



MIZRAHI TEFAHOT

Corporate Social Responsibility Report 2019

Contents

Message from the Bank Chairman and from the Bank President & CEO	4
Words from the Corporate Social Responsibility Officer	6
2019 Summary of Bank Performance	10
Mizrahi-Tefahot Group	12
Bank operations during the Corona Virus pandemic	22
Corporate social responsibility management concept at Mizrahi-Tefahot Group	25
About the seventh corporate social responsibility report	30
Identifying material issues related to corporate social responsibility	31
Investing in clients	34
Our clients	36
Client experience	37
Products and services to promote the client experience	38
Providing solutions for a wide range of clients	47
Promoting dialogue and listening – our way of understanding the needs of our clients.....	56
Enhancing client satisfaction	57
Fairness and transparency towards clients.....	61
Responsible marketing and advertising.....	62
Fairness in product and services.....	62
Information security and keeping information confidential.....	65
Promoting common value	69
Development of environmental and social products.....	69
Financial education	73
Looking forward.....	74
Investing in the community	76
Impact on Israeli society through involvement and volunteer work.....	78
Stronger community involvement	81
Promoting social NGOs and businesses	84
Promoting financial education	86
Promoting education and society.....	88
Employee volunteer work.....	94
Involvement with cooperation, dialogue and feedback.....	96
Reinforcing Israel's economy through responsible supply chain management	99
Looking forward.....	104

Investing in employees	106
Mizrahi-Tefahot employees	108
Responsible work environment.....	109
Mizrahi-Tefahot family.....	110
Promoting fair work environment and employment terms	115
Diversity, equality and avoiding discrimination in employment.....	121
Caring for employee well-being.....	127
Employee training and development.....	131
Training employees on human rights topics.....	132
Dialogue with employees	137
Looking forward.....	140
Investing in the environment	142
Group responsibility for the environment	144
Responsible resource consumption – energy efficiency.....	144
Energy efficiency measures for reducing fuel consumption.....	148
Reducing paper consumption	149
Waste and recycling	151
Water consumption.....	151
Management and reduction of carbon footprint	152
Increased awareness of environmental issues Campaigns to promote recycling by employees.....	154
Indirect impact	154
Dialogue on environmental issues.....	155
Looking forward.....	156
Commitment to accountable conduct	158
Group commitment to accountable conduct.....	160
Mizrahi-Tefahot Board of Directors.....	160
Deployment of business ethics.....	170
Commitment to regulatory compliance	173
Commitment to preventing corruption.....	177
Risk management and control.....	183
Management of environmental and social risk	188
Looking forward.....	190
Quality assurance certification and Combined index	192

Message from the Bank Chairman and from the Bank President & CEO

Dear readers,

We proudly present you with the 2019 Corporate Social Responsibility Report for Mizrahi Tefahot Group, which encompasses a year of social, environmental and economic activity. This report extensively reviews the Group activity with regard to corporate social responsibility, in testimony of the realization that as well as maintaining business leadership and excellence, the Bank must also act to generate added value for the community in which we do business.

This activity and reporting are integral to our core business and organizational culture, based on understanding of the close link between business excellence and a responsible, ethical perception. Being a major financial institution in the Israeli economy, we are committed to stake holders to act responsibly and transparently and to invest resources to benefit society and the environment.

This report shows that Mizrahi-Tefahot Bank continues to adhere to its unique service concept, which places the personal banker in the branch at the center of the client relationship. The hybrid operation model, incorporating a personal banker and a range of advanced digital channels, has allowed us to continue generating value for our clients while keeping in contact with clients by various means. Along with the business efforts, we continued to invest in streamlining steps to safeguard the environment, social involvement in diverse projects and supporting our community, creating a fair, appropriate and responsible work environment for our employees and ensuring appropriate corporate governance.

Financial results for 2019 reflect new records for a range of key topics and parameters of Bank operations, with accelerated expansion and faster growth than anticipated in our plans. This has allowed us to bring forward by two years the schedule for the current strategic plan, launched in 2017, and to achieve today the targets we have set for ourselves for the end of 2021.

The distinct service concept of Mizrahi Tefahot Bank continues to bear fruit, as a key factor in the Bank's success among both existing and new clients. The opinion of Mizrahi-Tefahot clients about the service they receive from the Bank is evident from two objective surveys, conducted by the Bank of Israel in 2019, which surveyed the satisfaction of all bank clients in the household and small business segments. In both these surveys, Mizrahi-Tefahot was ranked first in overall satisfaction with the bank, and with service at branches in particular, as well as in client willingness to recommend their bank to others. Our client base has continued to grow in the past year, with tens of thousands of new clients who have joined us.

It is obvious to us that client satisfaction is based on the bank employees going beyond the call of duty, to provide optimal, professional and fair service to clients. The bank sees the great importance of empowering its human capital; therefore we take action designed to promote and develop the bank's employees, whom we regard as full-fledged partners in its operations.

Moreover, the Bank sees itself as obligated to show involvement in the community, to support populations with disabilities. to assist NGOs and businesses which promote social goals and to promote financial education for informed economic conduct. Our activity in the community is a source of pride for us, with these activities carried out with involvement of Bank employees, their families and even Bank clients.

In recent months, the world has been in turmoil due to the Corona Virus outbreak. Along with the severe health implications, the rapid outbreak of the Corona Virus sent a sizable economic shock throughout the world. Israel, as most countries in the world, experienced within a short time sharp decline in economic activity, significant increase in unemployment and severe fluctuations in financial markets.

In order to comply with directives of the Ministry of Health and of the Bank of Israel, while maintaining continuous service available to clients, the Bank went into emergency operation with limited staff, while taking all necessary precautions to provide maximum protection to the health of employees and clients alike. In order to provide optimal response to clients, we provided clients with phone banking centers and diverse direct channels of the Bank were available to clients, allowing them to obtain information, execute transactions and schedule meetings with bankers at branches. Thanks to optimal operational preparations, the Bank's mortgage headquarters received and approved, within a short time, applications from many clients who asked to defer their mortgage payments for several months. The Bank provided similar response to both individual and business clients whose income was impacted by the crisis. Concurrently, the Bank rapidly and efficiently prepared to provide loans to small, medium and large businesses from State-guaranteed funds.

This year, too, Mizrahi-Tefahot Group is proud to partner on ethics-based action and is committed to further act in this spirit, for the benefit of its clients and investors, Group employees, the community and the environment. We shall continue to uphold the principles of the UN Global Impact initiative, including preserving human rights, employment standards, environmental protection and the fight against corruption, and we shall continue to promote achievement of UN Social Development Goals (SDG) across our operations.

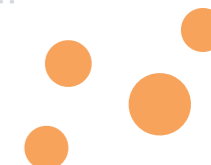
This report is another communication channel with our stakeholders, with the intention of fostering open, transparent dialogue on all of the issues contained therein. We invite readers of this report to comment on it and to share with us, so that we may build upon our actions in these important matters.

We wish you a pleasant read,

Mr. Moshe Vidman
Chairman of the Board of Directors

Mr. Eldad Fresher
Bank President & CEO

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....



Words from the Corporate Social Responsibility Officer¹

Mizrahi Tefahot Group is publishing, for the seventh year in a row, this corporate social responsibility report to the public and to stake holders, providing an overview of Group operations in Israel and world-wide in 2019, with emphasis placed on social and environmental issues. Issues and considerations related to corporate social responsibility are included in Group operations on daily basis, based on the understanding that incorporating them in business operations generates value both for the Group and for stake holders thereof. This area is managed at the Group in an orderly fashion, with on-going dialog with all stakeholders (including customers, employees, suppliers, the community, investors and regulators), integrating the work of multiple entities and requires significant coordination and preparation, in order to lead processes with long-term impact.

In 2019, we continued to make progress in diverse areas:

With clients – As part of the Bank's unique strategy, which places the personal banker in the branch at the center of the client relationship, along with a range of advanced digital channels, we have expanded our service offering by opening five new branches. We have also expanded our service offering targeted at various segments and have adapted these, such as the new product targeted at the Jewish Orthodox sector named "Supportive parent deposit", which incorporates both deposits and mortgages, allowing parents to support their children when taking out a mortgage. This year, too, we continued to lead the client satisfaction ratings. Two surveys conducted by the Bank of Israel in 2019 show that the Bank enjoys the highest satisfaction ratings in the banking system.

With the community – This year, we increased our investment in the Group's community-social activity by 18.6% over 2018, with emphasis placed on employee involvement and volunteering in the various projects. In 2019, we reviewed and revised the Bank's social involvement strategy. We aligned this strategy with the Bank's business strategy and with local and global trends. As part of the strategy review process, we assessed the alignment with Bank values, the capacity to engage employees, relevance for social issues in Israel and world-wide and connecting with innovation. In 2019, the Bank expanded its involvement in the community, through support for and investment in social ventures and businesses, such as becoming an anchor investor in social-oriented debentures, designed to improve student achievements in top-level mathematics studies (4/5 units) in the city of Rahat.

1. GRI 102-40



With employees – This year we saw continued growth in the number of Bank employees, while maintaining a pleasant work environment, ensuring strictly fair employment terms and providing a high-quality and well-regarded work place. Each Bank employee is an employee of the Bank for all intents and purposes, with many options for promotion and growth. In 2019, some 99% of employees and managers who were promoted were Bank employees, with significant investment in training, incorporating professional courses, managerial training, personal development and empowerment. Bank employees enjoy a range of benefits throughout their service and even after retiring, as well as well-being activities for employees and their families. All Bank employees are entitled to benefits, without distinguishing between regular and provisional employees.

With regard to the environment – The Bank continues to act in order to increase awareness of environmental protection and to minimize the negative impact of its operations through activities designed to increase recycling, increase efficiency and reduce consumption.

We promote multiple initiatives for reducing paper consumption. In 2019, these initiatives achieved savings of approximately 75 million pages, or savings of 53 tonnes of CO₂ out of the Group's carbon footprint.

In 2019 we also reduced our carbon footprint intensity (per employee) by 9% and our power consumption by 4.7%.

Code of Ethics – In 2019, the Bank's Code of Ethics was revised. The Code was revised through dialog with employees and managers, to consider how the different values were deployed and how relevant they were. The revised Code provides further focus on values with a new value added – social and community responsibility – which is all about environmental and social issues. The Bank constantly reviews the implementation of the Code of Ethics through meetings, focus groups and diverse training.



Management of corporate social responsibility at the Bank – This year as well, we continued to intensify the integration of Sustainable Development Goals set by the United Nations (SDGs) into the Group work plan. The combination of objectives and the link to reporting the Bank's social and environmental activities reinforces our commitment to promoting sustainable business operations. Throughout the report, you can read about comments by the Group and Group activities to promote these goals.

This report is being published when the world is facing the Corona Virus pandemic. Being a large organization, we addressed the challenges posed by this un-certainty on multiple levels, with the intention of providing a response to needs in the field of various stake holders.

At the outbreak of the crisis and when movement restrictions applied to local residents, the Bank operated on multiple levels:

With clients – The Bank informed its clients that personal bankers were available to them through direct channels, and advertised a range of products that may provide a solution for current needs, such as deferring mortgage payments, customized lending solutions for the business sector and optional deferment of payments for existing loans.

With employees – In compliance with directives of the Ministry of Health and of the Supervisor of Banks, the Bank reduced activities at branches and headquarters units. All non-essential employees for operating the Bank at this reduced format were placed on leave, and as for the remaining employees – the Bank applied a range of measures designed to protect them. During the crisis, the Bank maintained constant contact with all employees, both at work and at home, providing essential information and relief activities for employees and their families.

In the community – The Bank allocated funds designated for activities and encouraged Bank employees and their family members to volunteer in support of NGOs helping under-privileged populations during this period (the elderly, families in need, children and youth with disabilities staying at home).

We hope that this period would soon be over and we would resume the normal course of life.

We set ourselves a goal to continue to act with fairness and transparency, which are fundamental values of the Bank, and to keep reporting in future on our progress with regard to corporate social responsibility. A fair, transparent relationship with all stake holders, and in particular with clients who are the focal point of our business operations, is the basis for our earned trust and mutual success.

Allow me to also thank all employees and managers at all Bank levels, who help in our daily work, in putting together this report and in publishing it.

We would be glad to receive comments on this report and on our actions related to corporate social responsibility – from all stake holders.

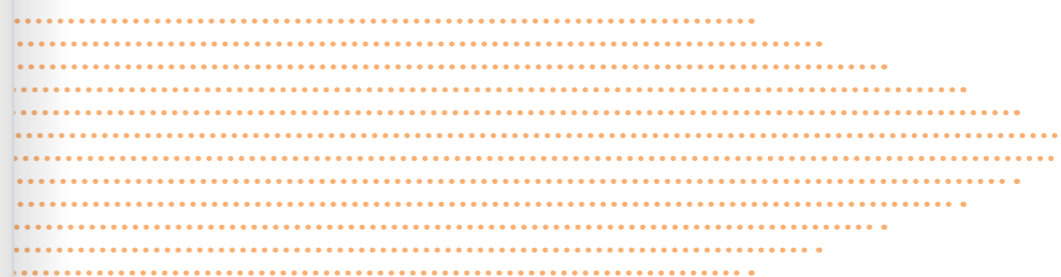
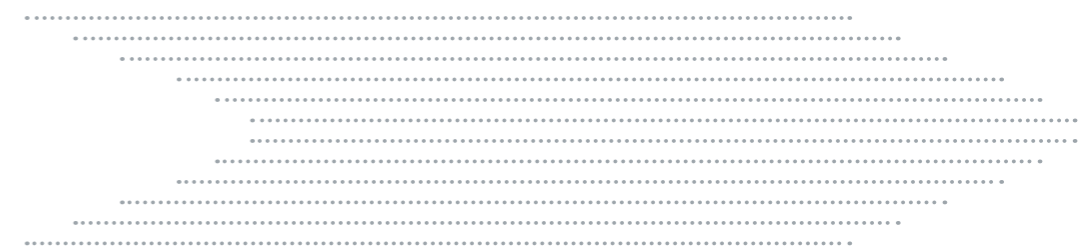
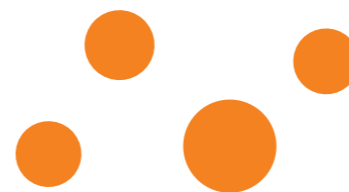
Corporate social responsibility – for the environment and the community

in which we live!

Sincerely yours,

Ms. Tamar Saffer, Corporate Social Responsibility Officer

For inquiries about this report – 03-7559675 // saffert@umtb.co.il // Mizrahi-Tefahot Bank, P.O. Box 3470, Ramat Gan



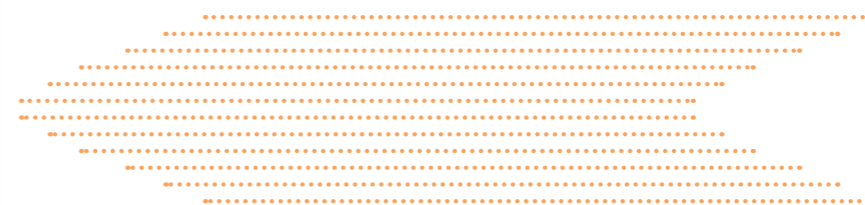
2019 Summary of Bank Performance

 <p>Corporate social responsibility</p>	'Reporting pursuant to the 'GRI standard	
	Voluntary reporting	
	Adoption of Global Compact principles	
	Ma'aleh Rating	
 <p>Economic</p>	(Provision for taxes (NIS in millions)	1,029
	(Dividend distribution (NIS in millions)	561
	(Retained economic value (NIS in millions)	1,728
	(Pre-tax profit (NIS in millions)	2,954
	(Net profit for the Bank (NIS in millions)	1,842



Data as of December 31, 2019

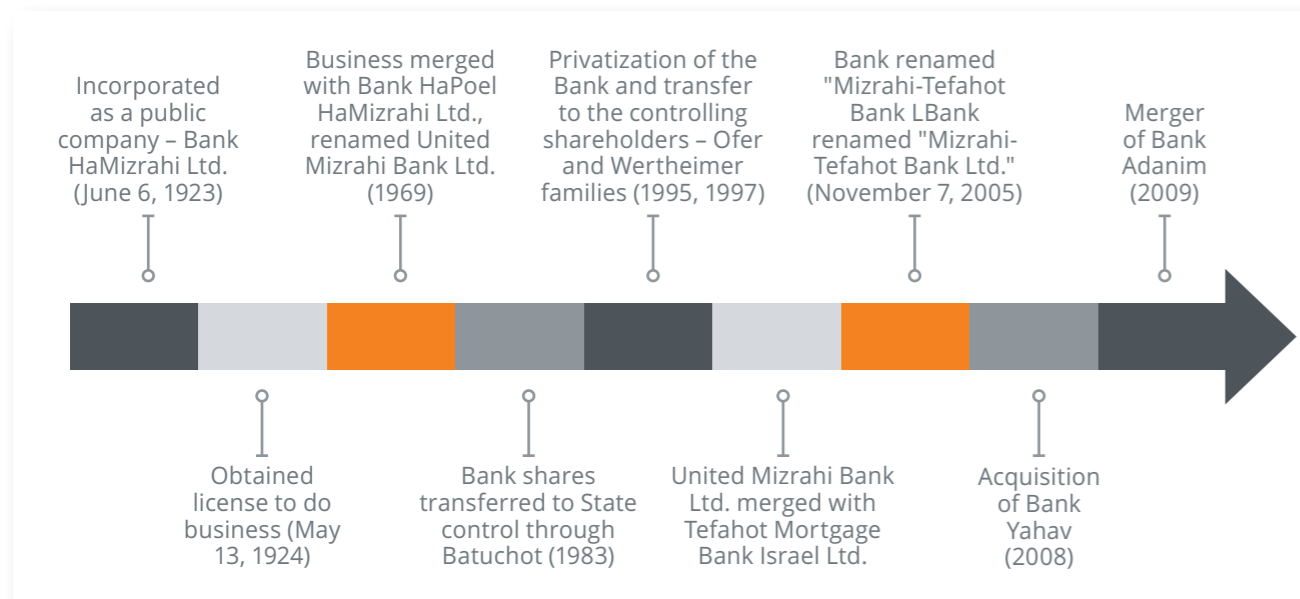
 <p>Social</p>	Number of branches for the Group	198
	Investment in social-oriented debentures over the (next five years (NIS in millions)	3.6
	(Loans to micro and small businesses (NIS in millions)	20,857
	(Loans to households – housing loans (NIS in millions)	134,637
	(Loans to environmental products (NIS in millions)	600
	Loans to social products	895.5
	(Total payments to suppliers (NIS in millions)	1,300
	Percentage of local procurement	96%
	(Investing in the community (NIS in millions)	19.1
	Number of Group employees	6,531
	Percentage of employees subject to collective bargaining agreements	93%
	Percentage of female senior executives	42%
Percentage of employees recruited from under-employed demographics	8.5%	
Percentage of employees who received feedback	100%	
Employee turnover	9%	
Average training hours per employee	50	
(Investment in training for employees (NIS in millions)	55.2	
 <p>Environmental</p>	Reduction in carbon footprint	7.85%
	Emissions saved due to environmental initiatives of (the Bank (tonnes of CO2)	529
	Paper savings due to initiatives to reduce paper (consumption (tonnes)	75.2
	Power savings due to initiatives to reduce power (consumption (KWh)	269,000
	Fuel savings due to initiatives to reduce fuel (consumption (liters)	10,000



Mizrahi-Tefahot Group

The Bank attaches great importance to generating direct and indirect value to stake holders by virtue of its activities. This value is reflected by Bank contribution to economic growth, by providing banking solutions to individual and business clients, by the commitment to empowering the community in areas where we do business, by strict adherence to fair remuneration of Bank employees and managers, by providing employment to thousands of employees and by duly paying taxes to the State – along with creating value for investors.

