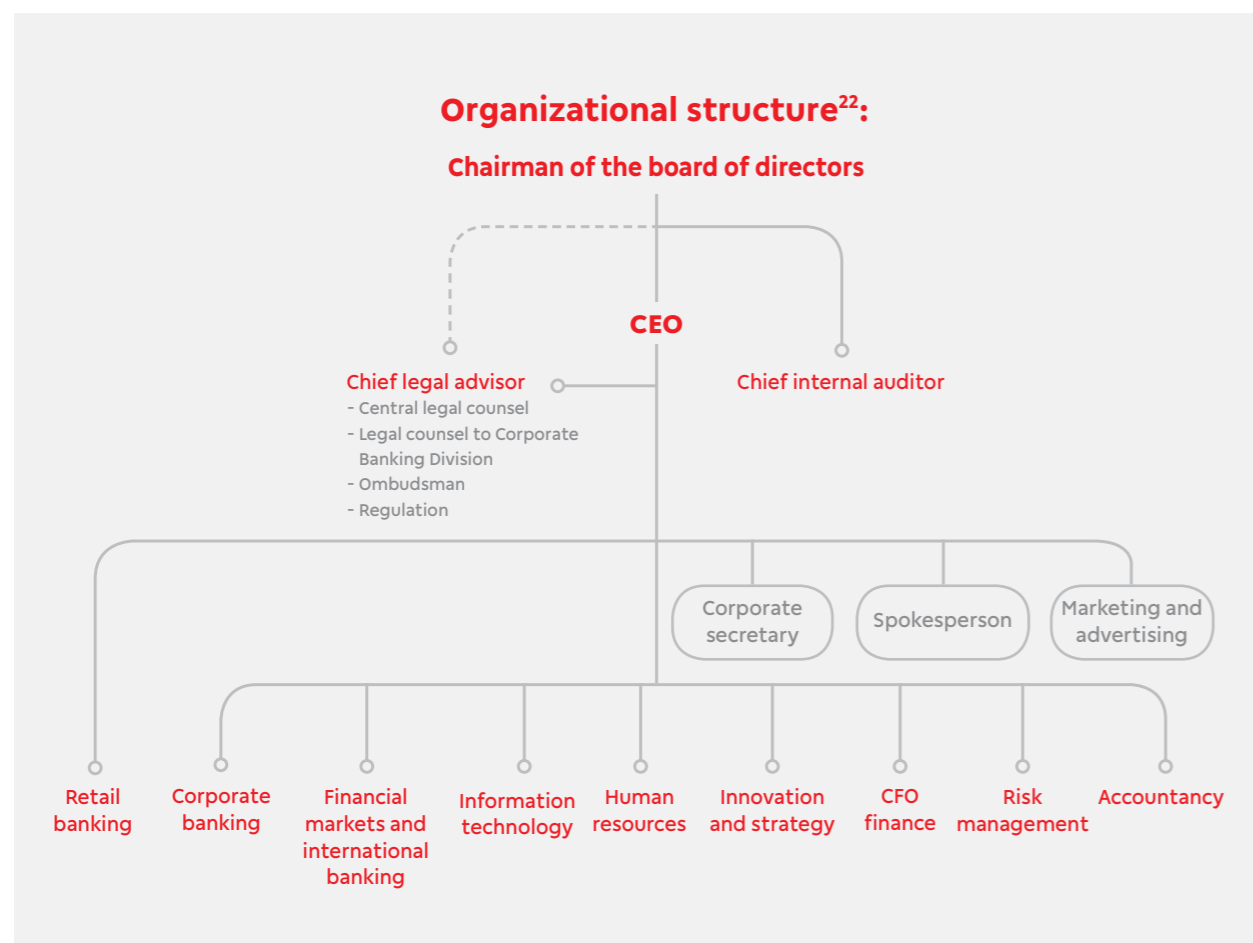
• Within the effort to reduce plastic consumption in all buildings and branches of the bank, a transition to paper cups for hot and cold beverages and wood stirrers will be promoted.



**Corporate Governance,
Ethics, Compliance,
and Information
Security**

Bank profile

Founded in 1921, Bank Hapoalim is a banking corporation and holds a bank license under the directives of Israel's 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, pursuant to the Banking Ordinance of 1941. Further information regarding the decentralization of control of the bank is available on page 414 of the Annual Financial Statements for 2019.



22. According to publication date in May 2020.

The bank group operates in Israel, in all of the various areas of banking and in associated activity in the capital market, through three main divisions: the Corporate Banking Division, the Retail Banking Division, and the Financial Markets and International Banking Division.

- ◆ **The Corporate Banking Division** provides service to most of the bank's business customers; activities with large corporate clients are conducted through sectors specializing in specific industries, while middle-market clients are served through Business Centers located throughout Israel, and through the branches of the bank, which provide operational services to the division's customers.
- ◆ **The Retail Banking Division** serves customers including households, private-banking customers, foreign residents, and small businesses, through 215 branches, including a mobile branch, and through direct channels: self-service stations at branches and on customer premises,

Poalim Online, Poalim Mobile, the Poalim by Telephone call center, the interactive voice response (IVR) system for information and transactions, and social media.

- ◆ **The Financial Markets and International Banking Division** oversees the activity of the bank group in most areas of the capital market, in Israel and overseas. This activity includes, among other matters, securities trading services (brokerage), securities custody, trading services in currencies and derivatives, research and consulting, services for financial-asset managers, investment portfolio management, investment banking, underwriting, and issuance management. The international activity of the Bank Group includes the New York branch and representative offices, as well as relationships maintained with banks around the world. International business banking is primarily conducted through the New York branch, which focuses

on providing banking services to companies. The bank has discontinued its global private banking activity outside Israel; most of the assets of global private banking customers were transferred by the end of 2019. Within the bank's strategic plan, a decision has also been made to sell the investment in Bank Pozitif.

In addition to its banking business, the bank group also engaged in activity in the area of credit cards in 2019. Under a legislative order, the bank was required to divest its holdings in Isracard. Accordingly, a sale offering 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 offering, retaining a stake of approximately 33% in Isracard. The remaining holdings in Isracard were distributed as a dividend in kind to the shareholders of the bank in March 2020; the bank no longer has holdings in Isracard (for further details, see page 187 of the Annual Financial Statements for 2019).

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 and committees

The board of directors of the bank acts in accordance with the corporate-governance directives established by law, including those applicable to banking corporations without a controlling core, as well as all of the Proper Conduct of Banking Business Directives of the Bank of Israel (available on the BOI website) and similar regulations. 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 CEO of 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.

The composition of the board of directors is subject to the provisions of the Companies Law, Proper Conduct of Banking Business Directive 301 as applicable to a bank without a controlling core, and the Articles of the Bank. The independence of the board of directors is consistent with the provisions of the law. In accordance with Section 11E of the Banking Ordinance, 1941, no director of the bank has a business or professional relationship with the banking corporation, or with a corporation under the control of the banking corporation, or with an officer of the banking corporation, or with the material holder who proposed the candidacy of the director, even if such relationship is not ongoing, with the exception of insubstantial relationships. At least one-third of the directors at the bank are external directors pursuant to Proper Conduct of Banking Business Directive 301 (at this time, five such directors serve at the bank, of which three are also external directives under the Companies Law).

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, or at a meeting convened pursuant to Section 35A of the Banking Law, unless the Supervisor of Banks approves a vote at a special meeting. For this purpose,

the director appointment committee is a designated committee appointed by the Governor of the Bank of Israel, pursuant to the Banking Law (Licensing), 1981 (the "Banking Licensing Law"), which 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 stated 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 414 of the Annual Financial Statements for 2019).

Three new directors were appointed at the bank in 2019: Dr. David Zvilichovsky, David Avner, and Noam Hanegbi. Further information regarding candidates for service on the board of directors of the bank proposed by the committee in 2019 and the resolutions of the general meeting on this matter are available on the bank's website. The director appointment committee consisted of the committee chairperson, the Honorable Judge (Retired) Moshe Gal; Ms. Orit Koren and Prof. Momi Dahan as representatives of the economy; and, on behalf of the directors, Ms. Ronit Abramson Rokach and Mr. Yacov Peer, as external directors under Proper Conduct of Banking Business Directive 301 of the Bank of Israel. 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. Prior to convening a general meeting for which the agenda includes the appointment of directors or the termination of their service, an advance notice is published at least 21 days before the publication of the announcement convening the meeting.

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 completed 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. Accordingly, members of the board of directors of the bank meet the requirements for qualification of directors established by the Bank of Israel, which encompass knowledge and education in various fields, including law and regulation, finance and accounting, banking, management, risk management, technology and cybersecurity, and corporate governance. Details regarding the education and experience of the directors are available in Standard 26 of the Annual Financial Statements of the bank for 2019.

The performance of the board of directors is evaluated in accordance with Section 59 of Directive 301 and the 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 most recent effectiveness assessment was performed in 2019, with the assistance of an external consulting firm.

The activity of the board of directors and the board committees

In 2019, 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 on 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 from the relevant professional functions, including on matters aligned with the corporate responsibility philosophy of the bank, such as banking products promoting sustainability values; customer service; responsible employment; information security and cybersecurity; environmental risk management in credit granting; employment of people with disabilities; investment in the community; reduction of environmental impacts, including climate change; and business ethics, including approval of the code of ethics of the bank. Within the bank's approach to sustainability, 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, corporate responsibility is managed at the bank's Social Banking Center, under the member

of the board of management who oversees the Human Resources Division, reporting regularly 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 2019, 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.

The members of the board of directors

undergo professional training, in accordance with Proper Conduct of Banking Business Directive 301, based on an annual professional training program adapted to the development, strategy, and complexity of the bank, which addresses professional topics and matters related to the functions of the board of directors and to corporate governance. Training and instruction in various areas were conducted for the members of the board of directors in 2019, including risk management, information security, and cybersecurity, as well as additional strategic issues with corporate-responsibility aspects, such as social investment, leadership and decision-making, employee motivation, labor law and collective agreements, remuneration, and more.

Some of the members of the board of directors are experts on risk management, including credit risks. As of the end of 2019, the risk management and control committee consists of five members, who have accumulated extensive experience, including within the work of the committee. The members of the board of directors attend training on risk management. Five training sessions on risk management were held in 2019, on behavioral risk, market risks, counterparty risks, investment risks, interest rate risk in the banking book, and liquidity risk. Additional board committees also address matters related to risk management, such as the audit committee and the corporate governance and stakeholders committee.

Information security and cybersecurity are frequently discussed by the information technology committee, as stated in Proper Conduct of Banking Business Directive 301, and by the risk management committee. The committees maintain communications with the head of technology and the head of information security at the bank, as defined in Proper Conduct of Banking Business Directives 357 and 361, and with the officer responsible for innovation.

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 the 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; the committees of the board of directors hold additional 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, in advance 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. Important and urgent matters are discussed routinely, in accordance with the provisions of 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 provisions of 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 December 2019, the general meeting approved the extension of the validity of the officer remuneration policy for an additional period of twelve (12) months, ending no later than December 31, 2020. 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 2019 (median wage excluding the highest wage).

The remuneration policy of the bank is compliant with Proper Conduct of Banking Business Directive 301A. Additional information regarding the remuneration policy of the bank, including variable remuneration, deferred remuneration, and mechanisms for repayment of remuneration, is available in Standard 22 of the Annual Financial Statements for 2019,

and in the report dated November 20, 2019, convening the general meeting for the approval of the extension of the period of the remuneration policy, as noted above.