The Bank maintains that its capacity to create social economic value for stake holders would ensure its success over time and would also contribute to creating economic value for shareholders. Thus, the Bank is acting to properly prepare for future challenges and for business continuity for critical services under various scenarios and in providing service to clients even in emergencies, in as much as possible. Bank operations with regard to business continuity aspects are incorporated in a specific policy.



Mizrahi-Tefahot Bank Ltd. was one of the first banks to be established in Israel. The Bank was incorporated as a public company in 1923, under the name Bank HaMizrahi Ltd., and started doing business in 1924. In 1969, upon the merger with Bank HaPoel HaMizrahi Ltd., the Bank was renamed United Mizrahi Bank Ltd. In 1983, as part of an arrangement between the Government of Israel and the banks, Bank shares were transferred to Government control. In 1995 and 1997, the Bank was privatized in two stages, and was transferred to control of the present controlling

shareholders. Following the merger with Tefahot Mortgage Bank Israel Ltd., in November 2005 the merged entity was renamed Mizrahi-Tefahot Bank Ltd. – its current name.

As of 2019, the Group Board of Directors is headed by Mr. Moshe Vidman and the Bank President & CEO is Mr. Eldad Fresher.

Group and Bank operations

The Bank Group is one of the top five banking groups in Israel, doing business in Israel and overseas. The Bank Group is engaged in commercial banking (business and retail) as well as mortgage activities in Israel, through a nationwide network of 198 branches and business centers. Furthermore, business clients are supported by business centers and professional departments at Bank headquarters, which specialize by sector.

As of 2019, the Bank's overseas operations are conducted via three bank affiliates (two branches and a subsidiary).

In addition to its banking activities, the Bank Group is engaged in various activities related to the capital market, including Consultancy for capital market activities, distribution and operation of mutual funds, management of securities portfolios for clients, pension advisory service, trust services, provision of registration services for securities listed on the stock exchange in Israel, operation of provident funds and insurance incidental to mortgages. The Bank Group also engages in credit operations and participates in syndication deals.

Group share out of the Top five bank groups (as of December 31, 2019):

Loans to the public	19.5%
Deposits from the public ¹	16.6%
Total assets	17.0%
Shareholders' equity	13.7%

Clients of various supervisory operating segments

The Group serves clients in different operating segments, in conformity with the definitions of the Supervisor of Banks. Attribution to operating segments is usually determined according to client turnover (annual sales or revenues).

Supervisory operating segments are as follows:

- **Households** – individuals, other than private banking clients.
- **Private banking** – individuals who manage a financial asset portfolio in excess of NIS 3 million at the Bank.
- **Small and micro businesses** – businesses with turnover amounting up to NIS 50 million.

1. The Bank Group's share of deposits from the public, among the five top bank groups, excluding deposits from institutional investors, as of December 31, 2019 was 15.6%, compared to 15.5% as of December 31, 2018.

- **Medium businesses** – businesses with turnover higher than NIS 50 million and lower than NIS 250 million.
- **Large businesses** – businesses with turnover higher than NIS 250 million.
- **Institutional investors** – Provident funds, pension funds, study funds, mutual funds, ETFs, insurance companies and stock exchange members who manage client portfolios.
- **Financial management** – includes trading operations, asset and liability management and non-banking investments.
- **Overseas operations** – presented separately from operations in Israel, divided into individuals and business operations.



Key products offered by the Bank's different operating segments

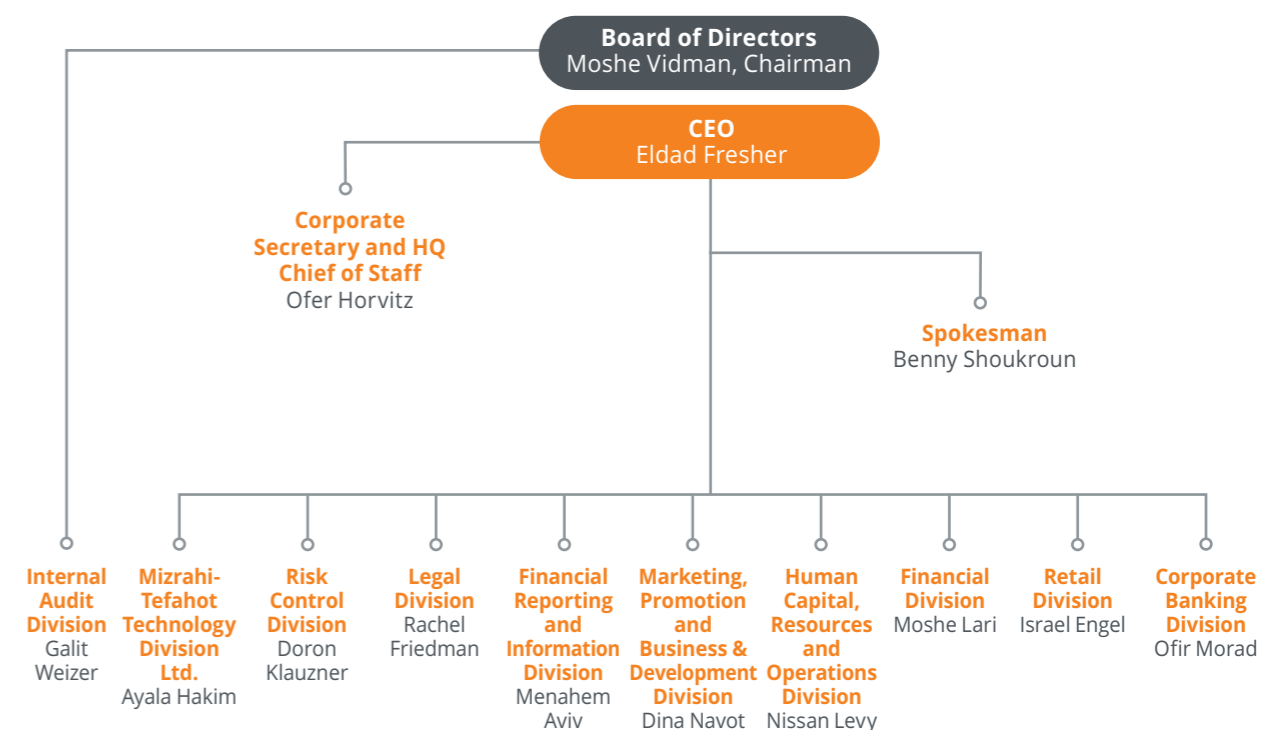
- **Banking and finance** – An array of banking services offered to private and corporate clients, including management of checking accounts, provision of a current loan account, different kinds of credit and guarantees, factoring, receiving deposits, foreign trade activities (imports, exports, documentary credit, etc.), trading in derivative instruments, including trading in currencies and interest rates, etc.
- **Capital market** – security transactions for clients on stock exchanges in Israel and overseas, provident fund and mutual fund operating services and mutual fund operation and distribution and trust services for mutual funds and debentures, which are among investment tracks available to Bank clients.
- **Credit cards** – All financial products and banking services provided in conjunction with credit cards issued to Bank clients by credit card companies in Israel.
- **Mortgages** – Housing loans secured by charges on a residence, out of the Bank's funds and within the framework of government aid programs.
- **Construction and real estate** – banking operations vis-à-vis companies in the real estate sector, as well as unique banking services for the real estate sector, including the financing of real estate products by the closed financing method.

The Group does not offer nor sell financial products and services that have been banned or prohibited.

Organizational structure as of January 1, 2020¹

The Bank's organizational structure is intended to support achievement of Bank objectives and realization of its business plan.

On December 12, 2019, the Bank's Board of Directors approved the recommendation by the Bank President & CEO for a re-organization at the Bank, as from start of 2020. The roles and responsibilities of the Human Resources and Administration Division have been expanded to cover all resources and operations at the Bank, and this division was renamed the Human Capital, Resources and Operations Division. The Planning, Operations and Client Asset Division was eliminated, such that the various units thereof responsible for resources or for operations are now part of the Human Capital, Resources and Operations Division and the units responsible for client assets are now part of the Retail Division (financial advisory service and Etgar Investment Portfolio Management Company of the Mizrahi Tefahot Group Ltd.) or of the Finance Division (provident fund operations and Mizrahi-Tefahot Trust Company Ltd.), respectively. The Planning & Economics Department is now part of the Accounting Division, renamed the Financial Information and Reporting Division, in charge of information, information analysis and financial reporting. Furthermore, a new unit has been established, reporting to the Bank President & CEO, in charge of the Bank Secretary and headquarters management operations. This change would help the Bank in maintaining optimal operational efficiency, while grouping all capital market operations under the Finance Division, with all branch operations transferred to the Retail Division.



1. Due to the change in organizational structure made on January 1, 2020, we present the current information rather than the organizational structure as of December 31, 2019.

Financial performance in 2019¹

In 2019, Bank Group revenues amounted to NIS 7,306 million and operating expenses (including payroll) amounted to NIS 3,988 million. "Retained economic value" in this year amounted to NIS 1,728 million.

Net profit for the Group in 2019 amounted to NIS 1,842 million, compared to NIS 1,206 million in the previous year – an increase by 52.7%.

Multi-period profit data shows:

- Achievement of targets for return on equity (11.9% in 2019, compared to a target of 11.5% for 2021, according to the strategic plan) and for cost-income ratio (54.6% in 2019, compared to a target of 55% for 2021, according to the strategic plan), as stipulated in the Bank's strategic plan.
- Double-digit growth in financing revenues from current operations.
- Strong revenue growth, compared to moderate increase in expenses (excluding extraordinary expenses in 2018).



1. This report is not a financial statement. The Bank reports its audited financial information in its annual financial statements, which are prepared in conformity with generally accepted accounting policies in Israel (Israeli GAAP) and in conformity with Public Reporting Directives of the Supervisor of Banks. Operating and other expenses in 2018 included a provision amounting to NIS 546 million with respect to the investigation by the US DOJ. For information about approval by the Bank's Board of Directors of signing a DPA agreement with the US Department of Justice to conclude the investigation into the Bank Group's business with its US clients, see Note 26.C.12 to the Bank's financial statements.

Group economic value

Financial data, NIS in millions		2016	2017	2018	2019
Economic performance	Interest and non-interest revenues	5,640	6,000	6,889	7,306
	Operating and other expenses	3,299	3,611	4,384	3,988
	Provision for taxes	833	806	922	1,029
	Dividend distribution	186	334	247	561
	Retained economic value	1,322	1,249	1,336	1,728
	Pre-tax profit	2,141	2,197	2,195	2,954
	Net profit for the Bank	1,266	1,347	1,206	1,842
Trade receivables	Number of branches for the Group	184	187	193	198
	Loans to the public	171,341	181,118	194,381	204,708
	Of which:				
	Loans to micro and small businesses	15,126	16,716	18,977	20,857
	Loans to medium businesses	4,786	5,779	6,585	7,063
	Loans to large businesses	12,525	14,833	16,236	15,152
	Loans to institutional investors	2,586	1,166	1,331	1,563
	Loans to households – housing loans	114,070	119,559	126,105	134,637
	Loans to households – other	18,945	19,824	20,932	21,632
	Loans to private banking	81	117	98	224
	Loans for overseas operations	3,223	3,123	4,117	3,580
	Loans to environmental products	445	448	1,103	600
	Loans to social products	437	646	640	895.5
Suppliers and community	Total payments to suppliers	1,117	1,214	1,200	1,300
	Percentage of local procurement	91%	94%	95%	96%
	Investment in the community	14.3	14.7	16.1	19.1
Employees	Number of Group employees	6,185	6,354	6,444	6,531
	Payroll expenses	2,035	2,271	2,407	2,562

Tax payments at overseas affiliates

Tax liabilities of Bank subsidiaries is determined based on applicable tax rates in those countries. For overseas branches, the Bank supplements the tax indebtedness based on the tax rate in Israel. (For more information about performance of overseas subsidiaries, see the Group's 2019 financial statements, p. 58).

Government support

In 2019, the Group received no subsidies, tax relief, incentives or other economic benefits from the Government of Israel nor from governments of other countries in which the Group operates. Furthermore, the Bank received no economic aid from export credit agencies.

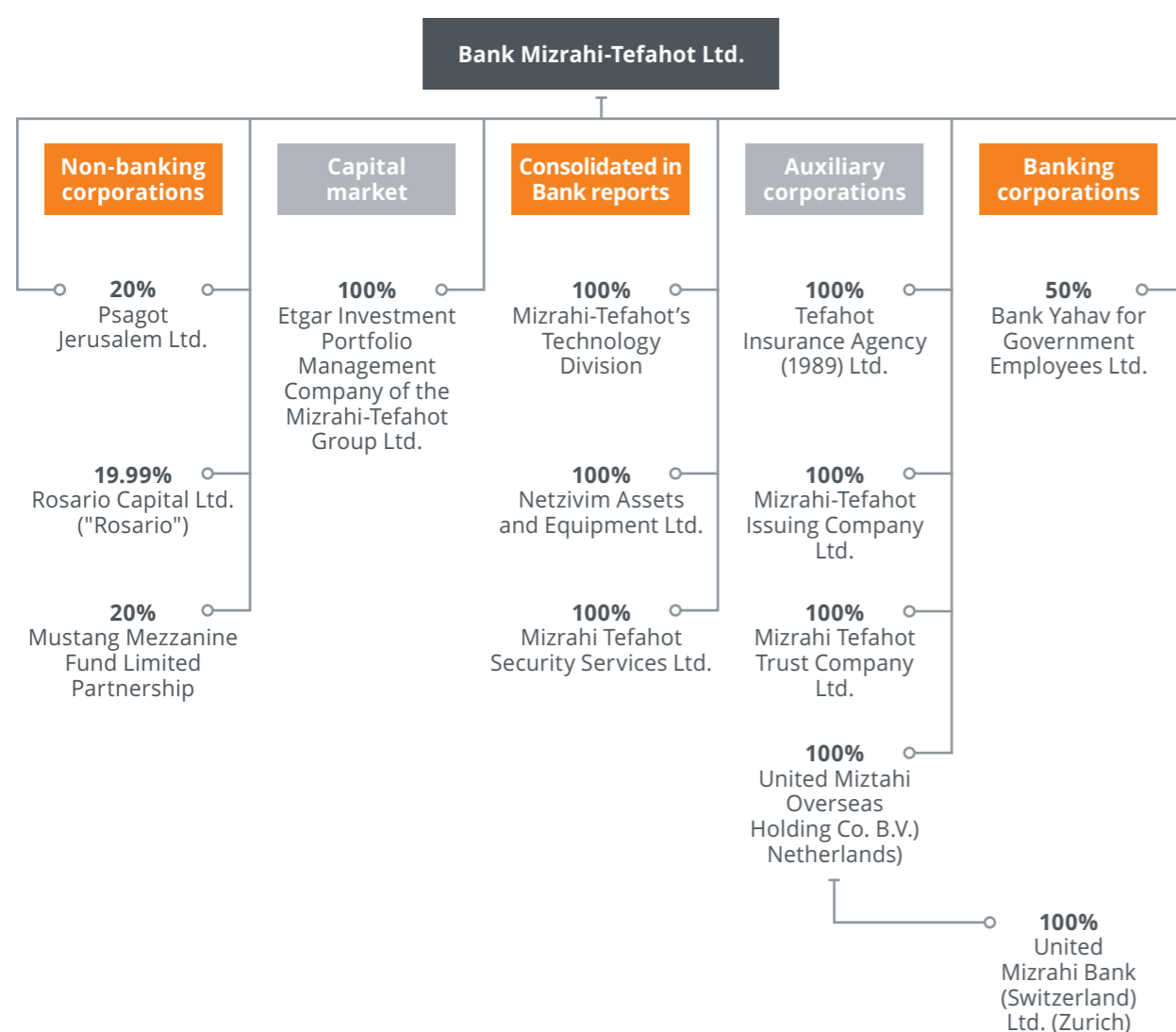
Holding structure and control¹

As of December 31, 2019, the controlling shareholders of the Bank are Wertheim Group, holding 21.61% of capital and voting rights, and Ofer Group, holding 22.22% of capital and voting rights.

Further information on the holding and control structure can be found in the Group's 2019 financial statements, pp. 274-275.

Further information on the holding and control structure can be found in the Group's 2019 financial statements, pp. 274-275.

Holding structure of key Group entities²



Further information about investees and investments therein can be found in Note 15 to the Group's 2019 financial statements (p. 146).

1. GRI 102-45

2. The Bank has holdings in other companies which are not material for Bank business.



Events and material changes at the Group in 2019

Addendum to the agreement with Bank Igud shareholders – In conformity with the resolution by the Bank's Board of Directors dated November 27, 2017, the Bank signed an agreement with controlling shareholders of Bank Igud Le-Israel Ltd. (hereinafter: "Igud"), who jointly hold 47.63% of Igud's issued and paid-up share capital, to acquire the shares of Bank Igud and to merge it with the Bank by way of exchange of shares (hereinafter: "the agreement"). Moreover, prior to signing this agreement, notice was received from another Igud shareholder who holds (through Trustees) approximately 27.12% of Igud's issued and paid-in share capital (hereinafter: "the other shareholder"). According to this agreement, as noted in the 2017 Report of the Board of Directors and Management, subject to fulfillment of suspensive conditions highlighted in the agreement, the Bank would issue a full exchange tender offer (hereinafter: "tender offer") to purchase Bank Igud shares and, conversely, the controlling shareholders and the other shareholder committed to accept the tender offer, to be completed subject to suspensive conditions set forth in the agreement.

On December 30, 2019, the parties to the original agreement signed Addendum no. 3 to the original agreement, which stipulated that deadline for fulfillment of conditions for publication of the purchase offer for Igud shares by the Bank is January 26, 2020. Furthermore, the Bank received notice from the Trustee holding Igud shares on behalf of the other shareholder, whereby the joining notice would expire on one of the dates listed in the notice (hereinafter: "**Addendum no. 3**").