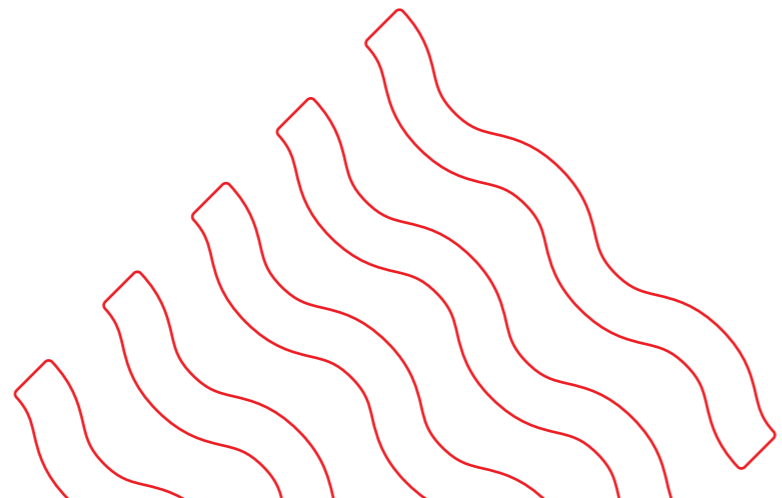
Main objectives of the remuneration policy:

- ◆ 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 them.
- ◆ To adjust total remuneration to the risk appetite of the Bank. The annual and multi-annual work plans are constructed with reference to the volume and types of the risks that the Bank is willing to undertake, among other matters. 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.

56 meetings of the plenum of the board of directors and 109 meetings of the board committees were held in 2019 (for further information regarding the activity of the board of directors, see page 401 of the Annual Financial Statements for 2019). Attendance of the directors at

the meetings of the board of directors was above 99%. Details regarding the attendance rate of each director are presented in the Corporate Governance Questionnaire in the 2019 Periodic Report. As of the end of 2019, the board of directors of the bank consists of nine members, of which five are external directors – three external directors as defined in Section 240 of the Companies Law, and two external directors as defined in Proper Conduct of Banking Business Directive 301 of the Bank of Israel.

Five 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 2019, four directors with accounting and financial expertise are members of the audit committee of the board of directors. The audit committee convened 29 times, with an attendance rate of 100%. As of the end of 2019, two women and seven 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 Standard 26 of the Periodic Report, on page 511-520 of the Annual Financial Statements for 2019). 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 2019, page 266-278). Alongside other banks around the world, in 2019 the bank continued to face investigation by United States authorities concerning the bank's business with American customers. In April 2020, the bank reached resolutions with the United States authorities on this matter (for further information, see page 162 of the periodic report for the first quarter of 2020).



❖ Code of values and ethics – Our Way

In 2019, the board of management and board of directors approved the updated code of ethics of the bank, which has been tuned to the bank's new brand values and to corporate responsibility principles. The process of writing the code 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; existing sections were expanded, and new sections were added to the existing code of conduct; and a new decision-making model was formulated for the resolution of ethical dilemmas. Channels and mechanisms for consultation and reporting on ethical issues were updated, including the Ethics Hotline, a new call line dedicated to ethics consultation. The Jerusalem Center for Ethics at Mishkenot Sha'ananim assisted the bank with guidance in the process of writing and instilling the code of conduct.

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.

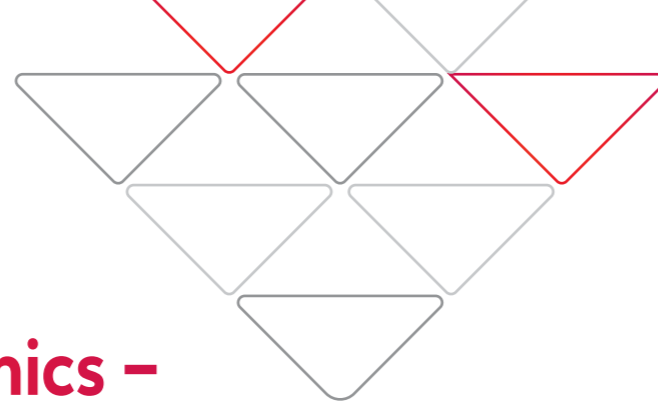
Bank employees who suspect any violation of the bank's values and norms by any other employee can use several methods to discuss and report their thoughts: telephone, e-mail, written letters, or the anonymous channel on the organizational portal, which is available during all hours of activity.

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 accordance with the Protection of Employees Law of 1997, the bank has a whistleblower protection mechanism to allow employees to report incidents of corruption under protection from any form of repercussion or harassment, including firing.

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. This system encompasses risk assessment and management in the areas of ethics and risks related to potential violations of the code of ethics, with monitoring and follow-up of ethics concerns raised by employees. In the event that behavior or action inconsistent with the bank's code of ethics is identified, an investigation is conducted, and relevant measures are applied to prevent and remedy the problem, 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. Overt and anonymous inquiries and consultations on ethics issues increased by 20% in 2019. The subject matter of the queries was varied, including consultation regarding gifts and conflicts of interest, appropriate representation of the bank, behavioral norms, and proper ethical culture at the bank.

In addition, twelve cases of suspected moral violations were addressed, including incidents of embezzlement or suspected embezzlement, suspected money-laundering offenses, false report to an employer, actions involving conflicts of interest or suspected conflicts of interest, and activity contradicting the code of ethics of the bank. Lessons-learned processes were applied by internal audit in response to these events, and reports were submitted to the Bank of Israel in accordance with Proper Conduct of Banking Business Directive 351 with respect to incidents of embezzlement or suspected embezzlement. In some of the cases, disciplinary sanctions were imposed on employees, such as clarification meetings, reprimand letters, suspension of promotions, removal from an advisory and/or management role, and dismissal.



Activity of the bank to instill the code of ethics

Various activities were held in 2019 with the aim of instilling the content of the code and promoting an appropriate ethical culture among the employees and managers 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 2019, 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 and consultation on ethical issues.

- ◆ Fifteen workshops were held, attended by more than a thousand managers and employees from various units across the bank. Workshop content included tools for managers to conduct discussions with their teams on behavioral and ethical dilemmas relevant to their work. The workshops involved active participation, an Ethics Theater activity, and external expert lecturers.