On January 8, 2020, the Bank received to he Supervisor's decision with regard to setting potential conditions to eliminate concern of impacting competition, whereby the Bank and Igud would not take any action constituting a merger prior to final and irrevocable sale of operations of Igud or of the Bank providing credit to the diamond sector ("**the sold operations**"). This decision includes provisions and conditions with regard to the buyer of the sold operations, and stipulates that the buyer's identity and the scope of the sold operations are subject to prior written approval by the Supervisor. The decision also includes provisions with regard to the period through the transfer of the sold operations to the buyer. As for the condition regarding the percentage of the Bank's on-balance sheet assets out of those of the entire banking system, according to the Supervisor's decision, the Bank and Igud would not take any action constituting a merger, unless the requirement of additional capital for large banks set forth in this directive would only apply to banking corporations whose total on-balance sheet assets account for 24% or more of total on-balance sheet assets for the entire banking system. Moreover, the Supervisor's decision lists

certain actions that would not count as starting a merger, with regard to the aforementioned merger provisions.

On January 27, 2020 the parties to the original agreement signed Addendum no. 4 to the original agreement, whereby inter alia they would appeal the Supervisor's decision of January 8, 2020 with regard to conditions for approval of the merger. It further stipulates that the deadline for fulfilling the conditions for publication of the tender offer is delayed to May 31, 2020, and the "appeal acceptance date" (as defined in report dated August 5, 2018, (reference no. 2018-01-07285)), would be the date to be agreed by the parties, based on which the "deadline for issuing the Tender Offer" and the "date of the Effective Financial Statements" would be determined (hereinafter: "**Addendum no. 4**"). In May 2020, such appeals were filed by the Bank, by Bank Igud Le-Israel Ltd. And by the controlling shareholders thereof. On May 31, 2020, the parties signed Addendum no. 5 to the original agreement (hereinafter: "**Addendum no. 5**"), which stipulates, inter alia, that the deadline for fulfilling the conditions for publication of the tender offer is delayed to August 31, 2020. Moreover, Addendum no. 5 stipulates other provisions similar to those of Addendum no. 4, as set forth above.

For more information about the agreement with Bank Igud shareholders, see chapter "Significant developments in management of business operations" in the Report of the Board of Directors and Management for 2017, Immediate Report dated May 30, 2018, reference 2018-01-053347, Immediate Report dated June 25, 2018 reference 2018-01-060643, Immediate Report dated August 5, 2018, reference 2018-01-072859, Immediate Report dated July 8, 2019, reference 2019-01-070000, Immediate Report dated November 25, 2019 reference 2019-01-101892, Immediate Report dated November 28, 2019 reference 2019-01-103980, Immediate Report dated December 30, 2019 reference 2019-01-115755, report dated January 1, 2020, reference no. 2020-01-000351, report dated January 8, 2020, reference no. 2020-01-003750, and report dated January 27, 2020, reference 2020-01-010362).

This information constitutes forward-looking information, as defined in the Securities Act, 1968 and based on assumptions, facts and data underlying the strategic plan and listed therein, which may fail to materialize due to factors not solely under Bank control.

Conclusion of term in office of the Bank President & CEO – On February 19, 2020, the Bank President & CEO, Mr. Eldad Fresher, announced his intention to conclude his term in office. On February 24, 2020, the Bank Board of Directors appointed a Board committee tasked with identifying candidates for the position of Bank President & CEO; the committee is headed by Mr. Moshe Vidman.

On June 8, 2020, the Bank's Board of Directors resolved to adopt the recommendation of the search committee, and to appoint Mr. Moshe Larry to be the Bank's next President & CEO, as from September 16, 2020. On July 2, 2020, the Bank received notice from the Supervisor of Banks that the Supervisor had no objection to appointment of Mr. Moshe Larry as President & CEO of the Bank.

For more information see Immediate Reports dated February 19, 2020, reference no. 2020-01-017268, and report dated February 24, 2020, reference: 2020-01-018846).

New five-year strategic plan for 2017-2021 – Given the Bank's achievements and changes to the macro-economic environment in Israel, on November 21, 2016 the Bank's Board of Directors approved a new five-year strategic plan for 2017-2021. In 2018, the Bank revised its dividends policy. For more information see page 18 of the 2018 financial statements.

Further to the Bank Board of Directors directing management to prepare for preparation of a

new strategic plan for 2021--2025, to be submitted for approval by the Board of Directors in the third quarter of 2020, in view of achievement of the target of the current strategic plan on the 2019 financial statements, due to the Corona Virus crisis and the uncertainty associated there with, the Board of Directors shall discuss the new strategic plan in late 2020.

For more information about the Bank's business goals and strategy for 2017--2021, see chapter "Business goals and strategy" of the 2019 Report of the Board of Directors and Management.

Streamlining plan – On December 27, 2016, the Bank's Board of Directors approved the streamlining plan recommended by Bank management, whereby early retirement would be possible for approximately 300 employees in 2017-2021, at optimal conditions. In 2019, the Bank continued the trend of streamlining and utilizing existing resources as follows: Streamlining of space and energy usage, improved branch location, further leveraging of infrastructure through temporary leasing to third parties of space used by the Bank as reserve, completed making Bank branches accessible, in conformity with the new accessibility regulations and continued planning of the Lod headquarters building.

For more information about material events and changes in Mizrahi-Tefahot Group, see the Group's 2019 financial statements.

Membership of organizations

The Bank is a member of the Bank Association and is active on the Association's Executive Board and Legal Committee. The Bank is member of the Public Company Association.



Awards and recognition

In 2019, as well, the Mizrahi-Tefahot brand was recognized for the sixth time in a row as an Israeli Superbrand by the international Superbrands organization, active in 70 countries around the world. The Superbrand title is the most coveted, prestigious international title in branding, awarded to brands and managers for outstanding marketing and managerial performance to an international standard. This prestigious title is evidence of the strength of ties between the brand and consumers in the country and of the fact that the brand provides consumers with more tangible and emotional benefits compared to other brands.

Bank operations during the Corona Virus pandemic



This report refers to Bank operations in 2019. However, when this report is being published, the world is facing the Corona Virus pandemic. Being a large organization, we addressed the challenges posed by this un-certainty on multiple levels, with the intention of providing a response to needs in the field of various stake holders.

Trade receivables

The Bank is classified as an essential service and invests all efforts to continue providing optimal service to clients by any means possible.

Communicating options for obtaining service and branches open to the public:

At the outset of the crisis and with travel restrictions imposed on citizens, the Bank advertised on mass media, to inform all clients that their personal bankers at Mizrahi-Tefahot were available to serve them through direct channels, by diverse means. On the Bank website and facebook page, the Bank published the business hours of "designated branches" where in-person service is provided. These branches provide cashier services by appointment only. The Bank also sent out SMS messages listing the different ways to get service, business hours and so forth, and also posted prominent banners at Bank branch entrances. All this information was conveyed, through mass media and by digital means, to the public at large, as well as by media designated for the Jewish Orthodox segment and for the Arab segment (in Arabic).

Revision and expansion of choice of options for service by digital:

- Increase in maximum amount for check deposit using the app.
- Online "mortgage suspension" form.
- Training videos for clients on how to use digital services and so forth.
- Articles providing tips on facing the Corona Virus crisis, for individuals and businesses.

Specific products to answer needs of individual clients:

- Re-launch of Tefahot credit card and "Mortgage to match your abilities", adapted to current market conditions.
- Mobile branch travelled across the country, from the Arava region to the far North, visiting nursing homes and neighborhoods that have no access to a Bank branch.
- Defer mortgage payments by four months.
- General-purpose loan for mortgage holders at Tefahot.
- Various deposits that are relevant to current market conditions.

- Adapting benefits of the "Card" club to current needs, offering benefits for products such as food and books delivered to your home.
- Issued debit cards allowing for cash withdrawal at ATMs, to enable persons that receive various support pensions to withdraw their money without the need to visit the branch.
- As part of "Let us meet at Mizrahi-Tefahot" and due to current conditions, a special Ramadan-themed activity took place, including broadcast of 3 special programs on TV channels popular in the Arab sector and on digital platforms.

Specific products to answer needs of the business sector

The Bank launched a range of specific products and customized lending products for the business sector, that may provide a solution for current needs:

- State-guaranteed loan in fast track, assisted by a personal banker.
- Loans from the Northern-Southern Fund for businesses in specific geographic regions.
- Optional deferment of payments for existing loans.
- Business video-conferences on Zoom for relevant solutions for the current period (including business conferences for the Arab sector and mortgage conferences for the Jewish Orthodox sector).

Employees

The banking system is essential for economic activity, hence our commitment to our clients to keep operating Bank services and branches (in limited capacity). As the pandemic outbreak started, in order to comply with directives of the Ministry of Health and of the Supervisor of Banks, the Bank reduced activities at branches and headquarters units. All non-essential employees for operating the Bank at this reduced format were placed on leave, against their annual paid leave allowance. Some employees and managers continued to work from home, in order to keep providing essential service to clients.

Protecting employee health

The Bank has taken steps to protect employee health – critical units were split into smaller work groups at different locations across the Bank, many disinfectant stations were installed at different locations at branches and at headquarters, and personal disinfectant kits were distributed to all employees.



Branches were made safe by installing separation partitions for bankers at all branches and headquarters units where staff work in open spaces. "Sneeze guards" were installed at all branches, to maintain separation between clients and employees. The Bank also adheres to regulations and takes the temperature of employees and clients prior to entering Bank offices or branches.

After the lock-down period has ended and work was resumed, the Bank continues to strictly adhere to the rules of hygiene to provide a safe and secure environment for Bank employees. In order to avoid transmission, the Bank ensures social distancing and limits the number of persons in each space. Most of the meetings take place by digital means and using video-conferencing systems. Managers at the Bank receive custom training to help them in dealing with employees and clients during this challenging period.

Constant communication with employees

Throughout this period, the Bank maintains constant communication with all employees, whether in the office or at home, keeps in contact with employees who are ill or in isolation and provides assistance in as much as possible.

During the lock-down period, the Bank provided daily messages to inform employees about what was happening at the Bank. For those at home – the Bank created a special social media channel for Bank employees, where content is provided to help employees and their families on various current topics, through training kits and tips for dealing with the situation. Furthermore, a web site was created on the Bank's intranet, providing information and answers to common questions, and a special email address was set up for employee queries on various topics.

Bank employees and their families received a gift, sent to their home, in recognition of their work and the family assistance in this situation. The Bank's social media channel provides information about help lines for assistance in dealing with anxiety during crisis, leisure activities for children and teenagers, general-interest presentations provided by digital channels and so forth.

Community

As a business entity whose business relies on the community in which it operates, the Bank is committed to be involved with and to invest in the community even in this period.

Contribution to NGOs helping under-privileged populations

The Bank has provided significant funds in contribution to NGOs helping under-privileged populations in the current period (the elderly, families in need, children and youth with disabilities staying at home) and continued its active support for extensive annual projects, such as: Co-operation with the Youth Movement Council.

Employees also make a contribution to the community

The Bank has informed employees and their families of options for doing volunteer work nationwide, from home or on site, encouraged employees to borrow books from the Bank library, as part of its co-operation with the Repeated Story venture, operated by the mentally destitute. Bank employees also purchased holiday gifts online from social-oriented NGOs and businesses, to help them keep operating in these difficult times.

Bank managers and employees rose to the challenge and volunteered to help in mentoring social-oriented businesses and NGOs facing a crisis, through organizations that support such entities (SFI, "The Hive", IVN Fund).

The Bank continues its multi-year co-operation with NGO "Friends of medicine" and decided to renew all containers used to collect medications at all Bank branches and headquarters buildings, in order to encourage employees and clients to deposit medications to be provided to those in need, in view of the increased need due to the Corona Virus crisis.

Suppliers

As part of our responsible management of the supply chain, we regard our suppliers as fully-fledged partners in our capacity to operate the Bank in this period, and we are aware of difficulties faced by suppliers in this period. Therefore, the Bank has brought forward payments to suppliers, which are made promptly and with no delay. The Bank has also increased the range of existing suppliers, in order to provide different Bank units with the required disinfection and protection equipment quickly and efficiently.

Corporate social responsibility management concept at Mizrahi-Tefahot Group

The guiding principles for Bank policy on this topic are based on the material issues identified by the Bank, in conformity with the international reporting standard typically used for corporate social responsibility, as developed by Global Reporting Initiative (GRI). This policy includes management approach to each of the issues identified as material, both for the Group and for stakeholders, which significantly impact Bank operations and the focus of Bank attention in the coming years.

Involvement of management and Board of Directors

The Bank Board of Directors is tasked with setting and approving policy on corporate social responsibility and ensuring that these principles are applied and are in line with Group strategy. Group management is responsible for implementing the guidelines in policy documents and incorporating them in work processes in various areas.

The Manager, Human Capital, Resources and Operations Division heads the steering committee on this subject, attended by all Bank units and subsidiaries. This committee reviews activities in the various divisions and convenes periodically, as needed.

As part of deployment of the corporate social responsibility policy, the Bank appointed the Manager, Organizational Development and Training Department to head the field of corporate social responsibility at the Bank. The appointed manager is responsible for implementation of the policy, its deployment across all employees and for monitoring achievement of objectives in this area, as set by the Bank. Furthermore, in 2018 the Bank appointed a Manager, Corporate Social Responsibility and Sustainability, in charge of Bank operations in this field and of continued dialogue with the various stakeholders inside and outside the organization.

In addition, each executive reports to management from time to time on the matters they are responsible for. For each topic discussed, there are meeting minutes recorded and implementation is monitored. If needed, a repeat discussion is held to review the implementation of recommendations.

The Group Board of Directors plenum approves the Group's corporate social responsibility report and the annual work plan on this matter is presented to the Board of Directors plenum.

Implementation through cross-organizational cooperation

Corporate social responsibility policy is deployed across the organization, by a process which involves all Group operations and requires co-operation by many.

All Bank divisions have designated corporate social responsibility representatives, who act as division representatives for this purpose. These representatives and the corporate social responsibility Officer at the Bank maintain regular work interfaces in order to implement the policy and to report on its implementation.

Each Bank entity is responsible for monitoring corporate social responsibility issues they are normally responsible for, including authorization ranking and reporting to higher levels, that monitor the implementation and handling of each area by these units. Thus, for example, the Process Engineering Department is responsible for controlling paper reduction by streamlining diverse processes at the Bank and giving thought to reduced printing of reports and forms.

Concurrently with the regular process at these units, data about social responsibility is summarized and monitored by all Bank units. These data are presented to Bank management and to the Board of Directors. As part of the corporate social responsibility policy deployment, a work plan is created every year and presented to Bank management and to the Board of Directors. Plan components are included in work plans of the different divisions.

The Corporate Social Responsibility Week held in 2019 included several activities:

- A fair to sell goods in support of small businesses in the Gaza Strip
- Worker Participation Campaign with the "Round Up and Do Good" NGO
- Guidance for economic growth – Workshop for NGOs and social ventures
- Presentation on social-oriented debentures



The Bank invests significant resources in deployment of the corporate social responsibility concept among employees. In 2019, 773 hours of training on corporate social responsibility were delivered to employees.

In 2019, several activities took place:

- **Professional training** – Those involved with corporate social responsibility received training focused on this area.
- **Employee training** – The topic of corporate social responsibility is included in courses and workshops delivered at the Training Center. Information items with regard to corporate social responsibility were communicated.
- **Employee safety – road safety activities** – We conducted activity designed to increase awareness of road safety, in co-operation with the National Road Safety Authority, which included an online quiz with prizes.

- **Diversity and inclusiveness – Manager forum assisting employees with disabilities** – We established a forum for managers assisting employees with disabilities, designed to help them overcome challenges in managing these employees.
- **Responsible procurement** – Supplier conference – We held a conference for small to medium businesses, in co-operation with MAOF (Small and Medium Business Administration of the Ministry of Economics) – an initiative designed to expand the roll of Bank suppliers who are small to medium businesses.
- **2019 Corporate Social Responsibility Week** – In awareness of the growing importance of corporate social responsibility and based on the wish to increase the understanding of this topic and commitment among employees, the Bank launched the Corporate Social Responsibility Week, which offered diverse activities:
 - **Support for businesses adjacent to the Gaza Strip:** Fairs were held at two different locations. At these fairs, products of small businesses located adjacent to the Gaza Strip and in outlying areas are sold. In total, goods valued at approximately NIS 45,000 were purchased at these fairs, of which 5% were donated to the community.
 - **"Round Up and Do Good":** We conducted a campaign for employees, designed to encourage employees to enroll and contribute to NGOs through the "Round Up and Do Good" project.
 - **Guidance for economic growth:** We conducted a workshop for NGO managers, attended by sixty representatives from NGOs, providing exposure to social ventures and presentations on economic growth.
 - **Presentation on corporate social responsibility:** In conjunction with the Tree of Knowledge presentations, we delivered a presentation on socially responsible investment and social-oriented debentures.

Taking part in initiatives and ratings with regard to corporate social responsibility

Mizrahi-Tefahot Bank adopts internal and Israeli standard with regard to corporate social responsibility. The Bank is measured with regard to corporate social responsibility by business organizations that provide analysis in this field. The Bank maintains constant dialogue with different analyst organizations and provides answers to questions posed by analysts in this field. Such dialogue allows the Bank to review its operations, compared to performance of the financial sector in Israel and world-wide, thus improving Bank performance in these areas.



Maala rating

Since July 2020, Mizrahi-Tefahot Bank has joined the Maala rating of corporate social responsibility in business; the Bank was rated at the highest level – Platinum Plus.



Voluntary reporting

This year, for the first time, Mizrahi-Tefahot Bank joins reporting of greenhouse gas emissions initiative of the Ministry of Environmental Protection and the Manufacturers Association of Israel. This initiative is designed to shape policy for addressing climate change in Israel, whereby the Bank provides a comprehensive annual report of its greenhouse gas emissions, with review and identifying the potential for streamlining its energy use and resource savings.



Global Compact

Mizrahi-Tefahot Group supports the United Nations Global Compact Initiative since 2015, based on its commitment to further promote corporate social responsibility in the Group and in the financial sector. The Group supports and promotes the Ten Principles of the Initiative. Accordingly, we also report on our progress in implementing these principles.

Our participation in the Global Compact reflects our commitment to adopting international standards for social-environmental responsibility in all our endeavors, based on 10 principles which reflect our commitment to leading the social-environmental agenda in the country in which it operates and around the world. These principles include: responsible employment, preventing corruption, human rights and environmental protection. As part of Group commitment to the Global Compact principles, this report constitutes periodic Communication On Progress (COP) to the organization.



UN Sustainable Development Goals (SDGs)

In September 2015, the State of Israel, along with 192 UN member states, adopted a resolution to participate in the effort to achieve the 17 Sustainable Development Goals (or SDGs) and the realization of 169 global secondary goals by 2030. The goals address global challenges in three dimensions – society, environment and economics. The UN goals encompass many areas, including eradicating poverty, access to education, gender equality, nutritional security, industry, peace and preservation of life at sea, on land and so forth.

Sustainable development goals, based on principles of corporate social responsibility, create a multi-sector, multi-nation framework with a common language that increases the likelihood of their effective, measurable implementation.

Mizrahi-Tefahot Group promotes these SDGs through its business and social activity. This is the fourth year that the Group has reported in its corporate social responsibility Report on the commitment to advancing the UN Development Goals. Moreover, the combination of goals and the link to reporting on the Bank's social and environmental activities reinforce our commitment to sustainable development as part of our business activities. Throughout the report, you can read about the Group's comments and activities to promote these goals. As part of preparing for reporting of Group operations for achievement of these targets, and following internal deliberations, we set social and environmental targets, supporting the promotion of SDGs on which the Bank chose to focus.

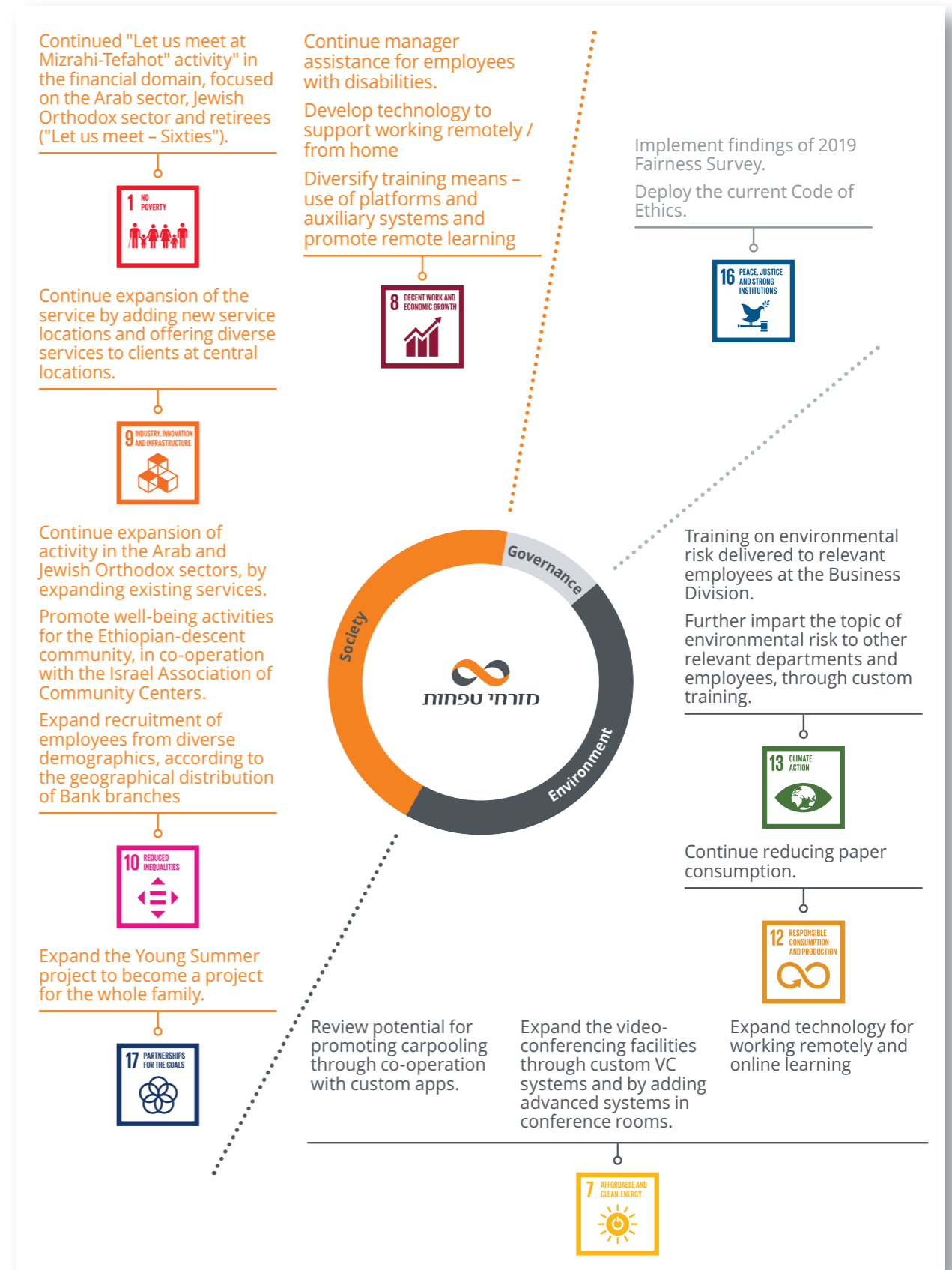
Other entities that review Bank operations with regard to corporate social responsibility

The Bank is reviewed and rated by the following analysis organizations: Bloomberg, RobecoSAM, MSCI, Sustainalytics, FTSE, ISS ESG



Key goals for 2020 promoting achievement of SDGs

The table below lists the Bank's goals for its various operating segments, linked to the relevant SDGs¹ (these goals are part of the Bank's goals for 2020, listed at the end of each chapter in this report).



1. All of the goals listed in this report constitute forward-looking information, as defined in the Securities Law, 1968, based on assumptions, facts and data (hereinafter jointly: "assumptions") brought before the Bank's Board of Directors. These assumptions may not materialize due to factors which are not entirely under the Bank's control.

About the seventh corporate social responsibility report¹

The report reviews Group activities in Israel and overseas in areas of corporate social responsibility in 2019. The report was approved by Group management and by the Board of Directors plenum.

This is the seventh Corporate Social Responsibility Report published by Mizrahi-Tefahot Group. The Group publishes the annual corporate social responsibility report, reflecting its commitment to act in areas of corporate social responsibility and to report its performance to stake holders. As it did in previous years, the Group is committed to continue reporting in future, in conformity with directives of the Supervisor of Banks and in conformity with generally accepted international standards in this area.

Mizrahi-Tefahot Group has been producing a corporate social responsibility report since 2012. Each report covers a year's worth of activities, as part of a comprehensive program in this area. Similar to previous reports issued by the Group, this report has been prepared in accordance with the GRI Standards: Comprehensive option. Accordingly, the report includes all matters identified as material for Group operations: details of the management approach, work processes, performance against required benchmarks, a description of the dialogue with stake holders on the topic, as well as future performance goals. In some places, a change has been made to how data are measured and presented, therefore some data may not be comparable to previous years. This was stated explicitly in a comment.

This review relates to performance of Mizrahi-Tefahot Bank, Bank Yahav and the Group's overseas affiliates in Switzerland, London and Los Angeles (hereinafter: **"the Group"**), unless otherwise noted. However, since the activities of Group companies or of its overseas affiliates may differ slightly from those of the Bank, we decided in some places to only refer to Mizrahi-Tefahot Bank. In these places, the term **"the Bank"** is used. In any event, all Group operations overseas are carried out in accordance with principles of Bank policy, and insofar as there are material differences, specific disclosure is provided of the activity and this was specifically stated, particularly with regard to Bank Yahav.

Most of the information presented in the report is collected regularly and routinely during the reported year, through the Group's information systems, from various organizational sources and with assistance from external advisors. To this end, the Bank has put in place tools and means for measurement, monitoring and control based on the different activities. Moreover, some data are collected at the end of the reported period (such as financial performance). Information is presented in this report by comparative analysis for the reported period and presents multi-year trends.

Structure of report chapters for reporting on material issues:



1. GRI 102-46, GRI 102-48, GRI 102-49

The management approach at the beginning of each topic also includes the relevant reference from the policy document for implementation of corporate social responsibility at Mizrahi-Tefahot Group, which was revised and approved in July 2020. For more information about the Bank's corporate social responsibility policy, see the policy document available on the Bank website. The process of compiling this report was assisted by advisors from the Corporate Social Responsibility and Sustainability Group of BDO Consulting. The report was externally audited for due diligence by an independent third party by the Corporate Social Responsibility Institute. This combination of professional assistance and independent external audit allows the Group to ensure that information presented in this report properly reflects Group operations. We are committed to make judicious use of response and feedback received from our stake holders, to learn from this feedback and to continue to review our performance in these areas.

Identifying material issues related to corporate social responsibility¹

Mizrahi-Tefahot Group conducts in-depth materiality analysis once every two years, since it has found that in the financial sector, material issues remain consistent over time.

Revising the material issues once every two years allows the Group to monitor trends in selected areas, and to intensify its activity with regard to these issues, showing progress made in such activity, as reflected in this report.

The list of material issues is based on in-depth dialog conducted with stake holders in 2018, which consisted of surveys of stake holder groups, study of common practices in the financial sector world-wide as well as dialog with Bank management. (For more information about the process of establishing material issues for the Group, see the Group's 2018 Corporate Social Responsibility Report.)

In anticipation of the writing of this report and of revision of the materiality matrix, we validated the material issues for reporting, based on mapping and review of global reporting frameworks (GRI, SASB).

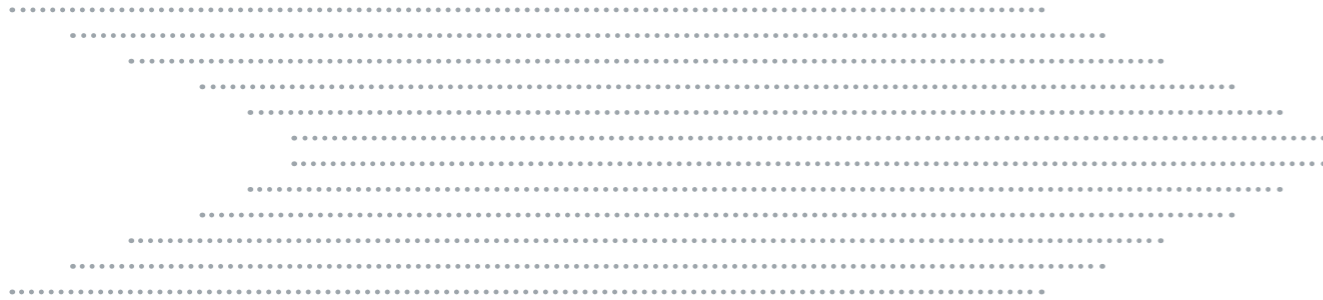
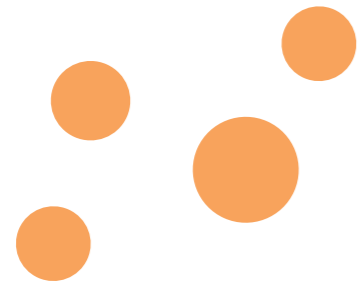
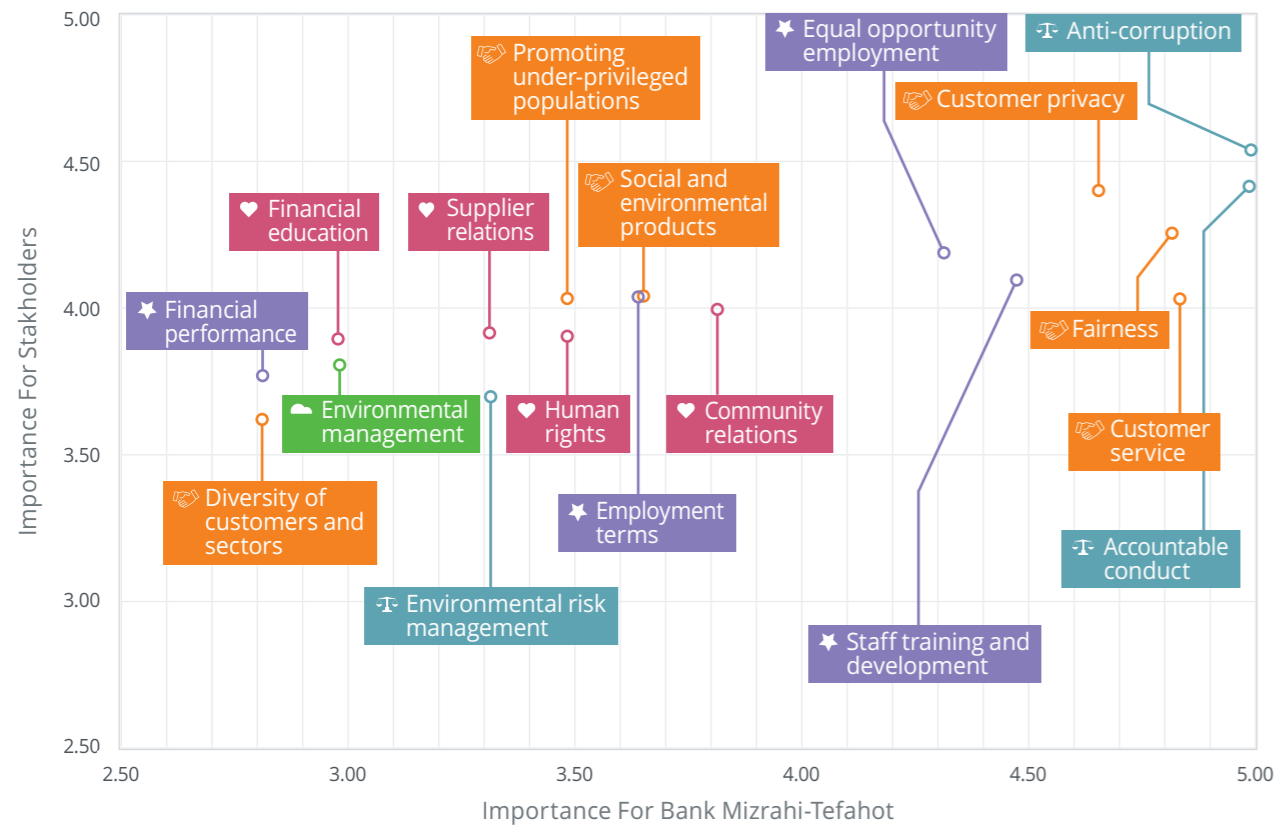
Furthermore, an in-depth review took place of the importance of the material issues from the point of view of analysts covering the Bank. In this context, intensive study of 7 entities was conducted (Bloomberg, RobecoSAM, MSCI, Sustainalytics, FTSE, ISS ESG as well as Ma'aleh Rating questionnaire). Findings of this study helped the Bank expand reporting of its operations, revise its policy on each of the material issues and improve its transparency. The outcome of this process is mostly reflected in issues of corporate governance, employees and supply chain.

Material issues selected for reporting

In the rating process, we found 18 material issues selected for reporting. These issues were rated highly by Bank management and by the Board of Directors, and also rated as important by external stake holders, listed in the top right quarter of the matrix. These matters were rated differently, based on the stake holder group and what needs are important for each group (for more information about ratings by each stake holder group, see the Group's 2018 Corporate Social Responsibility Report).

1. GRI 102-42, GRI 102-44

Material issues matrix



Reporting limits for material issues¹

Segment	Material issue	Report chapter	GRI Report topic	GRI indices	Reporting limits	SDGs
Governance	Anti-corruption	Commitment to accountable conduct	Anti-corruption	205	Within the organization	16
	Commitment to accountable conduct (including compliance issues)	Commitment to accountable conduct	Socio-Economic Compliance	419	Within the organization	16
	Client privacy	Investing in clients	Customer Privacy	418	Inside and outside the organization	-
	Financial performance	Introduction	Economic Performance	201	Inside and outside the organization	8,9,13
		Indirect economic impacts	203			
Society	client service	Investing in clients	-	-	Inside and outside the organization	-
	Fairness	Investing in clients	Marketing and Labeling	417	Inside and outside the organization	-
	Development of social and/or environmental products and services	Investing in clients	Sector Specific Aspect	FS6-8	Inside and outside the organization	1,10
	Promoting under-privileged populations	Investing in clients	Sector Specific Aspect	FS13-14	Inside and outside the organization	10
	Diversity of clients and sectors	Investing in clients	Sector Specific Aspect	-	Inside and outside the organization	-
	Staff training and development	Investing in employees	Training and Education	404	Within the organization	-
	Equal opportunity employment	Investing in employees	Diversity and Equal Opportunity	405	Within the organization	8,10
			Non-discrimination	406		
	Employment terms	Investing in employees	Employment	401	Within the organization	8
			Labor - Management Relations	402		
			Occupational Health and Safety	403		
	Community relations	Investing in the community	Local Communities	413	Inside and outside the organization	1,4,10
	Supplier relations	Investing in the community	Procurement Practices	204	Inside and outside the organization	8
			Supplier Social Assessment	414		
Financial education	Investing in the community	Sector Specific Aspect	-	Inside and outside the organization	1,10	
Preserving human rights	Investing in the community	Human Rights Assessment	412	Inside and outside the organization	8	
Environment	Management of environmental and social risk	Commitment to accountable conduct	Sector Specific Aspect	FS6-8	Within the organization	9,13
	Environmental management	Investing in the environment	Materials	301	Inside and outside the organization	13
			Energy	302		
		Emissions	305			

1. GRI 102-47

Investing in **CLIENTS**



Overview

Ranked **1st**
in mortgages according
to Bank of Israel data

Mizrahi-Tefahot Bank was
perceived as the most
fair bank
in the banking system.
(According to survey conducted by TNS)

Open **5**
new points of sale
of which 3 in outlying areas

USD **130** millions
Total lending for promoting
start-up companies in Israel

NIS **1.6** billions
Total loans for social and
environmental endeavors

Approximately
3,000 participants
attending business conferences

Mizrahi-Tefahot Bank clients are
**the most
satisfied**
with direct and digital services
offered to them
(according to survey conducted by the Bank of Israel)

198 Branches
across Israel



Our clients

Mizrahi-Tefahot Group is committed to success of all its clients, acting to generate value for them over time in all of its operating segments. This commitment is reflected by fair conduct and by creating a range of channels for providing service and products customized to the needs of every client.

It is also committed to listening to client needs, to ensure their privacy and to providing professional tools for their success. This issue is handled by different divisions at the Bank, each in its own aspects, primarily by the Retail Division, the Business Banking Division and the Marketing, Advertising and Business Development Division.

In order to implement this policy, the Group takes action on four levels:

- **Client experience** – the Bank regards client satisfaction as a benchmark for success, and therefore sees great importance in quality of service, striving to provide optimized, personal service to all clients. To this end, the Bank is committed to fair conduct vis-à-vis clients, to create a variety of channels for them for obtaining services, and to develop banking products suited to their needs, while ensuring client privacy and attentiveness to client needs.
- **Fairness and transparency vis-a-vis clients** – are fundamental values in the Bank's Code of Ethics and in the perception of its corporate responsibility. A fair relationship with all stakeholders, and especially with clients who are at the center of business activity, is the basis for trust, success and creating shared value.
- **Ensuring client privacy** – The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its clients. To this end, the Bank has specified its information security and cyber strategy and policy, which have been approved by Bank management and by the Board of Directors, in line with Bank of Israel requirements, allowing for careful and responsible management of client personal information.
- **Promoting common value** – Mizrahi-Tefahot Bank strives to generate social and/or environmental value, as part of its business operations and together with the economic value generated, to promote common value for the Bank and for its clients.