2019 - planning vs. execution

2019 plans	Status
Presentation of the renewed code to the senior management forum, and holding a conversation about the role of leaders in guiding values and ethics.	✓ Completed
Communication of the code to all employees of the bank, and to the general public through the bank's website.	✓ Completed
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.	✓ Completed
Development of an individual tutorial covering discussion and resolution of dilemmas relevant to each team.	The tutorial is currently under development and scheduled for launch in 2020.

LOOKING AHEAD

• Continuation of the process of instilling the new code of ethics at the bank.

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 (page 26 in the document, "Our Way"). Also see further details about the lines of defense at the bank later in this chapter, in the section on 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 Area comprises several professional units:

- ◆ 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 Unit, 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 and prevention of conflicts of interest.
- ◆ The International Compliance Department, 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 Protection of Privacy and Competition Law Enforcement Unit.

- ◆ 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.
- ◆ Hetz Expert Center – Responds to the business units on issues of international taxation, the prohibition of money laundering, and compliance systems.

The Chief Compliance Officer Area 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 sets forth rules regarding all of the components of the prohibition of money laundering, compliance and securities enforcement directives, conflicts of interest, the fairness of the bank towards its customers, the prohibition of money laundering and financing of terrorism, advising customers, protection of privacy (excluding information-technology aspects), taxation aspects relevant to products or services for customers, and other directives of similar nature. The policy emphasizes corporate control and the interaction with subsidiaries and branches outside Israel, based on the directives of the law that pertain to the activity of the bank – Proper Conduct

of Banking Business Directive 308; the Prohibition of Money Laundering Law, 2000; the Counter-Terrorism Law, 2016; Proper Conduct of Banking Business Directive 411; Proper Conduct of Banking Business Directive 306; securities laws; amendments to the Income Tax Ordinance; and relevant Income Tax Regulations. This policy was expanded and updated, most recently, in December 2019. Rules and updates were added to the policy on matters including the acquisition of debts of debtors, activities at high risk for money laundering, competition laws, the prohibition of discrimination, privacy policy, and the protection of personal information.

Within the implementation of the policy of fairness towards the customers of the bank, the area conducts various activities and examinations aimed at ensuring that the bank continues to act in an appropriate and fair manner, with full transparency, and in alignment with customer needs, in all matters related to sales and marketing processes, with an emphasis on proactive offers of consumer credit, and that measures taken to motivate employees and promote business activities are consistent with fairness regulations, protection of customers' best interests, and responsiveness to their needs, and do not create conflicts of interest for employees of the bank. Managers must ensure that the employees under their responsibility act for the benefit of the bank's customers and in accordance with their needs, and do not act in an unfair manner in order to meet objectives.

In order to comply with the directives of the law and with the group-level compliance policy, the Chief Compliance Officer Area 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 Area is supervised through two channels:

- ◆ The 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:
 - ◆ 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.
 - ◆ Controls by compliance officers and enforcement trustees at the business units – another internal line of defense within the units consists of area or division 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 Division, the Finance Division, the Head of Information Security, and Legal Counsel.
- ◆ **The third line of defense** consists of controls applied by Internal Audit, which audits compliance issues and the second line.

Training in the area of compliance

An understanding of the essentiality of fair business conduct and the need to identify any unusual activity by customers is critical to compliance risk; a range of measures is 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/area/divisional compliance officers;
- ◆ The Subjective Reporting System;
- ◆ The compliance site on the banking portal;
- ◆ The Hetz Expert Center (Hetz is an acronym for Hoshvim Tziyut, or "Thinking Compliance") provides support on the prohibition of money laundering, CRS, FATCA, and compliance systems, and can be contacted through an online system or by telephone;
- ◆ Communication with the professional units by e-mail or telephone;
- ◆ A system for anonymous queries.

In 2019, the Chief Compliance Officer Area visited approximately ninety 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.

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, and Bank Hapoalim adheres to full compliance with the requirements. 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. The bank is also a member of the Israel Marketing Association and is committed

to the principles of the Responsibility and Fairness in Advertising Compact.

Accordingly, the bank exercises extreme caution in advertising, marketing, and sales promotion, applying layers of strict screening and control; all published messages are in compliance with the requirements of the law.

There were no cases of non-compliance concerning the publication of information regarding products, services, or marketing communications during 2019.

Protection of 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 some of the most advanced cyber defense methods and information security products in the world.

Cyber defense at the bank is under the responsibility of the Information 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, including damage analysis and external controls through third parties. Information-security metrics are also included in performance evaluation for relevant employees. The bank has a security operations center (SOC) dedicated to handling information-security incidents from end to end in real time and documenting 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 lessons-learned process 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," Proper Conduct of Banking Business Directive 357, "Information Technology Management," Proper Conduct of Banking Business Directive 362, "Cloud Computing," and Proper Conduct of Banking Business Directive 363, "Supply Chain Management," which took effect at the end of 2018. The bank is also certified

under the information-security standards ISO 27001 and ISO 27032, and revalidates its certification annually.

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 complies 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, and has established policy in this area in line with the Protection of Privacy Law.

In 2019, five recorded customer complaints concerning violations of privacy and banking secrecy were found to be justified. These cases were studied, and the requisite conclusions and lessons were drawn. Responses were sent to the customers accordingly.

Bank Hapoalim cybersecurity experts participate in social initiatives in this area, such as the Skills program by the non-profit organization Appleseeds Academy, aimed at helping young people from geographically and socially peripheral regions find their place in the job market in cybersecurity professions. Another initiative, Equal Opportunities in Cybersecurity, provides training and assistance for young people on the autism spectrum to work as SOC controllers at business organizations across Israel.

2019 - planning vs. execution

2019 plans	Status
Expansion of treatment and analysis of security patches and installation on IT infrastructures, to prevent the exploitation of gaps for cyber crimes.	✓ Completed
Improvement of supplier instruction processes, in light of the new regulation on cyber risk management in the supply chain.	✓ Completed

LOOKING AHEAD

- Approval of a policy for the protection of privacy in banking by the board of management of the bank.
- Implementation of a plan for cyber risk awareness and prevention of information leaks, internally at the bank, for customers, and for suppliers of the bank.
- Preparation and operational readiness for cyber attacks – cyber drills, preparation of contingency plans for coping with defense against concrete cyber threats, and improvement of scanning capabilities to identify exposures.