Client experience



Mizrahi-Tefahot Bank places the client at the center of its endeavors, listens to their needs and wants and improves their service experience with the Bank.

The Bank offers its clients a different kind of banking, regarding each client as a unique individual, entitled to individual service and care customized for their needs and desires. This is along with fair conduct, providing efficient service, listening and understanding, initiative, transparency and mutual approach.

The Bank regards client satisfaction as a benchmark for success, and therefore sees great importance in quality of service, striving to provide optimized, personal service to all clients. Therefore, the Bank is committed to fair conduct vis-à-vis clients, to create a variety of channels for them for obtaining services, and to develop banking products suited to their needs, while ensuring client privacy and attentiveness to client needs.

Bank clients are a key pillar of Bank success; hence the Bank attach great importance to ensuring client satisfaction, with a professional response to their needs. The Bank also strives to create an optimal client experience, providing knowledge for informed use of banking and financial tools.

As part of the Bank's unique concept of hybrid banking in line with the "human banking vision", whereby good banking service is based on optimal integration of personal and digital banking, seeing the client, understanding the client and speaking to the client in their own language. Optimal client experience and service quality are achieved in various ways:

- **Products and services to promote the client experience** – adapting products and services to the business environment and to client needs and making them more accessible to clients and to the general public, with understanding of the unique attributes of clients in different segments of Israeli society.
- **Providing solutions for a wide range of clients** – The Bank sees the great importance of approaching diverse clients and segments in Israeli society and strives to create products and services in response to various client needs. This is based on the understanding that different clients have different needs and the need to adapt for each client the products and services most appropriate for them, in order to allow anyone who so wishes to become a Bank client.

- **Dialogue and listening** – conducting a constant, on-going dialogue with clients is a key tool, at the heart of the concept, allowing for a successful implementation of the concept. The Bank conducts public opinion surveys, conducts focus groups, monitors the online discourse and operates a website and a Facebook page for gathering client feedback.
- **Client satisfaction** – The Bank monitors and controls client satisfaction and response to inquiries and complaints, strictly addresses Client complaints and contacts, reviews each case on its own merit, learns lessons and acts as needed. The Bank has an improved system designed to improve analysis and composition by topic, classification and client contacts with the department.

Products and services to promote the client experience

The Group offers a range of financial products and services, including deposits and savings channels, as well as special benefits, according to needs of its different clients, their financial situation, their different life stages and the unique needs of different demographics.

The process of adapting the product to needs of a specific client segment is based on information received from bankers in the field, who reflect client needs and from surveys, research and analysis conducted by professionals in the Group and in the Israeli finance sector. In accordance with the Group's master policy, any new product development is also reviewed in light of the Code of Ethics. After studying the needs, the Group forms a product in response to the relevant segment's need. In development of products and services to promote the client experience, emphasis is placed on aspects of innovation, in order to provide an optimal, current solution for their client needs and experience.

Innovation in Bank products and services

The Bank acts to promote and adopt innovation in all its activities, with constant review of the pace of technology development and changes in consumer habits and preferences, in Israel and world-wide.

To enhance the client service experience and to provide optimal, high-quality service, Mizrahi-Tefahot develops products in response to various client needs and to the evolving reality. The Bank has also established cross-unit teams to promote innovation in products and services and to deploy an organizational culture of innovation. In 2019, the Bank offered multiple innovative products to its clients:

- **Retirees** – The Bank has developed custom products that allow retirees to manage their financial assets and to obtain credit solutions that match their needs, such as pre-retirement advice, financial advice, retirement mortgage, diverse deposits that match the needs of retirees and a personal banker.
- **Retirement mortgage** – A unique product in the banking system, developed by Mizrahi-Tefahot Bank, allowing borrowers aged 75 and over who own a residential property to get a mortgage. The mortgage is given for a term of up to 15 years (with optional extension), secured by the apartment. The borrower can choose to receive the loan amount as a monthly pension over 15 years, or as a lump sum. Upon maturity, the borrower can choose to repay the loan by a single installment, to repay it over an extended period or to defer repayment for some duration. This unique solution allows retirees to use their property to improve their quality

of life and to address the cost of living – without selling their house.

- **Filing a mortgage application online, without giving up the Tefahot experts** – At Mizrahi-Tefahot Bank, the leader in the Israeli mortgage market, we understand that the real value for clients is provided by their personal banker – the expert. Tefahot experts have helped more than one million clients to achieve their own home, through a mortgage personalized for them. Being the leading bank in this area, offering solutions that benefit clients, the Bank provides a way to apply for a mortgage online, by phone or at the branch, as the client chooses and prefers. All applications reach a Tefahot expert, who responds to the application with a personalized offer within 24 hours. The Bank assists the client journey in person and online, from the apartment search to completion of the mortgage, through the "**Tefahot to Home**" app – a custom app for mortgages, and through the "**Tefahot GPS**" app – a unique app allowing the client to monitor their progress through completion of the mortgage borrowing process. The client can keep in touch with their expert banker through chat, secure email or text message.
- **"Supportive parent deposit"** – this deposit incorporates both deposits and mortgages, allowing parents to support their children when taking out a mortgage. The parents deposit funds into a deposit designed to help their children get a better interest rate on their mortgage. Another option is to make a deposit to a Cherry deposit, where parents can choose to have monthly interest income transferred to their children, to help in their current mortgage payments.

As part of the concept of promoting innovation at the Bank, in 2019 we delivered 2,126 hours of innovation-related training.

Get Your Mortgage from the Experts at Tefahot

Being the top mortgage bank in Israel, with over one million mortgages originated over decades, the Bank strives to maintain its leadership position in this field and to customize financial solutions for its clients and for the Israeli public, so as to allow them to balance their needs and their financial capabilities over the short and long terms.

Based on the understanding that buying a home is a significant, exciting step for clients – and in particular for young couples, who mostly lack financial knowledge – and given that taking this step involves feelings of uncertainty, the Bank strives to provide its clients with the knowledge required to select the ideal track for them. The Bank assists clients from the stage of initial interest in purchasing a property, through completion of the process and taking delivery of the property (this duration may vary by client circumstances, from several weeks to several

The Bank acts to promote and adopt innovation in all its activities, with constant review of the pace of technology development and changes in consumer habits and preferences, in Israel and world-wide.

months). Furthermore, Mizrahi-Tefahot mortgage bankers are professional, with extensive experience and often resident in the location where the branch operates. These facts allow the Bank to provide clients with optimal service and to assist them in obtaining a mortgage. Even after the loan is extended to clients, the Bank continues to assist them throughout the term of the mortgage by offering other products and services that may provide a solution for other needs they may have.

To maintain the Bank's branding as a leader in this field, surveys are regularly conducted among current and potential clients, in order to better understand the client needs and to improve work procedures and the service provided. The high satisfaction level of mortgage clients is reflected in the fact that often, the children of our mortgage clients also take out a mortgage at the Bank. A 2018 survey conducted by the Supervisor of Banks in Israel showed that the percentage of mortgage clients of the Bank who recommend it is the highest compared to other banks over the years.

The Bank's Mortgage Center (call center specialized in mortgages) is the largest in Israel. This Center is staffed by professional bankers available to provide approval in principle for mortgage applications within a few hours. Even after the mortgage has been extended, the Bank continues to be available and attentive. The Bank provides service to clients who wish to change the date of their monthly mortgage payment, replace a guarantor, make changes to their payment schedule due to financial difficulties, repay their mortgage ahead of time and so forth.

The Bank offers a diverse range of complementary products and services for mortgages, to offer to each client the optimal product for them, wishing to enable more clients to obtain a mortgage, while enhancing and promoting the use of direct channels.

The Bank offers the following services, inter alia:

- **Digital mortgage** – Mizrahi-Tefahot Bank allows clients who are looking for a mortgage to apply for a general approval, simply and easily on the Bank website and to get their general approval within a short time (for more details see under "Innovation in Bank products and services" on page 39).
- **Tefahot Credit Card** – In 2006, the Bank launched a special credit card for mortgage holders. Holders of this credit card benefit from a large credit limit (NIS 150,000), at interest rates more attractive than market interest rates. This product has a significant advantage, in that the client only pays interest for their actual utilization and not for the credit facility itself. Moreover, credit repayment is made over many years, together with the monthly mortgage payment.
- **Paying the mortgage file opening fee by installments** – In order to make it easier for clients to handle their expenses when taking out a mortgage, the Bank offers optional payment of the loan origination fee in installments payable together with the mortgage payments with no interest or linkage, rather than by a single payment. This option provides relief to clients who take out a mortgage.
- **"Mortgage on hold"** – This product allows the client to occasionally put their mortgage payments on hold, in order to make life easier for them in periods when expenses are higher or income is lower. In this way, the Bank makes it easier for the client, giving them control over managing the mortgage and adapting it to their changing needs.
- **Services for those eligible for Ministry of Construction and Housing Assistance Program** – The Bank acts as an extension of the State in servicing eligible Ministry of Construction and

Housing recipients. These services include loans within the Ministry's assistance program, including location-based loans and contingent grants and loans for specific populations (such as: new immigrants, persons with limited mobility etc.) Note that Mizrahi-Tefahot Bank is a key player in eligibility loan origination, and the Bank's extensive branch network makes it accessible to those eligible for Ministry of Housing programs.

- **Promoting financial education with regard to mortgages** – Mizrahi-Tefahot Bank, being the leading mortgage bank, believes it is the Bank's responsibility to promote knowledge in this area and to help various demographics to buy properties. To this end, the Bank offers a range of activities for clients of all banks. In 2019, the Bank offered the following activities:
 - **"Let us meet for mortgages"** – These activities are open to the public and are aligned with specific audiences (such as for the Jewish Orthodox sector, with a large percentage of young clients who buy a home). In order to deliver this content, a dedicated team of bankers received training and branches were opened in order to provide a more accurate response to the population of mortgage seekers. In addition, working with a personal banker provides an address for client inquiries at the Bank, on any matter.
 - **Resident Pricing conferences** – The Bank offers special conferences with regard to Resident Pricing to those interested and to Bank clients, some in co-operation with construction companies that were awarded tenders.
 - **Dedicated conferences** – The Bank holds conferences and promotes activities on social media for a range of investors, including for purchase groups, real estate players and foreign residents, providing to each of these audiences the information relevant for how they invest.
- **Mortgage advisors** – In recent years, mortgage advice has grown significantly, as did the number of advisors. Any client who so wishes may ask to be represented by a mortgage advisor. The Bank has working relations with mortgage advisors, maintaining constant contact with them, including round table meetings with advisors, conferences and individual meetings, as part of the Bank's open door policy.
- **Meetings with contractors, construction companies and real estate brokers** – The Bank holds professional meetings designed for construction companies, real estate brokers and contractors, at which experts on behalf of the Bank present overviews and relevant information about the real estate market in general and about mortgages in particular.

Wide banking deployment

The basis for making services accessible to the general public is through Group branches deployed nationwide. Branches are primarily aimed at providing professional, high-quality service to clients of all banking segments, close to the location where the service is required (residence or place of business). The merger of United Mizrahi Bank and Bank Tefahot in early 2005, the merger with Bank Adanim in 2009 and the acquisition of Bank Yahav completed in 2008



Since 2015, the Bank has opened **17 new branches** nation-wide, of which **7** are located in Arab towns

– all created an extensive nationwide branch network. Moreover, the Bank's unique growth strategy is reflected in consistent growth in the number of branches providing solutions for diverse segments. Along with this extensive presence, the Bank provides services through other channels, in the form of Hybrid Banking services.

The Bank continues to expand its branch network in accordance with its strategic plan, with location selection based on considerations such as providing optimal service to clients, economic viability considerations etc. Along with this extensive presence, the Bank provides services through other channels, in the form of Hybrid Banking services. As of the end of 2019, **the Group has 198 service locations** nationwide, including business centers, branches and affiliates .

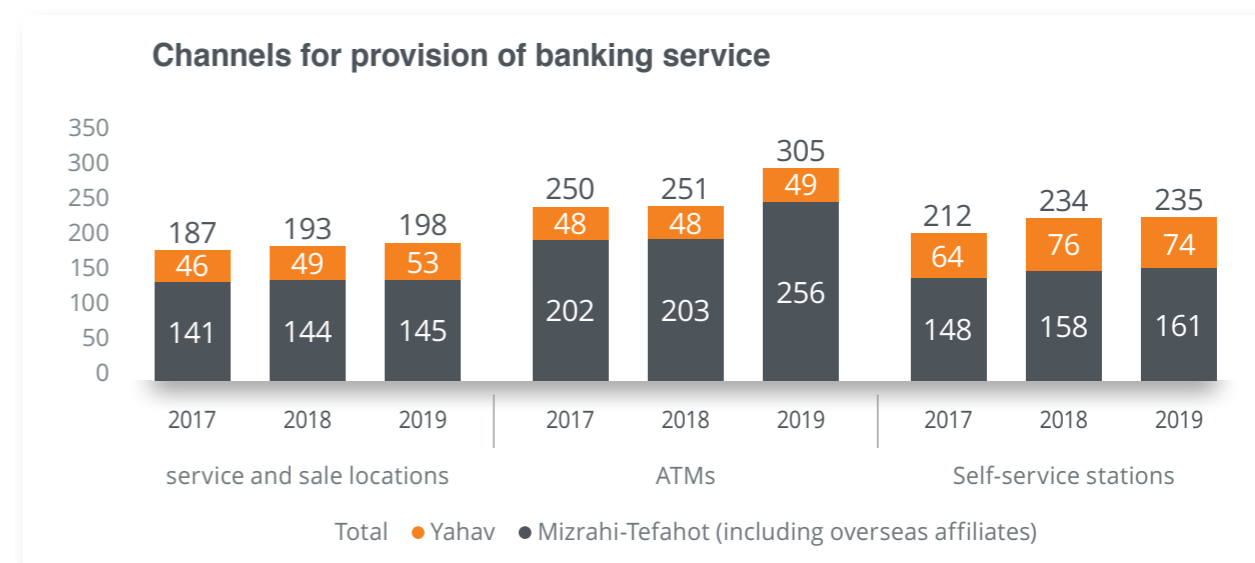
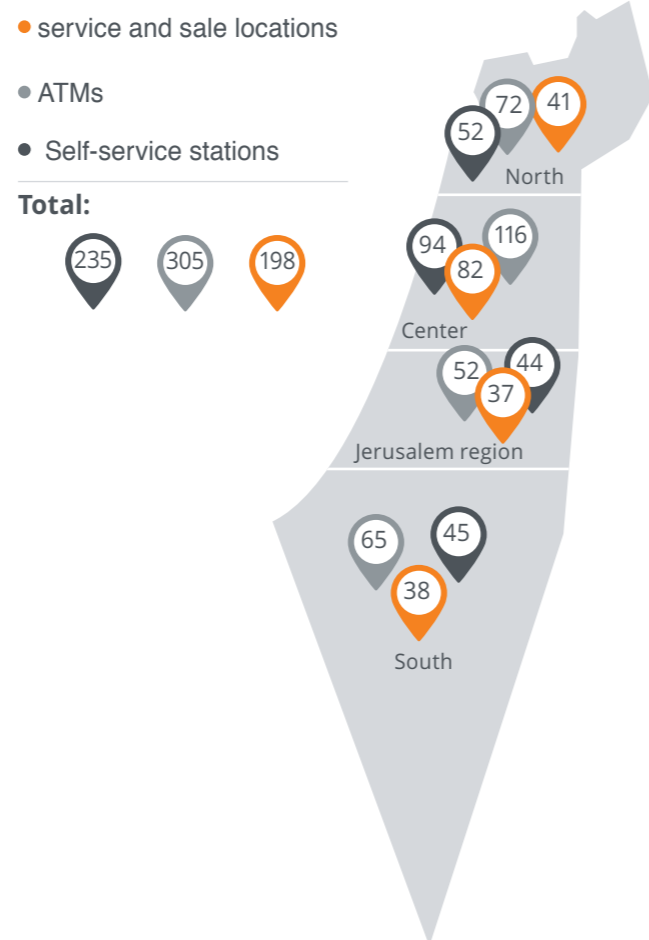
In order to expand services and availability to clients, the Group opens new service locations every year. **In 2019, the Bank Group opened 5 new points of sale** and relocated several others to better geographic locations, following the mapping of bank client needs and in order to improve service to clients and expand future recruitment activity. **Since 2015, the Bank has opened 17 new branches nation-wide, of which 7 are located in Arab towns.**

All Bank branches offer full cashier service. Most Bank branches also offer financial and retirement savings advice customized for client needs, provided by a qualified advisor. All Yahav branches offer queue-replacement services and some offer full cash services.

235 Self-service stations – As at the end of 2019, clients may use 235 self-service stations, of which 74 at Bank Yahav. These stations allow for a range of transactions to be conducted and information to be obtained by self-service. Most of these stations are available 24 hours a day, even when the branch is closed.

At all Bank branches, checks may be deposited at service stations, at 27 branches, cash may be deposited at service stations and at 47 branches, check books may be immediately printed.

305 ATMs – At the end of 2019, the Group had 305 ATMs, including 49 at Bank Yahav. Some ATMs are not adjacent to branches.



The LIVE BANK

In addition to the regional branch network, the Bank operates 6 "Live" branches, offering banking services to clients by using advanced technology, rather than in person, during extended business hours: 7am to 8pm.

Each client is assigned their own personal banker, who is constantly available through various channels: Direct phone line to the banker and secure correspondence by SMS, email and fax. In cases where the client is required to attend the branch in person, service can be provided at any physical branch of the client's choice. Furthermore, clients may use a courier service (at no charge, up to three times per year) – saving them the need to get to the branch to collect credit cards, checkbooks etc.

Potential clients who open an account with the Bank online are referred directly to the LIVE branches.

Diverse service channels

Bankers in the branches are the main communication channel with clients. There also other channels, such as banking call centers, email for inquiries, dedicated websites, apps, social media, conferences and workshops.

At the end of 2019, Bank clients receive banking services through diverse key channels, under the unique Hybrid Banking method – which optimally integrates personal and digital banking, offering clients direct access to their personal banker at the branch at the branch through various online channels. This unique, innovative service concept puts to use technological advances in the banking world, to create an immediate, direct link between the client and their personal banker at the branch and is also applied to mortgages.

Use of advanced systems

In order to provide clients with the best possible service experience, customized for their needs, Bank employees use advanced technological systems and tools, such as the CRM system and the "Banker's personal task list". In these systems, all information about the client and communication with them is centrally documented, so as to ensure ongoing monitoring and maintenance of service continuity. Communication allows for face-to-face meetings, in telephone calls, in voice messages, in inquiries to branch staff, or from a client to the bank, by secure mail and by text messages.

Online communication channels

- **Bank website** – Mizrahi-Tefahot Bank has a technologically advanced, functional and professional website that combines means to contact a personal, human and professional banker. This website is the Bank's display window for both Bank clients and those wishing to join the Bank. The website offers do-it-yourself information about all Bank products and services, allows you to contact a banker, advisor or the Investment Center, as needed, by various means – leaving your information, chat or by getting a phone call.

The Bank website provides an umbrella for secondary websites for specific areas or populations, such as: websites in other languages (English and Arabic), website for "Let us meet" activities and website for the "Card" club benefits.

- **The "Card" club and the "Business Card" club** – The club website for individual and business clients, respectively, providing all information about club activities, with quick and convenient access to benefits and promotions selected by the visitor.
- **"Let us meet" on Mizrahi-Tefahot website** – The Bank website presents to the public a diverse list of upcoming events planned at branches on banking topics, such as retirement savings, understanding money, saving it right, mortgages and so forth, allowing users to enroll in such activities.
- **Transactions website** – Mizrahi-Tefahot Bank has a technologically advanced, functional and professional website that combines means to contact a personal, human and professional banker. The website allows clients to obtain information and to conduct transactions in their accounts.
- **Mortgages** – Offers extensive content and added value to visitors to this website. This part offers mortgage clients at the Bank extensive information about their mortgage, as well as diverse information about the property environs, based on co-operation with the MADLAN content website. Clients with a checking account and a mortgage at the Bank can view their entire finances on a single website.
- **Capital market** – Provides extensive, current information about financial assets. The website has been upgraded so as to allow clients to efficiently conduct transactions on their own – along with an option to contact a banker or advisor. The website is a unique, innovative venue, customized for needs of retail clients as well as professional clients – who trade on the capital market, and also offers a range of innovative tools which support client activity in the capital market.
- **Business segment** – The Bank develops digital tools and content customized for the business segment, designed to provide a response to needs of business enterprises.

In 2019, the **various tools** were added to the transaction website, **based on needs raised by business clients** and feedback gleaned there from, to **improve the user experience**:

- New payroll interface, with optional payment by file
- Providing online permissions to administrative users for viewing information and launching transactions.
- Advanced search for transactions and expanded information presented.
- Improvements in the capital market section, for easy and convenient management of trading of Israeli and foreign securities.

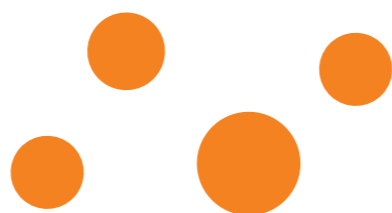
- **Apps** – Mizrahi-Tefahot Bank has developed a range of diverse apps designed to allow clients quick and convenient access to all financial products and services offered by the Group, at their convenience:
 - **Mizrahi-Tefahot app** – In 2019, the Bank launched a new management app, which allows clients to manage their account using their cell phone from anywhere, to obtain information and to conduct a range of transactions on their cell phone, with no need to visit the branch nor to use the PC. This app can be used to correspond with a banker or investment advisor. The new app sports a new, elegant interface and smart navigation menus which are personalized and offer clients a wide range of information and transactions involving credit cards, deposits, capital market and foreign currency. Users can be authenticated using their password, fingerprint or facial recognition.
 - **"Tefahot to Home" app** – The most advanced mortgage app in Israel allows you to design a plan to finance the purchase of a property, providing practical tools and extensive information about the surroundings, in cooperation with the MADLAN website. Users may use the app to correspond with a personal banker, a mortgage specialist available to answer any question and to resolve any doubt with regard to the mortgage process.

- **Capital market app** – This app rounds up the trading experience and provides maximum convenience to our clients who are active in the capital market. The app is dedicated to the capital market, which allows clients to benefit from the online usage experience and use of decision-support tools customized for a mobile device. This app provides extensive information about the market and about securities from Israel or from overseas, in addition to the client's own information, listing instructions given and carried out for both buy and sell transactions, as well as correspondence with their personal banker and with their investment advisor.
- **Digital mortgage application form** – Innovative product – The Bank has developed an option allowing clients interested in a mortgage to quickly and easily submit an application for approval in principle on the Bank website, with approval in principle of their application provided within 24 hours.

Other channels for obtaining information from the Bank and for conducting transactions –

In addition to the channels described above, Bank clients also have the following options:

- Conduct transactions without a representative, using IVR by telephone, 24 hours a day.
- Receiving real-time updates via cell phone.
- Direct connection to the Bank's computer, not through the Internet, and consequently – faster execution of transactions on your home PC.
- Receiving current banking information by fax about the client account on a range of subjects, at the frequency specified by the client.
- Receive updates on the progress of the mortgage application process at any time, by email and by text message, through the GPS Tefahot service.
- Chat with mortgage banker, investment banker and sales banker.
- Correspond with a banker using the message box.
- Option to apply for positions on the Bank website.



Providing solutions for a wide range of clients

Mizrahi-Tefahot Bank strives to promote a diverse range of clients of different demographics, providing a customized solution for the needs of each one, acting for the success of all Bank clients and generating value for them at all levels of Bank activity. This commitment is reflected by fair conduct and by creating a range of channels for providing service and products customized to the needs of every client.

Speaking your language

As part of the policy to promote client interests and based on the understanding that the financial world addresses different audiences with diverse needs – the Bank offers service to clients in different languages at branches and service locations:

- clients who call the different call centers can receive service in the language of their choice. If at the time of the call there is no banker available who speaks that language, the client is asked to leave their contact information to get a call back.
- The investment center offers a customized investment service to clients in Arabic, Russian, French, Spanish and English. Moreover, the center supports international private banking clients, allowing them to receive banking services in the language of their choice.
- The Mortgage Center includes bankers who speak foreign languages, who provide a response and who act as a gateway to the Bank for foreign residents who are interested in buying property and obtaining a mortgage in Israel. The foreign resident desk provides answers in English, French and Spanish.

Business sector and high-tech industries

In the business sector, where financial management is complex and has unique attributes – the presence of a human, personal banker, which is a highly important and valuable factor for business owners, results in an outstanding service experience.

The hybrid banking system at the Bank uses all digital channels, in order to allow clients to have direct and available contact with their personal banker, who knows the business and its owner and provides an important professional anchor for them. Business bankers are available to clients through all communication channels, managed under the unique Hybrid Banking umbrella.

In addition to the extensive professional infrastructure created by the Bank for the business sector and to professional business bankers determined to act in the client's best interest, the Bank has developed direct banking tools and customized products, that provide added value for business clients:

- **Loans to small and medium businesses** - The Bank provides loans to small and medium businesses as part of **State-guaranteed funds**. These loans are used, inter alia, for business development, for promoting businesses in outlying areas in Israel and for promoting improved energy efficiency. This is an attractive credit offer, which allows businesses to evolve and progress. At the Bank, the business is also assisted by professional bankers all the way to the actual loan origination.

- **"Mortgage for businesses"** – An innovative product offered by the Bank, which helps the business owner in acquiring a property for their current operations, in lieu of leasing. The loan is repaid over many years.
- **Foreign trade** – The Bank is expanding its foreign trade operations and offers advanced solutions for business clients. Due to client needs, that have been growing in recent years, and the wish to answer these, the Bank has significantly increased co-operation and business relationships with dozens of international banks and insurers, so as to allow Bank clients to conduct import / export business in many countries world-wide, including in emerging markets. Clients, including retail businesses (SME), medium businesses (MM) and corporates receive all the foreign trade services they require under one roof, including assistance and advice, from negotiations through closing of the transaction.
- **Business College** – The Bank offers its business clients custom training courses provided by the Business College, in co-operation with the Israeli Management Center ("MIL"), as published from time to time and in business meetings with clients. In 2019, the Bank delivered a series of business courses on digital marketing and finance. In that year, these courses were attended by approximately 100 managers and owners of business companies.
- **Real estate credit for small businesses** – Wishing to provide a fast, professional response to credit applications by small businesses, small purchase groups and small development projects (such as urban renewal projects), the Bank has created two new business units: A custom department of the mortgage unit to serve these clients, and a real estate development department in the Business Banking Division, to assist small development projects.
- **Business Club** – This club is for Bank clients who manage a business account and have a bank credit card. The club allows members to enjoy the Card club benefits for individuals, as well as value propositions customized for the business world, in order to help business owners in everyday life. A custom website for businesses was also created, listing the range of benefits and promotions offered to such clients.
- **Conferences and meetings** – In addition to on-going contact with clients, the different regions and branches conduct meetings and conferences for business clients, to enrich the relevant content domains, along with exposure of customized bank products for this sector and promoting networking between attendees. **In 2019, conferences were held for business clients on foreign trade, local meetings and conferences on State-guaranteed loans and a conference was held at the Bank's trading room for clients of the Business Banking Division and the Finance Division.** These conferences were attended by approximately 3,000 clients.

Satisfaction survey – business sector

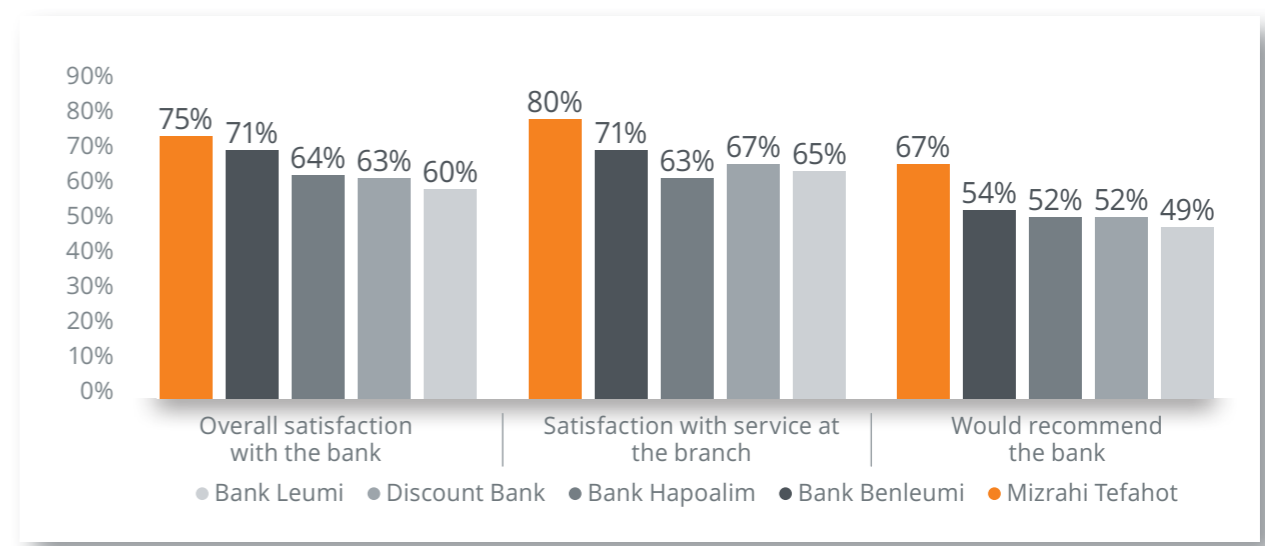
A survey published by the Supervisor of Banks for the business sector shows that Mizrahi-Tefahot Bank leads in overall satisfaction, in willingness to recommend the Bank and in satisfaction with service at branches.

This survey, conducted by the Supervisor of Banks in 2019 for the first time among small businesses and self-employed clients, reflects their satisfaction with service provided by the bank where they have an account. The charts shown indicate that the highest reflection of trust placed in us by clients is in the parameters "Overall satisfaction with the bank and service provided at branch", as well as in the parameter "Would recommend the bank", which is a direct outcome of the high-quality personal approach and outstanding service offered by Bank employees.

The survey results reinforce the Bank's DNA – personal, human service is a material component for individual and business clients, and when it comes to what is truly important, there is no substitute for the human touch.

A survey published by the Supervisor of Banks for the business sector shows that **Mizrahi-Tefahot Bank leads in overall satisfaction, in willingness to recommend the Bank and in satisfaction with service at branches**

Below are major outputs from the survey:



Promoting high-tech industries

Israel's high-tech industry is growing at a rapid pace. This sector has significant potential for banking activity in diverse areas, both for business clients and for individual clients employed in this sector. As part of its core strategic plan, the Bank expands its activity among business clients in the high-tech sector (including start-up companies), through the High-tech Department in the Corporate Sector of the Business Banking Division, as well as through ten branches nationwide specialized in serving high-tech clients. Each year, hundreds of start-ups are created, and the Bank offers diverse financing options appropriate for such companies throughout their life cycle. The Bank also provides financing to start-ups in the growth stage, through a unique model in the banking system, designed to promote entrepreneurship and innovation in the Israeli economy and to assist in the success of these companies. The Bank's High-tech department, established in 2000, has specialized over the years in financing for start-ups using the Venture Lending model, whereby the Bank extends credit for a term of several years and also receives stock options in these companies. The Bank is active and provides financing to start-ups in various segments, including: communications, software, medical equipment, AdTech, automotive, cyber, SportTech, FinTech and others.

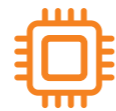
In 2019, new credit approved to promote startup companies and for development of Israeli high-tech amounted to approximately USD 130 million.

A unique solution for diverse demographics

The Bank defined Arab sector, the Jewish Orthodox sector and retirees as demographics on which the Bank wishes to focus over time and with which the Bank would like to intensify contact. This is based on the understanding that these demographics have social and cultural attributes, as well as unique financial needs, that require a custom response in order to bring about their true integration into Israeli society.

Arab sector

To better understand the needs of clients and to bolster the connection with them, Mizrahi-Tefahot Bank conducts meetings throughout the year with clients from the Arab sector. As a result of issues raised at these meetings, the Bank has acted to make deposits more accessible and has promoted specific communications on this topic. Furthermore, in 2019 the Bank incorporated special activities designated for Arab sector as part of the "Let us meet at Mizrahi-Tefahot" program, adapting the content and speakers to the target audience. **As part of this program, 13 activities took place in specific branches. A panel was also held, attended by the Manager, Corporate Sector of the Business Banking Division, at a conference held for businesses in the Arab sector.**



In 2019, new credit approved to promote startup companies and for development of Israeli high-tech amounted to approximately **USD 130 million**

Investing in Clients

Moreover, the Bank is expanding its business activity in the Arab sector, according to a long-term, plan by opening new branches (in 2019, the Bank opened a new branch in Tayibeh) and expanding activity in existing ones (as of 2019, 8 branches), focusing its marketing message on diverse media channels and presenting publications throughout the year, led by the designated brand ambassador for Arab society. The Bank also expands the market for mortgage products in Arab society, adapting them to the unique challenges.

As of the end of 2019, the Bank had branches in these Arab towns: Kfar Yassif, Nazareth, Shefaram, Sachnin, Baqa Al Gharbiya, Um El Fahem, Kfar Kassem and Tayibeh. In 2019, the Bank installed a first remote ATM in Ar'ara.

The Ultra Orthodox (Haredi) sector

The Bank intensifies its ties with the Jewish Orthodox community by expanding activity in the existing ones. The Bank specifically addresses the Ultra Orthodox sector through specific media, by adapting the language of the marketing messages. Thus, the marketing language is adapted for the needs and values of this sector. This segment has been addressed through a range of channels, such as Orthodox press, radio, online and mobile websites, billboards and posters in cities identified with this society.

To expose this demographic to relevant Bank products, during the year the Bank held mortgage conferences in various cities around Israel, at which the Bank provided information and content relevant for their needs. The Bank also launched its "Supportive parent package" product, which allows parents to help their children in planning and taking out a mortgage.

The Bank also continued to include activities focused on the Jewish Orthodox sector in its "Let us meet at Mizrahi-Tefahot" program, with content and speakers customized for the needs of this population. **In 2019, 11 activities took place in specific branches.** We also delivered mortgage workshops customized for the Jewish Orthodox sector in these cities: Bney Brak, Jerusalem, Ashdod, Elad, Betar Ilit, Petach Tikva and Bet Shemesh.

Retirees

As part of the plan to expand activity among retirees, the Bank used multiple channels in order to expand its unique offering of products and services for this audience:

- 1. Pension advisory service** - The Bank offers a pension advisory service, provided by licensed pension advisors, which is customized for needs of retirees, both before and after retiring, at no additional cost.
- 2. "Let us meet - Sixties" activity** - A series of meetings and lectures designed for retirees, held at different Bank branches, including a banking presentation on financial topics and a general-interest lecture. The "Let us meet - Sixties" activity was put in place as part of the Bank's strategy focusing on personal, human contact, in order to provide a high-quality solution to free time available to this demographics.



In 2019, the Bank revised some of the customized content for retirees, and added a new workshop – "Retire and spread your wings – preparing for retirement", in co-operation with experts from the Adler Institute. This theoretical workshop, with a duration of three hours, is a unique workshop all about creating a meaningful life during your retirement. In total, the Bank delivered 30 custom activities for retirees, of which 4 preparation workshops for retirement, in co-operation with the Adler Institute. All lectures were open to the public, free of charge.

3. **"Digital banking empowerment for senior citizens"** – Joint activity by the Bank of Israel, the Ministry of Social Equality and the Banking Association. As part of this activity, Bank representatives delivered lectures on digital financial education to senior citizens at several cinemas, as part of its "Tuesday film for the elderly" events. The Bank also invited clients to Bank branches to receive in-person training about digital banking. The Bank produced 3 training brochures on "The easy way to digital banking":
 - User guide for Mizrahi-Tefahot website
 - User guide for Mizrahi-Tefahot app
 - Service stations at Bank branches

These brochures are aids for retirees on using digital channels offered by the Bank.

4. **Morning sessions** – As part of the Bank's co-operation with various entities, such as Club 50 and the Haifa Museum, morning sessions were held with retirees (both before and after retirement) in attendance. These sessions included presentations on financial topics, based on needs and challenges of post-retirement life.
5. **Retirement mortgage** – The Bank has developed a unique product, in response to financing needs of such clients, along with customized investment products (for more details, see under "Innovation in Bank products and services" on page 39).

Promoting disadvantaged populations and help clients in crisis

The Bank is committed to supporting disadvantaged populations in Israel. This is due to the Bank being part of Israeli society and because some Bank clients come from these populations. In this context, the Bank strives to help through several major channels:

- **Promoting disadvantaged populations** – The Bank provides support for disadvantaged populations in Israeli society, including debtors, women staying in shelters for abused women and population in need, both directly and through organizations that work with these populations.
- **Clients in crisis** – Providing focused, individualized support designed to help clients overcome financial adversity, while maintaining respectful and patient service.