Corporate Responsibility Performance Summary²³

Field	Metric	2015	2016	2017	2018	2019
Bank profile	Total income (NIS M)	12,706	12,875	12,577	13,774	13,208
	Net profit attributed to shareholders of the Bank (NIS M)	3,082	2,628	2,660	2,595	1,799
	Operating and other expenses	8,790	8,142	8,121	8,960	8,776
	Of which, salaries and related expenses	4,934	4,239	4,209	4,097	4,018
	Provision for taxes	2,097	2,358	1,959	2,009	1,681
	Number of employees of the bank	8,898	8,701	8,687	8,290	8,162
	Number of branches of the bank (retail and business)	267	257	259	237	215
	Dividends paid to shareholders	569	685	861	496	1,000
Direct economic value for stakeholders	Economic value distributed by the bank group to stakeholders (operational expenses, salaries and related expenses, donations and sponsorships, provision for taxes, dividends; in NIS M)	11,499	11,225	10,981	11,507	11,501
Credit granted for promotion of social/environmental causes	Total credit for small businesses (NIS B)	32.4	27.3	30.3	31.2	29.6
	Cumulative credit for environmental projects and products (NIS B)	6.63	6.53	6	8.7	6.4
	Credit granted to promote shared business and social value	-	NIS 2.04 B	NIS 732 M	NIS 642 M	NIS 616 M
Processing customer queries	General percentage of justified queries – Bank of Israel data (%)	9.2%	6%	6%	7%	15% (principles for classification of a complaint as justified were expanded in 2019)
	Percentage of justified queries concerning privacy and banking secrecy (%)	7%	3.7%	0.7%	0.6%	0.5%
Accessibility of service to a diverse range of customers	Number of branches serving the Arab sector	41	43	43	43	42
	Number of branches in towns with extensive religious and ultra- orthodox populations	20	21	21	20	20
	Number of accessible branches *branches with an Acceptability seal from the Access Israel organization	226	224	248	225	213
	Number of ATMs accessible to blind users	316	536	616	752	1,210 (ATMs and self-service devices)
	Percentage of branches outside central Israel (beyond the area from Gedera to Hadera; in %)	35%	40%	40%	45%	43%
Promotion of responsible purchasing	Percentage of purchasing from Israeli sources	93%	92%	92%	95%	95%
	Percentage of purchasing from small and micro-businesses	15%	46%	45%	47%	31%
	Percentage of small suppliers (of total annual number of suppliers)	52%	81%	77%	76%	71%
Investment in the community	Community donations and investments (NIS M)	43	40	40	42	43.9

23. Some data from previous years were improved, based on the report in the bank's Annual Financial Statements for 2019.

Field	Metric	2015	2016	2017	2018	2019
Employee volunteering	Number of employees of the bank who volunteer regularly	3,500	3,500	3,500	3,600	3,500
	Annual volunteering hours	148,700	152,200	154,000	157,113	161,110
Employment profile	Employees under a collective agreement (%)	91.3%	90.5%	90%	89.4%	88.2%
Diverse employment	Percentage of women at the bank (%)	64.6%	64.4%	65%	66%	65.6%
	Percentage of women managers at the bank (%)	52.1%	52.4%	52.6%	53.2%	54%
	Percentage of women on the board of directors of the bank (%)	33%	18%	16%	14%	22%
	Percentage of minorities at the bank (%)	5.4%	6%	6.3%	6.4%	6.2%
Training and development of human capital	Percentage of hires from under-employed sectors, of total annual hiring	20.5%	22%	17%	22%	20%
	Percentage of academic degree holders at the bank (%) (Internal and external employees)	64.4%	65.8%	66.7%	68%	69%
	Number of learning days at the bank (Internal and external employees)	49,600	49,776	43,211	60,360	56,736
	Average hours of learning per employee	38.1	42.5	42.5	52.8	51.2
	Total cost of training and study programs for bank employees (NIS M)	38	43	53	63	65
Energy consumption and efficiency	Percentage of employees who received feedback (%)	99%	99%	99%	99%	99%
	Total electricity consumption (kWh)	84,579,103	86,388,184	86,232,616	86,217,677	83,123,204
	Electricity consumption per m ² (kWh)	278.4	280.7	268.1	273.6	268.1
	Percent annual change in electricity consumption (year on year, in %)	-2.3%	-2%	-0.18%	-0.02%	-3.6%
	Diesel fuel consumption (L)	102,275	13,547	9,898	138,327	12,016
	Gasoline consumption (L)	3,599,730	3,021,768	2,746,344	2,160,630	2,369,178
Consumption of materials	Paper consumption (metric tonnes)	1,619	1,433	1,209	1,037	920
	Consumption of ink and toner cartridges (units)	17,035	16,643	11,087	10,790	13,085
	Water consumption (m ³)	90,774	89,627.7	108,125	92,480.1	79,489.2
Recycling and responsible removal of waste	Paper recycling (metric tonnes)	700	783	760	746	575
	Cardboard recycling (metric tonnes)	13	9.3	15.3	18.2	23.6
	Recycling of electronic waste at the bank (tons)	28.7	38	94	101.5	62.7
	Recycling of bottles and beverage containers (units)	101,843	104,690	105,720	111,514	96,971
	Collection of construction waste (m ³)	2,526	2,112	1,904	1,555	1,964
Carbon footprint	Collection of batteries (kg)	240	765	100	140	797
	Collection of fluorescent bulbs (kg)	2,680	2,340	1,230	1,179	757
	Greenhouse-gas emissions – total (tons CO ₂ ^{eq})	61,511	65,966	63,917	58,318	53,070
	Percent annual change in greenhouse-gas emissions (year on year, %)	-12.9%	7.2%	-3.1%	-9%	-9%