Promoting under-privileged populations

- **Assistance for abused women** – The Bank has joined an inter-bank covenant launched by the Banking Association in co-operation with the Bank of Israel, to facilitate dealing with financial issues for abused women staying in shelters and in temporary housing. The purpose of this covenant is to assist women who reside in shelters for abused women, both through a special contact person who is available to help these women and through agreement in principle, subject to certain conditions, to delay legal proceedings against these women.

- **In 2019, Mizrahi-Tefahot Bank received 16 applications from women staying in such shelters** – and these applications were handled by the special contact person. In that year, Bank Yahav received 13 applications: 8 from help centers and 5 from shelters for women.
- **Retaining interest for Holocaust survivors who receive reparations** – A plan for retaining a uniform, attractive interest rate for clients (Holocaust survivors who receive reparations) and allowing such deposits to be renewed indefinitely, as opposed to other products where renewal is limited.
- **Deposits for foreign workers and asylum seekers** – The Bank has been awarded a tender by the Israeli Government to provide deposit services for migrant foreign workers and asylum seekers. As part of the service, the deposits transferred by the employer for the foreign worker are accrued by the Bank through termination of their employment. When the employee has terminated their employment in Israel, they get the deposit balance as requested by them (in cash or by wire transfer to their account overseas).

Assistance for clients in crisis

It is Bank policy to provide considerate service, understanding of the client's situation, especially in cases of financial hardship and in times of crisis. The Special clients Sector of the Business Banking Division, tasked with handling client debt collection and managing controlled accounts, acts in conformity with this policy and meticulously provides respectful, sensitive service to clients in times of crisis.

The Bank makes significant effort to settle with clients in debt on arrangements that they can comply with.

In order to promote agreements with debtors, representatives of the Special client Sector and attorneys representing the Bank meet with clients, conduct joint campaigns with the Enforcement and Collection Authority and review applications for agreements from both clients and relief organizations. This was in addition to the Bank's constant contact with organizations providing assistance, including Pa'amonim and Yadid, who assist clients in debt.

National Collection Center

As a rule, a client in debt or in arrears, is approached by the Bank's National Collection Center, even before being transferred to the Special client Sector for processing. Bankers at the Collection Center are extensively trained in aiding clients who face challenges in meeting their obligations, in order to reach agreement with the Bank, in line with their capacity, to eliminate their debt and to return clients to the regular repayment schedule.

These arrangements are made judiciously and are personalized for each and every client, in order to resolve the difficulties which borrowers are currently facing. As part of their collection efforts, the bankers are instructed to handle clients with empathy and to discover, at the outset, the source of the hardship which the client is facing and what is the reason for their payments being in arrears.

Thus, as for mortgages, out of all cases of payments in arrears sent to the Collection Center in 2019 (approximately 18,400 new cases of arrears), approximately only 3% were referred to legal proceedings. All of the other cases handled by the Collection Center resolved their debt and resumed their payments in good standing or continue to be handled by the Collection Center, most of them with active arrangements in place and a high level of compliance with such arrangements.

Promoting accessibility for persons with disabilities

Mizrahi-Tefahot Bank believes in providing equal service to all clients, while adapting these for individual needs of each and every client, including for persons with disabilities. To this end, the Bank acts to make its services accessible, so as to allow for easy, convenient access to Bank products and services and to allow anyone who so wishes to become a Bank client.

Recognizing the importance of this issue, the Group emphasizes making services accessible for all its clients. Mizrahi-Tefahot Bank and Bank Yahav implement the Equal Rights for Persons with Disabilities Act, ensuring that buildings, infrastructure and environment are made accessible, and that the service provided to the public is made accessible, so as to allow persons with disabilities to conveniently use such service. The subject of accessibility is managed at the Bank by an Accessibility Coordinator, who was duly certified.

Making the Bank's products and services accessible is reflected at all levels:

- **Making facilities physically accessible** – In this regard, the Bank acts to make branches, ATMs, service stations and its website and app accessible for clients, so as to allow persons with disabilities to also conveniently use these. As of the end of 2019, approximately 96% of Mizrahi-Tefahot Bank branches and 100% of Bank Yahav branches are accessible to persons with disabilities, in terms of building and related accessories. Branches yet to be made accessible have been approved by the Equal Opportunity Commission of the Ministry of Economy and are in the process of being made accessible with the relevant authority.
- **Making banking services accessible** – The Bank acts to make banking services accessible, in conformity with the Equal Rights to Disabled Persons Act. As of the end of 2019, all Mizrahi-Tefahot Bank ATMs and all Bank Yahav ATMs are accessible to persons with disabilities.
- **Accessibility by phone** – The Bank offers accessible service to clients who find it hard to obtain service by phone, such as clients with hearing disabilities. To this end, the phone service was adapted – the call routing information was recorded at a slower pace, in clear speech with no background music.
- **Accessible service stations** – Service stations of bankers and automated service stations across the Group are accessible for persons with disabilities, whether physical or technology-related disabilities, as required by law. This includes accessibility software deployed at automated service stations, and banker service stations have inductive loop systems, microphones and supporting tray installed.
- **Making online services accessible** – The Bank ensures that the services provided through online communication channels are also made accessible as necessary. This is based on the understanding that these channels make it easier for persons with disabilities to use various services, without having to go to the branch. As of the end of 2019, the Bank's accessible websites include the transactions website, the marketing websites, the loyalty club website, and the banking app. In 2018, the Bank also launched an accessible website for trading on the capital market; in 2019, the Bank launched accessible apps for banking and for trading on the capital market. All accessibility arrangements at the Group – physical, service and online – are listed on the Bank website.
- **Promoting accessible service** – The Bank delivers annually training for employees with regard to accessibility, to highlight the Bank's accessible services and provision of proper service to all clients, including clients with disabilities. In 2019, all Bank employees completed E-learning on providing accessible service, and new hires received training as part of their induction course.

In 2019, the Bank conducted a branch visibility survey at all Bank branches, which emphasized accessibility and compliance with directives in this regard. According to the survey results, this area saw improvement compared to 2017, when the survey was last conducted. The Bank is acting to improve deficiencies found at branches, such as accessibility signage, in accordance with the survey results.

In addition to improving accessibility for those with disabilities, the Bank is also improving accessibility for other demographics, including speakers of foreign languages and those with low access to technology, such as the senior population, as elaborated below in this report.



Promoting dialogue and listening – our way of understanding the needs of our clients¹

According to the Bank, personal, human banking means, first and foremost, seeing the client and understanding their needs well. The variety of platforms used by the Bank for regular communication with clients – including meetings, focus groups, conferences and surveys – allows the Bank to be successful, to be constantly kept current and to remain relevant to clients.

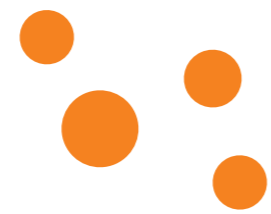
Mizrahi-Tefahot Bank is the only major bank that continues to open branches, expand its workforce, and provide personal, human service, so that dialogue and direct communication between bankers and clients are maintained and reinforced.

Bank initiatives to promote dialogue in 2019:

Client opinion surveys – The Group also surveys clients on products, image, satisfaction and client experience, as well as client feedback via cell phone. Clients who are not satisfied are handled by the branch manager. In 2019, approximately 29,000 clients and potential clients took part in client surveys.

Orienting ourselves to the online client – In recent years, use of the Internet, social networks and blogs as a means of communication between clients and service providers has increased. Consequently, Mizrahi-Tefahot Bank and Bank Yahav offer a website and a Facebook page where answers may be found on various topics. The Bank invests significant effort in monitoring and responding to the discourse in cyberspace about its services, so as to learn from client responses and to improve:

- **To better understand how clients view us** – a real-time reference to statements in various social networks that relate to Group activity, helps gain insights about current or potential clients and how they perceive the Bank and the products and services it offers.
- **Improving learning processes** – The use of social networks requires the ability to debrief service situations, learn lessons and provide a service response within short time periods. Often, a quick response to a dis-satisfied client on the social network, after conducting a professional debrief, can significantly improve the client's feeling and trust. This understanding requires short, high-quality learning processes as well as the ability to maintain effective internal communications, that will provide an optimal solution for the client in the shortest possible time.
- **Reviewing success of marketing campaigns** – Public responses and online discourse allow us to review the impact and success of marketing campaigns, in addition to regular surveys used to review effectiveness.



1. GRI 102-43

Enhancing client satisfaction

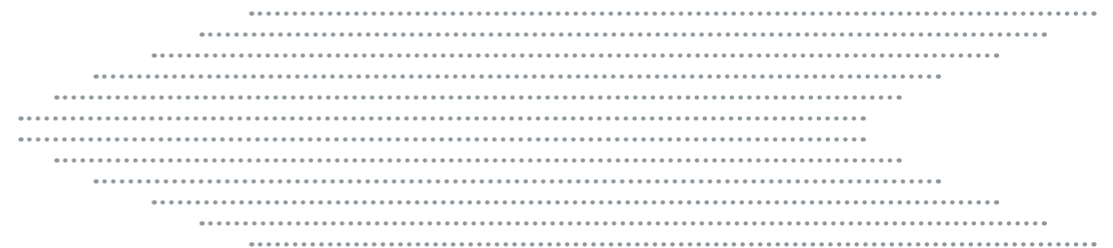
In order to assess client satisfaction and to maintain high client satisfaction, the Bank uses focus groups and conducts regular surveys, including satisfaction surveys, image surveys, interest surveys, client experience surveys with regard to the contract process and so forth. Based on findings from these surveys and focus groups, the Bank adapts its conduct vis-a-vis clients.

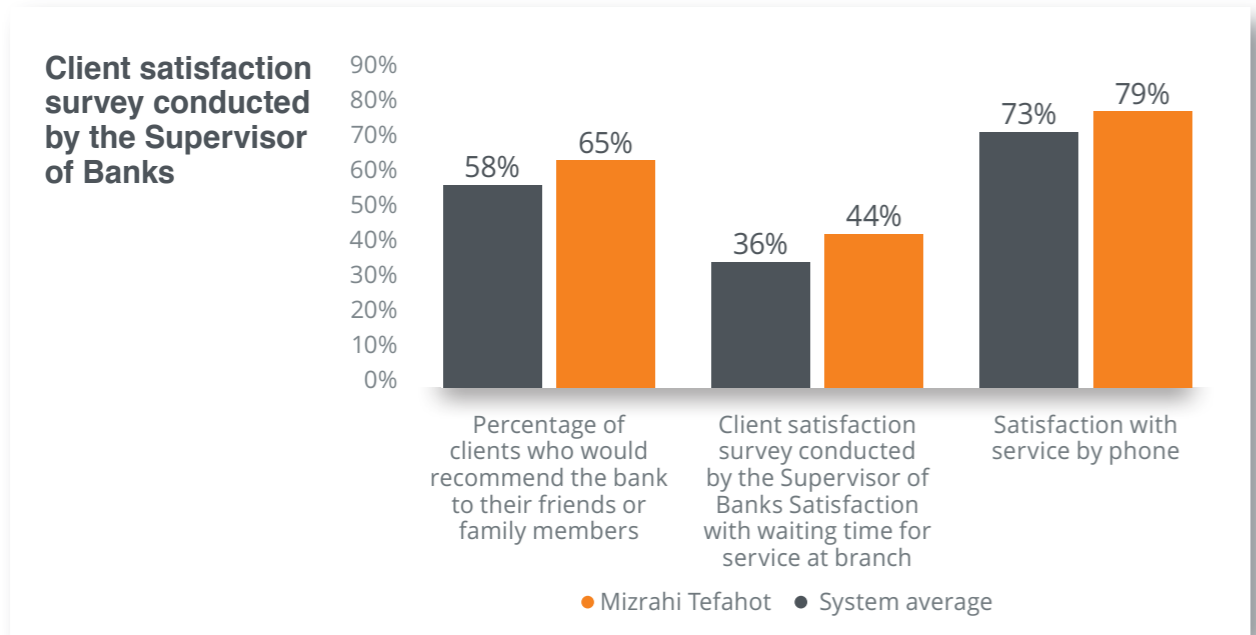
Satisfaction surveys

A client satisfaction survey conducted by the Brandman Institute for 2019 shows that client satisfaction with our bankers continues to be very high and stable over time:



Client satisfaction survey conducted by the Supervisor of Banks – In 2019, the Bank of Israel conducted, for the second time, a client satisfaction survey among clients of all banks. This survey measured their satisfaction with service they receive at the bank where they have their accounts. This survey found that Mizrahi-Tefahot Bank clients are satisfied with direct and digital services offered to them, and the Bank is rated well ahead of the other banks.





Satisfaction with Mizrahi-Tefahot's loyalty club – the "Card" club

One way for the Bank to benefit its clients is through membership in the "Card" club. This club offers its members banking and consumer benefits, allowing them to save tens and hundreds of shekels in current household expenses. Throughout the year, the club offers regular discounts along with periodic attractive promotions in a wide range of store chains and businesses in different sectors. In 2019, hundreds of thousands of transactions were conducted by club members in businesses operating in co-operation with the club, and over 110 thousand bonus coupons were downloaded by club members for various promotions throughout the year. Moreover, in 2019 the Bank launched another loyalty club for business clients. These clients enjoy both the "Card" club benefits for individuals and the "Business Card" club benefits.

Measurement and handling of client inquiries

client inquiries are an opportunity to reinforce and improve the relationship between the client and the Bank, while increasing trust and satisfaction. The Bank views client inquiries as a very important source for identifying cases in which a professional, high-quality solution was provided and as an opportunity to empower proper conduct. However, the information in these inquiries is of great importance and impact for improving service, correcting faults and improving banking processes. Based on this viewpoint, the Bank has set itself the goal of optimally handling public inquiries.

Client inquiries are directly received by the Public Ombudsman Unit, through various entities at the Bank, the Bank of Israel or other external entities. The Bank website provides the client Service Treaty, which elaborates the Bank approach to inquiries and the different ways to contact the Public Ombudsman Unit. The Ombudsman Unit is headed by the Ombudsman, reporting to the Bank's Chief Internal Auditor. The Ombudsman and their staff are responsible for objectively and impartially addressing any public complaint, for thoroughly reviewing it, and for quickly responding to the client. The Bank is committed to handling all inquiries according to the values in our Code of Ethics and our organizational culture, which highlights the values of reliability, integrity, fairness and transparency. At Bank Yahav, the party in charge of client inquiries is part of the Legal Counsel Division, reporting to the Division Manager.

As part of learning lessons, the Bank monitors deficiencies found through to resolution of the problem and also distributes to Bank employees a brochure listing common mistakes made over a specific period.

The Bank also delivers training to employees with regard to fairness with clients. In 2019 we delivered 6,704 training hours.

For each inquiry received by the Public Ombudsman Unit, feedback regarding its receipt is provided within two business days, and a complete, professional response is provided within 45 days after receipt (except for some exceptional cases, where inquiries would receive a response within 60 days). The Bank transparently publishes information on public inquiries received during the year on the Bank website.

Inquiries received and handled by the Public Ombudsman Unit, with regard to all inquiries received by Mizrahi-Tefahot Bank and by Bank Yahav in 2019:

- 76% of the inquiries received were complaints and the remaining 24% were requests.
- In 2019, we addressed 2,912 complaints.

Complaints were received on the following subjects¹:

Subject	Mizrahi-Tefahot Bank		Bank Yahav	
	Percentage of complaints in 2019	Percentage of justified complaints in 2019	Percentage of complaints in 2019	Percentage of justified complaints in 2019
Methods of Payment	20.06%	15.30%	31.3%	39.2%
Housing loans	19.48%	13.31%	-	-
Quality of service	15.41%	10.31%	14.2%	12.20%
Current accounts (including overdraft (accounts	14.24%	14.87%	8.7%	6.80%
Loans (non-housing	12.07%	6.14%	25.2%	21.60%
Other activity of the corporation	9.85%	9.14%	6.2%	2.7%
Deposits and savings	2.12%	12.50%	3.3%	2.7%
Foreign currency	2.49%	12.50%	4.3%	4.1%
Securities	1.64%	6.45%	2.9%	9.4%
information	0.95%	16.67%	2.0%	-
Other	1.53%	3.45%	1.5%	1.3%
Dormant account	0.16%	33.33%	0.4%	-

1. Investigation subjects classified in accordance with Bank of Israel Directive 308A.

Findings with regard to complaints in 2019

- **Total complaints found to be justified** – In 2019, the justified complaints rate was approximately 12% at Mizrahi-Tefahot Bank and approximately 7% at Bank Yahav (all other complaints were found to be un-justified, or were processed with no position being taken¹ or the complaint topic was not within the scope of the unit²). In general, all justified complaints and deficiencies found are monitored through resolution. In order to learn lessons, brochures are sent to employees, listing examples of cases and common mistakes, to aid learning, improvement and reduction of justified complaints.
- **client complaints about accessibility** – In 2019, the Group received 8 complaints about accessibility (6 at Mizrahi-Tefahot Bank and 2 at Bank Yahav). Of these, 2 complaints at Mizrahi-Tefahot Bank were found to be justified.
- **Complaints about breach of client privacy** – In 2019, the Group received 16 complaints about breach of privacy (10 at Mizrahi-Tefahot Bank and 6 at Bank Yahav). Of these, 6 complaints were found to be justified (4 at Mizrahi-Tefahot Bank and 2 at Bank Yahav), which were addressed as needed in conformity with Group procedures.
- **client complaints regarding discrimination in service provision** – In 2019, the Group received 15 complaints concerning discrimination (13 at Mizrahi-Tefahot Bank and 2 at Bank Yahav). Of these, no complaint was found to be justified.

Fairness and transparency towards clients

The Bank deals fairly with all stake holders, including Bank clients. The value of fairness is enterprise-wide and is based on application of basic values: integrity, fairness and transparency.

Fairness and transparency are fundamental values in the Bank's Code of Ethics and in the framework of its corporate social responsibility philosophy. A fair relationship with all stakeholders, and especially with clients who are at the center of business activity, is the basis for trust, success and creating shared value.

Thus, the Bank commits to maintain a fair relationship with clients, ensuring full transparency with regard to information which the Bank is required to provide to clients with regard to its products and services. The Bank commits to act with integrity, to be faithful to the personal and professional interest of its clients, and not to take any action that is not in line with values in the Bank's Code of Ethics.

Fairness and transparency towards Bank clients are implemented as reflected in responsible marketing and advertising and in fairness in the Bank's products and services.

1. Cases of "he said, she said", without established evidence, or cases in which there is no significance to determining a position, in order to provide client relief and resolve the issue
2. Complaints relating to the branch failing to approve credit, benefits in commissions or debt settlement.

Responsible marketing and advertising

The Bank acts to provide transparency and clarity in its products and services, so as to help clients make informed decisions.