GRI Index and Global Compact COP GRI Content Index²³



Standard	Index	Description	Page	UNGC – COP
GRI 102: General disclosure	102-1	Name of the organization	1, 116	no specific demand
	102-2	Activities, brands, products, and services	7-9	
	102-3	Location of headquarters	8-9, 116-117	
	102-4	Location of operations	116	
	102-5	Ownership and legal form	116-117	
	102-6	Markets served	8-9, 116-117	
	102-7	Scale of the organization	8-9, 128-129	
	102-8	Information on employees and other workers	80-83, 88	
	102-9	Supply chain	74-75	
	102-10	Significant changes to the organization and its supply chain	74, 76	
	102-11	Precautionary Principle or approach	NR	
	102-12	External initiatives	16-19	1-10
	102-13	Membership of associations	18-19	1-10
	102-14	Statement from senior decision-maker	4-5	
	102-15	Key impacts, risks, and opportunities	4-5, 16-18, 96, 101-103, 124-125	commitment is presented in the CEO statement
	102-16	Values, principles, standards, and norms of behavior	7, 122-123	1-10
	102-17	Mechanisms for advice and concerns about ethics	122-123	
	102-18	Governance structure	117-120	
	102-19	Delegating authority	117-121	
	102-20	Executive-level responsibility for economic, environmental, and social topics	119	
	102-21	Consulting stakeholders on economic, environmental, and social topics	12-15, 77, 83-84, 122	
	102-22	Composition of the highest governance body and its committees	117-120	
	102-23	Chair of the highest governance body	4-5, 120	
	102-24	Nominating and selecting the highest governance body	118	
	102-25	Conflicts of interest prevention	118, 122-123	

Standard	Index	Description	Page	UNGC – COP
GRI 102: General disclosure	102-26	Role of highest governance body in setting purpose, values, and strategy	116-120	
	102-27	Collective knowledge of highest governance body	119	
	102-28	Evaluating the highest governance body's performance	117-118	
	102-29	Identifying and managing economic, environmental, and social impacts	117-118, 120	
	102-30	Effectiveness of risk management processes	118	
	102-31	Review of economic, environmental, and social topics	118	
	102-32	Highest governance body's role in sustainability reporting	4-5, 6, 119-120	
	102-33	Communicating critical concerns	12-13, 119-121	
	102-34	Nature and total number of critical concerns	12-15, 119-121	
	102-35	Remuneration policies	121	
	102-36	Process for determining remuneration	85, 121	
	102-37	Stakeholders' involvement in remuneration	121	
	102-38	Annual total compensation ratio	85, 121	
	102-39	Percentage increase in annual total compensation ratio	121	
	102-40	List of stakeholder groups	12-13	
	102-41	Collective bargaining agreements	81	
	102-42	Identifying and selecting stakeholders	12-14	1,2,6
	102-43	Approach to stakeholder engagement	12-14	
	102-44	Key topics and concerns raised	12-15	
	102-45	Entities included in the consolidated financial statements	116-117	
	102-46	Defining report content and topic boundaries	14-15	
	102-47	List of material topics	14-15	
	102-48	Restatements of information	129	
	102-49	Changes in reporting	129	
	102-50	Reporting period	13	
	102-51	Date of most recent report	13	
	102-52	Reporting cycle	13	
	102-53	Contact point for questions regarding the report	6	
	102-54	Claims of reporting in accordance with the GRI Standards	13	
	102-55	GRI index	130-136	
	102-56	External assurance	138-143	

Standard	Index	Description	Page	UNGC – COP
GRI 201: Economic Performance	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	4-5, 62	
	103-2	The management approach and its components	6-7	
	103-3	Evaluation of the management approach	6-7, 118	
	GRI 201: Economic Performance 2016			
	201-1	Direct economic value generated and distributed	8-9, 128-129	
	201-2	Financial implications and other risks and opportunities due to climate change	101-105	7
	201-3	Defined benefit plan obligations and other retirement plans	96, 119	
	201-4	Financial assistance received from government	Not received during 2019	
	GRI 203: Indirect Economic Impacts 2016	GRI 103: Management approach 2016		
103-1		Explanation of the material topic and its boundary	38, 62	
103-2		The management approach and its components	38, 62	
103-3		Evaluation of the management approach	62	
GRI 203: Indirect Economic Impacts 2016				
203-1		Infrastructure investments and services supported	38-51, 54, 62-71	2
203-2		Significant indirect economic impacts	38-42, 59, 62-67, 76, 128-129	1,3
GRI 204: Procurement Practices	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	74-75	No specific requirement
	103-2	The management approach and its components	74-75	
	103-3	Evaluation of the management approach	74-75	
	GRI 204: procurement Practices 2016			
204-1	Proportion of spending on local suppliers	74		
GRI 205: Anti-corruption	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	75, 123	10
	103-2	The management approach and its components	123	
	103-3	Evaluation of the management approach	123-125	
	GRI 205: Anti-corruption 2016			
	205-1	Operations assessed for risks related to corruption	123-125, 75	
	205-2	Communication and training about anti-corruption policies and procedures	124-125	
	205-3	Confirmed incidents of corruption and actions taken	122	

Standard	Index	Description	Page	UNGC – COP	
GRI 301: Materials	GRI 103: Management approach 2016				
	103-1	Explanation of the material topic and its boundary	112, 109		
	103-2	The management approach and its components	112, 109		
	103-3	Evaluation of the management approach	112, 109		
	GRI 301: Materials 2016				
	301-1	Materials used by weight or volume	109-110, 113		
	301-2	Recycled input materials used	109-110	8,9	
GRI 302: Energy	GRI 103: Management approach 2016				
	103-1	Explanation of the material topic and its boundary	105-108	7,8,9	
	103-2	The management approach and its components	105-108		
	103-3	Evaluation of the management approach	105-108		
	GRI 302: Energy 2016				
	302-1	Energy consumption within the organization	107-108		
	302-2	Energy consumption outside of the organization	Not material to the organization		
	302-3	Energy intensity	107		
	302-4	Reduction of energy consumption	107-108		
	302-5	Reductions in energy requirements of products and services	101-102		
	GRI 305: Emissions	GRI 103: Management approach 2016			
		103-1	Explanation of the material topic and its boundary	104-105	7,8
		103-2	The management approach and its components	104-105	7,8
103-3		Evaluation of the management approach	104-105	7,8	
GRI 305: Emissions 2016					
305-1		Direct (Scope 1) GHG emissions	104	7,8	
305-2		Energy indirect (Scope 2) GHG emissions	104	7,8	
305-3		Other indirect (Scope 3) GHG emissions	104	7,8	
305-4		GHG emissions intensity	105	7,8	
305-5		Reduction of GHG emissions	104-105	7,8,9	
305-6		Emissions of ozone-depleting substances (ODS)	106	7,8	
305-7		Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not Material to the organization	7,8	

Standard	Index	Description	Page	UNGC – COP
GRI 401: Employment	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	80	1,2,6
	103-2	The management approach and its components	80	
	103-3	Evaluation of the management approach	80	
	GRI 401: Employment 2016			
	401-1	New employee hires and employee turnover	82	6
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	95	
	401-3	Parental leave	81	1,2,6
GRI 402: Labor/ Management Relations	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	83-84	2,3
	103-2	The management approach and its components	83-84	
	103-3	Evaluation of the management approach	83-84	
	GRI 402: Labor / Management Relations 2016			
	402-1	Minimum notice periods regarding operational changes	96	
GRI 404: Training and Education	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	89	6
	103-2	The management approach and its components	89	
	103-3	Evaluation of the management approach	89	
	GRI 404: Training and Education 2016			
	404-1	Average hours of training per year per employee	92	
	404-2	Programs for upgrading employee skills and transition assistance programs	90-92	
	404-3	Percentage of employees receiving regular performance and career development reviews	84	
GRI 405: Diversity and Equal Opportunity	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	85-86	1,6
	103-2	The management approach and its components	85-86	
	103-3	Evaluation of the management approach	85-86	
	GRI 405: Diversity and Equal Opportunity			
	405-1	Diversity of governance bodies and employees	88, 121	
405-2	Ratio of basic salary and remuneration of women to men	85		

Standard	Index	Description	Page	UNGC – COP
GRI 406: Non- discrimination	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	85	1,2,6
	103-2	The management approach and its components	85	
	103-3	Evaluation of the management approach	85	
	GRI 406: Non-Discrimination 2016			
	406-1	Incidents of discrimination and corrective actions taken	85	
GRI 407: Freedom of Association and Collective Bargaining	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	95	1,2,3
	103-2	The management approach and its components	95	
	103-3	Evaluation of the management approach	95	
	GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	77		
GRI 413: Local Communities	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	62, 70	NR
	103-2	The management approach and its components	62, 70	NR
	103-3	Evaluation of the management approach	62, 70	
	GRI 413: Local Communities 2016			
	413-1	Operations with local community engagement, impact assessments, and development programs	62-71	
	413-2	Operations with significant and potential negative impacts on local communities	104-127	
	FS13	Access points in low-populated or economically disadvantaged areas by type	26, 28, 35	
	FS14	Initiatives to improve access to financial services for disadvantaged people	28-31, 43-45	
	GRI 414: Supplier Social Assessment	GRI 103: Management approach 2016		
103-1		Explanation of the material topic and its boundary	77	NR
103-2		The management approach and its components	77	NR
103-3		Evaluation of the management approach	77	
GRI 414: Supplier Social Assessment 2016				
414-1		New suppliers that were screened using social criteria	77	1,2,6
414-2	Negative social impacts in the supply chain and actions taken	77		

Standard	Index	Description	Page	UNGC – COP
GRI 417: Marketing and Labeling	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	126	8
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	GRI 417: Marketing and Labeling 2016			
	417-1	Requirements for product and service information and labeling	126	8
	417-2	Incidents of non-compliance concerning product and service information and labeling	126, no indicants in 2019	NR
417-3	Incidents of non-compliance concerning marketing communications	126, no indicants in 2019		
GRI 418: Customer Privacy	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	126-127	1
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	127		
GRI 419: Socioeconomic Compliance	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	124-126	NR
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	GRI 419: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	126	1	
Product Profile (Sector Supplement)	GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its boundary	23, 30, 35, 38, 40, 101	NR
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	Product Profile (Sector Supplement)			
	FS6	Percentage of the portfolio for business lines by specific region, size (E.G. micro/SME/large) and by sector	40	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	30-31, 40, 128	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	101-102	

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

promotion of astute financial behavior for costumers	GRI 203: Indirect Economic Impacts; GRI 413: Local Communities; Product Profile (Sector Supplement)
Innovation	GRI 102-2: Activities, Brands, Products and Services, Product profile (Sector supplement), GRI 102-15: Key Impacts, Risks, and Opportunities, GRI 203-1: Infrastructure Investments and Services Supported, GRI 203-2: Significant indirect economic impacts
Serving a diverse clientele and promoting financial inclusion	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 sustainability and protect the environment	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 the Implementation of the Corporate Responsibility 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 the GRI organization and found to be compliant with their Materiality Disclosures Service, referring to performance measures 102-40-102-49.

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 corporate responsibility program for fourteen 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 2019 and during 2020, up to the date of publication of the report. During this period, the bank maintained its trajectory in implementing and embedding corporate social responsibility.

Process description

- A. Update and improvement of information infrastructures and corporate responsibility management metrics** – The department's consultants examined the corporate responsibility 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 corporate responsibility in core activities and in the various units** – In this area, the process of embedding corporate responsibility 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:

- ◆ **Responsible investments (ESG investments)** – In 2019, the bank chose to promote responsible investments, in which environmental, social, and corporate governance parameters are included in the examination of the investment, beyond its financial return. The bank has promoted responsible investments by indicating ESG ratings of global equities for interested customers, developing dedicated financial products in this area, and including companies with high ESG ratings in its own investment portfolio. Investments are an area in which the bank has material influence; the promotion of responsible investments represents an opportunity to create a significant and extensive economic, social, and environmental impact for the bank and its stakeholders. These processes, together with the allocation of "shared value" credit (which helps to promote social and/or environmental added value), constitute important steps advancing positive indirect effects as a result of the activity of the bank. Beyond the continued promotion of this activity, with added depth, we recommend the expansion of reporting and detailed information in this area.
- ◆ **Environmental risk management** – Environmental risks in financing are examined at the bank both from the perspective of examination of the potential environmental risk, including the risk of loss as a result of failure to comply with environmental directives, and examination of additional risks, such as reputation, operational, and legal risks. We recommend continued development of the environmental risk management policy.
- ◆ **Community focus** – The bank implemented a new policy for investment in the community in 2019, selecting four focus areas for social impact aligned with its core business and with the issues essential to ensuring the resilience of Israeli society. We see this process of higher focus as a significant step, which will increase the bank's social return. We recommend to continue and measure the effectiveness of community investments.

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 social and environmental responsibility.

The Corporate Social Responsibility Group
BDO Consulting Group
June 2020



Quality Assurance Declaration Bank Hapoalim 2019 Corporate Responsibility 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**. 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 May 2020, Bank Hapoalim asked the institute to perform a quality assurance process for its 2019 CSR report. The quality assurance process was performed by Dr. 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 Dr. 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 corporate responsibility 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. Dr. 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 topics from the reporting process 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.



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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 report, thirteenth in number, continues the tradition of excellence of Bank Hapoalim in all aspects of attaining the highest global standards of reporting.

Key remarks

This report, the thirteenth corporate responsibility 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 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 first-time disclosure of ESG rating results awarded to the bank by various international rating agencies, and the development of responsible investment tools. It appears that this issue, which is at the core of the bank's responsible activity, is now receiving the appropriate degree of attention.

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

- ◆ **Management of social risks as part of the management of credit risks** – When seeking to manage ESG risks in financial activity, attention may not be divided equally among the three components of this approach (environmental, social, and governance); we understand that at this time, great effort is being directed into the management of environmental risks. However, social and governance risks exist alongside the environmental risks, and I believe activity in this area should expand to also encompass these important content areas.
- ◆ **The coronavirus** – Although the effort to cope with the virus and its economic and social ramifications is occurring in 2020, the bank chose to include initial information about the way it has addressed these issues. In advance of the publication of the next report, for 2020, I recommend continuous monitoring by the bank of the actions taken and examination of the ways in which these activities have maximized value for stakeholders (alongside management of the risks arising from the anticipated economic turmoil, of course). Such added value should be central to the next report, and, of course, reflected in the materiality analysis.

Sincerely yours,

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

**The Corporate
Social Responsibility Institute**

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; the Samuel Neaman Institute, which is linked to the Technion; and the Department for Environment, Food and Rural Affairs in the United Kingdom (DEFRA), for Scope 3 emissions. Consumption data were supplied by the bank, under its responsibility. At the time of the preparation of this report, the Ministry of Environmental Protection has not published emission coefficients for 2019; the calculation of the bank's carbon footprint in Scopes 1 and 2 is therefore based on emission coefficients for 2018.

Calculation and reporting of the carbon footprint of Bank Hapoalim

The bank continued the consistent measurement of its carbon footprint in 2019, further to the transition to analysis of its carbon footprint according to the prevalent international standards and reporting to the Israel Greenhouse Gas Emission Recording System beginning in 2010. The total carbon footprint of Bank Hapoalim in 2019 stood at approximately 53,070 tons of carbon dioxide equivalent (CO₂eq). 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 (77%); the activity of the vehicle fleet (10.5%); and the acquisition of electronic equipment (9%). It is notable that without the inclusion of Scope 3 (which is reported voluntarily), at 6,446 tons CO₂eq, the carbon footprint of the bank would be approximately 46,624 tons CO₂eq, approximately 12% lower than the reported figure. The decrease in the bank's carbon footprint in 2019 in comparison to 2018 is approximately 5,249 tons CO₂eq, or approximately 9%. This annual reduction mainly resulted from a decrease of approximately 3.6% in the electricity consumption of the bank, which led to a decrease of approximately 2,908 tons CO₂eq. In addition, approximately 47% of the electricity consumption of the bank is based on natural gas, through electricity purchased from Dorad, leading to savings of approximately 3,984 tons CO₂eq (approximately 9% of total Scope 2 emissions).

Summary of findings

Significant changes in the composition of the emissions:

- ◆ **Power consumption:** Total power consumption decreased by approximately 3.6% in 2019 compared with 2018.
- ◆ **Fuel consumption:** The bank's fuel consumption increased by approximately 8% in 2019; however, gasoline consumption for transportation increased by approximately 10%, while diesel consumption for transportation decreased by approximately 74%. In any event, emissions from transportation of the vehicle fleet of the bank increased by approximately 7.6%.
- ◆ **Coolant gases:** Total consumption and total emissions from gases containing new fluorine decreased by approximately 35%, including due to processes of improvement of efficiency of air-conditioning systems.
- ◆ **Paper consumption:** The annual paper consumption of the bank decreased by approximately an additional 11%, further to the trend of recent years.
- ◆ **Sewage:** Responsibility for emissions resulting from the treatment of sewage of 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 in the following three scopes:
 - ◆ Scope 1 direct emissions – consumption of gasoline and diesel fuel for transportation and generators, and emissions of coolant gases from air-conditioning systems;
 - ◆ Scope 2 indirect emissions – consumption of electricity;
 - ◆ Scope 3 indirect emissions – consumption of paper, consumption of toners, acquisition of electronic equipment, consumption of water, flights, and employees' hotel stays.
- ◆ The bank conducts extensive environmental activity, as described in this report; however, these efforts are not reflected in the reduction of greenhouse gases and in the carbon footprint calculation. Thus, various waste collection and recycling activities contribute to the reduction of pollutants and toxins in employees' environment, in landfills, and in the environment in general, but do not reduce greenhouse-gas emissions. These activities include recycling of electronic waste, bottles, and beverage cans, and the collection of batteries and fluorescent bulbs, including safe recovery and burial of mercury.

The Corporate Social Responsibility Group

BDO Consulting Group

June 2020

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