In order to promote fairness and transparency at Mizrahi-Tefahot Bank, the Bank also ensures respectful, non-abusive marketing messages, in conformity with statutory provisions and with Proper Conduct of Banking Business Directives of the Bank of Israel. The Bank adheres to clear standards with regard to marketing communications, advertising, sales promotion and sponsorship. These standards form part of marketing procedures and are reviewed in each campaign and on regular basis, annually or more often as required.

In conformity with marketing procedures, all messages made public on behalf of the Bank are in compliance with legal requirements and with these principles:

- **Avoiding contentious issues in Israeli society**
- **Respectful, non-abusive advertising** – The Bank adapts its messages for various segments of the population, so as to align with their norms and cultural values. These messages reflect the Bank's guiding principles for its current operations: reliability, loyalty, maintaining human dignity, professional integrity and commitment to the client.
- **Clear language** – Use of clear and understandable language is a mandatory foundation for providing high-quality service to clients. Mizrahi-Tefahot Bank strives to have clients properly understand their financial rights, obligations and how products and services work, so as to enable them to make informed financial decisions.

The Group's marketing activity is characterized by messages conveyed to the public at large. As a leading market player, we engage in marketing and advertising – both to potential clients and to existing clients – strictly in adherence to statutory requirements and in compliance with mandatory full disclosure, respecting the demographics in the Israeli population.

The field of marketing communications is managed according to all generally-accepted codes in this field, both in terms of rules of ethics and the voluntary codes, and the Group ensures that its advertising adheres to the rules of ethics of the Second Broadcasting Authority.

Fairness in product and services

Bank products and services are designed to answer client needs. To this end, all client-facing employees receive training about products offered by the Bank, becoming familiar with client attributes and standards for service and sales. Employees are provided with tools that would allow them to discuss with clients their financial needs, to ask the right questions and to propose appropriate solutions.

The Bank also maintains extensive control over its lines of business and acts to maintain effective enforcement programs with regard to securities laws and economic competition laws adapted for the Bank and its unique circumstances, as part of overall risk management at the Bank, including fairness risk. In this regard, the Compliance Officer, who is responsible for helping

Bank management in effective management of risk facing the Bank, constantly works with the Chairman, Ethics Committee, to discuss implementation of the policy and of values in the Code of Ethics. The goal of these regular sessions is to contribute to internalization of correct operating principles and to bolster implementation of the Code of Ethics by all Bank employees, along with action that is in conformity with basic guidelines for fairness risk management.

In 2019, the Bank, through TNS Israel, conducted fairness surveys among the general public to study the Bank's standing and perception as a fair bank, compared to other banks.

This year, too, Mizrahi-Tefahot Bank was perceived as the most fair bank in the banking system.

Proper disclosure

The perception of fairness and transparency towards clients is based, first and foremost, on providing all of the required information regarding financial products and services, in a clear and accessible manner, allowing the client to make the best decisions for them. The Bank makes sure that agreements with clients comply with legal requirements and with directives of the Supervisor of Banks regarding proper disclosure.

As part of the Internal Audit Division's work plan, audits are also conducted of information with regard to various products and services offered to clients. These audits include sampling of client agreements. In case of any agreements that should be revised, including with regard to full disclosure and fees, this issue is reflected in the Audit Report.

The publication of marketing messages about products and services, as well as providing updates to existing clients, are made in accordance with Group values and provisions of the law and of the Supervisor of Banks, and include all of the information required in accordance with mandatory proper disclosure.

Making the Bank ID accessible

In accordance with Bank of Israel directive 425, as from 2015 all individual clients receive a "bank ID", which lists information about all of their assets and liabilities at the Bank, total income and expenses during the year and a summary of activity in their current account.

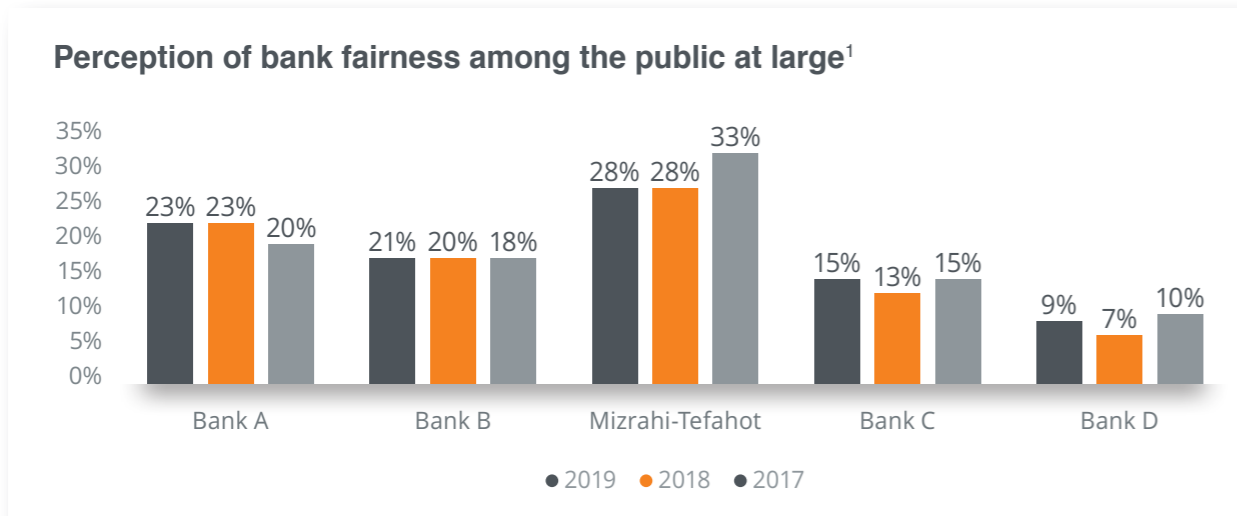
The bank places special emphasis on making the bank ID accessible to clients, and therefore a general explanatory sheet is attached with regard to its essence, together with a reminder of personal banking services, noting the name of the client's personal banker and the telephone number where he may be contacted.

Fairness towards clients

Mizrahi-Tefahot Bank operates multiple decision-support models to assist in optimal matching of client risk level and repayment capacity with their needs and the products in which they are interested.

Perception of Bank fairness towards clients

In 2019, the Bank, through TNS Israel conducted fairness surveys among the general public to study the Bank's standing and perception as a fair bank, compared to other banks. This year, too, Mizrahi-Tefahot Bank was perceived as the most fair bank in the banking system.



In 2019, the Bank received no fines nor warnings concerning non-compliance with voluntary regulations and codes with regard to providing information about services and product marking, nor concerning marketing communications.



1. The answers do not add up to 100% due to the potential answer "another bank"

Information security and keeping information confidential

The Bank sees great importance in information security and is committed to ensuring privacy and to protecting information of its clients. To this end, the Bank has specified its information security and cyber strategy and policy, which have been approved by Bank management and by the Board of Directors, in line with Bank of Israel requirements, allowing for controlled and secure management of client personal information.

The Manager, Information security and cyber security reports to the Manager, Risk Control Division and is tasked, inter alia, with setting policy and activity with regard to information security and with monitoring the implementation and reviewing the effectiveness of systems and security processes. The Direct Banking sector of the Bank is certified under the information security management standard ISO 27001.

Bank policy includes the commitment by Bank management with regard to ensuring the availability, privacy, integrity and reliability of information systems and information assets of the Bank and its clients, with emphasis on maintaining client information privacy and banking confidentiality, through an extensive, advanced technological system to secure information. In cases where the Bank has chosen to conduct activity with clients through a third party (outsourcing), the Bank's outsourcing policy ensures that the supplier maintains conditions to secure the privacy of client information.

The Bank continues to reinforce the defense mechanisms applied in Bank systems, in order to further limit the ability to conduct un-authorized transactions in client accounts. These actions were taken as part of debriefing processes and lessons learned by the Bank with regard to this emerging threat. This is managed by the Bank as follows:

- **Risk mapping** – The Bank regularly conducts mapping, analysis, management and assessment of all risk factors facing the Bank.
- **Risks management and mitigation** – In conformity with the current risk mapping, the Bank implements processes and technology to hedge and mitigate risk.
- **Control** – The Bank applies control processes in order to identify any gaps in implementation of the tools and processes specified.

Information security is managed by the Risk Control Division, together with the Technology Division. The Risk Control Division specifies policy and requirements on different topics, directs the various units and provides approval and control services with regard to information security. The Technology Division deploys lines of defense and technology, based on the policy and requirements specified at the Bank and the Division – and is responsible for monitoring, identification and avoidance of any deviation from such policy and requirements.

Taking no risk – protection circles for safeguarding information

Our clients entrust to not only their money, but also significant financial and personal information. In today's technological reality, given threats such as digital fraud and cyber crime, the Group extensively acts to safeguard information.

Among the steps that can be disclosed, we apply the following:

- **Risk management** – Risk assessment for systems and processes, including monitoring of sensitivity transactions, information analysis and processing, identification of anomalies, response and control.
- **Addressing cyber threats** – developing and using advanced technological capabilities to deal with cyber threats, including cyber crime. The Bank, inter alia, monitors client activity in the various channels, in order to identify and prevent un-authorized use of client accounts, informing the client if any such use has been identified. The Bank is assisted by external parties in locating information assets related to the Bank in cyber space.
- **Confidentiality and privacy** – Access to client information is controlled and allowed based on policies specified for this matter. There is also strict adherence to procedures regarding safeguarding the privacy of client information and banking confidentiality, with regular control and enforcement.
- **Awareness and education** – Regular activity to enhance awareness of Group employees and managers of risk associated with the Internet and with social media. In this context, training is delivered to new employees, lectures are delivered to managers and information security and cyber security flashes are disseminated, discussing different events in Israel and overseas. This is designed to enhance awareness of events and to underline the personal

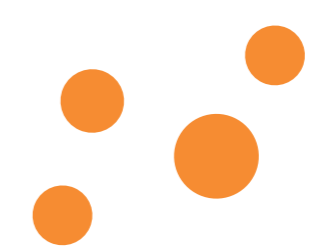
responsibilities of all employees, managers for safeguarding client information privacy and safeguarding the Bank's information assets. **In 2019, we delivered 9,412 training hours on information security, to all Bank employees.**

- **Securing transactions in direct channels** – As described, we maintain diverse communication channels with our clients, including through a mobile app, various websites, e-mail and SMS messages. When signing up for one of these channels, clients are instructed how they should act to optimally safeguard their privacy and their information. Moreover, client authentication and verification processes have been defined for any contact through one of these channels.

The Bank manages communications in various channels, in conformity with Proper Conduct of Banking Business Directive 367, which governs activities of banking corporations when providing online banking services to clients. The Bank implemented multiple measures to reinforce authentication, to identify anomalies, and to ensure stronger protection for client activity and for Bank business. This activity continued in 2019.

Clients who wish to open a bank account with Mizrahi-Tefahot directly online can now do so, in conformity with approval granted by the Bank of Israel in 2015. In order to overcome the need to go to the Bank for physical identification, the Bank of Israel has authorized client identification by video call with a banker. We make sure that clients who open an account via the Internet would have an optimal user experience, without compromising on strict information security and safeguarding client privacy.

- **Promoting online safety** – In order to promote awareness and to expand client knowledge on safely using the Internet and safeguarding their information, the Bank website provides information and tools on this subject. This page provides information about the following: Rules for safe web browsing and how to verify the true identity of the Bank website, means to protect the client's PC, correct use of passwords, online fraud, information about implementing information security at the Bank and how to report suspected fraud.
- **We also check suppliers** – our suppliers who are exposed to internal information, especially those exposed to information about our clients, are committed to maintain strict information security measures, designed to provide good security for such information. As part of the risk management and control processes of suppliers, in conformity with Proper Conduct of Banking Business Directive 363, the Bank conducts rigorous checks and surveys with regard to information security at suppliers' premises, so as to ensure that the required security level is maintained.



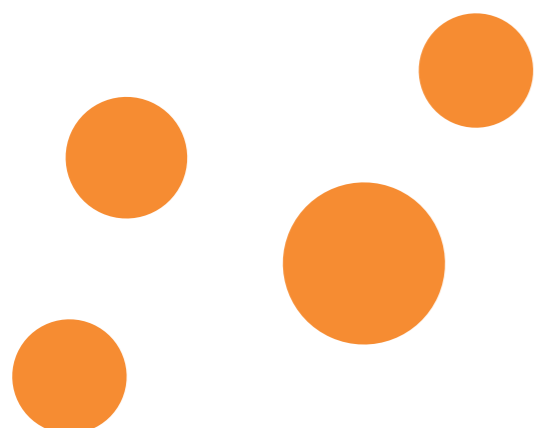
Information security at Bank Yahav

Bank Yahav has a policy on protection of privacy, as well as procedures for addressing breaches in safeguarding of client information. The Bank operates to preserve client privacy in the following ways:

- Publishing tools for safe online usage and policy on protection of privacy on the Bank website, designed to increase client awareness of correct, safe usage of the Internet.
- All employees have signed rules and procedures with regard to information security and maintaining banking confidentiality, and are committed to comply with these.
- In order to increase employee awareness of information security and protection of privacy, training on these topics is delivered to employees. The Bank also initiates proactive "phishing" exercises.
- All suppliers have signed, as part of their contract, an appendix regarding information security, which specifies Bank procedures in this area. Furthermore, periodic information security surveys are conducted on premises of material suppliers, to review proper management and compliance with this matter.

Complaints with regard to client privacy

In 2019, we received a total of 17 complaints with regard to breach of client privacy (10 at Mizrahi-Tefahot Bank and 7 at Bank Yahav). Of these, 6 complaints were found to be justified (4 at Mizrahi-Tefahot Bank and 2 at Bank Yahav), which were addressed as needed in conformity with Group procedures.



Promoting common value



Mizrahi-Tefahot Bank strives to generate social and/or environmental value, as part of its business operations and together with the economic value generated, to promote common value for the Bank and for its clients. In order to implement this principle, the Bank offers products with environmental and social value and offers financial meetings for clients and for the public at large.

Development of environmental and social products

The Bank recognizes the importance of identifying risk and opportunities facing the Bank and provides loans for development, construction or launching of products with a positive environmental and social impact.

- **Providing loans for development, construction or launching of environmental products** – The Bank is committed to promoting environmental issues and therefore assists by providing loans for development of new technologies for generating, including to clients seeking to construct solar energy generation plants.
- **Providing loans for development, construction or launching of social products** – The Bank, being a major financial institution, is aware of its accountability for economic stability and growth and supports small businesses through various funds which promote social or business goals in outlying areas and through support and promotion for social businesses.



In 2019, **the Bank provided** approximately
NIS 600 million
to promote environmental causes and approximately
NIS 978.5 million
to promote social causes

Environmental Credit

The Bank has an environmental risk management policy in place, as part of the approval of credit policy documents. The Bank's policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk¹.

Lending for development of energy sources – In 2019, credit was approved for green energy – renewable energy, energy generated from renewable sources as well as financing for co-generation facilities. Use of such energy reduces environmental pollution. **Total credit approved in 2019 amounted to approximately NIS 600 million.**

Environmental issues are also part of operations of the Bank's overseas branches. Consequently, the Bank branch in Los Angeles, which is subject to local regulation, has formulated policy and procedures on environmental issues. Furthermore, the Bank branch in London uses principles published by the Prudential Regulation Authority (PRA) as guidelines for formulating policy on managing the risk of climate change.

In 2019, the Bank provided approximately NIS 600 million to promote environmental issues.

Moreover, in order to improve employees' capacity to apply the Bank's social and environmental policy, the Bank delivers training on this topic. In 2019, the headquarters of the Business Banking Division, assisted by external consultants in environmental protection and in legal matters, delivered training to 50 relevant employees of the Business Banking Division (including economists and managers at different levels). Moreover, at the Los Angeles branch, all employees participate annually in training on environmental issues, and at the London branch, relevant branch employees take part in courses and workshops on environmental risk.

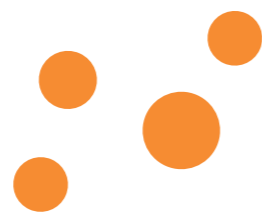
Social Credit

The Bank acts to promote social products to Bank clients in several areas. **In 2019, Mizrahi-Tefahot Bank provided approximately NIS 978.5 million to promote social issues**, as follows:

- **Credit for small businesses – "The Northern-Southern Fund"** – The Bank promotes small and medium businesses in the Northern and Southern regions, by turning these regions into attraction hubs, by creating employment, increasing revenues and improving quality of life.

To this end, the Bank allocated through 2019 loans amounting to NIS 738 million, of which NIS 111.2 million in 2019 alone, compared to NIS 78 million in 2018².

1. For more information see chapter "Corporate Governance" later in this report and the corporate social responsibility policy on incorporating environmental and social considerations, available on the Bank website.
2. GRI 102-48



- **Financing of social-oriented bonds** – In 2019, the Bank became an anchor investor in social-oriented bond issued to finance the "Math in Rahat" project. Social-oriented bonds offer financial investment in a project to benefit the public, in order to provide a solution to social issues in the fields of education, welfare, employment and so forth. Such investment is made by purchasing debentures from a company incorporated to this end by an entrepreneur who typically contracts with a public entity that is interested in achievement of the social project outcome.

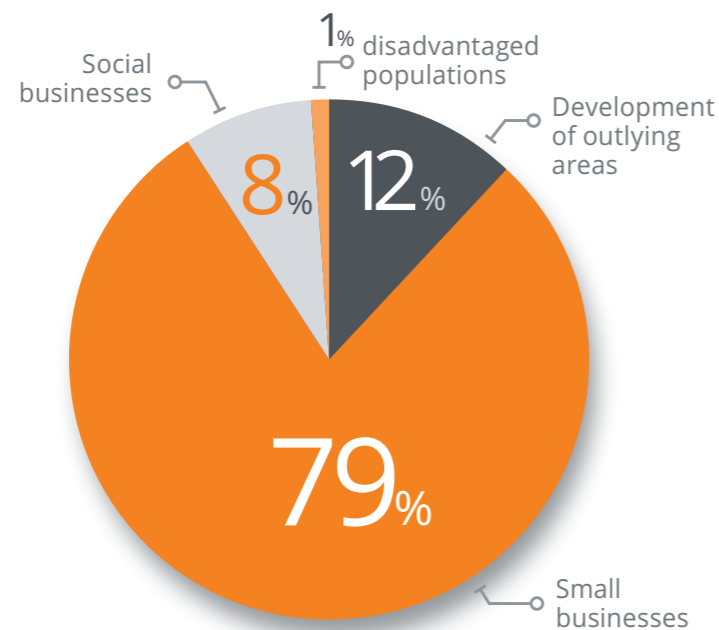
The debentures purchased by the Bank are used to invest in a project to enhance high-school math studies at high level (4 and 5 units) and to enhance Hebrew language studies at 7 high schools in Rahat (approximately 1,200 students). The project duration is six years in three classes, with each class provided with three years of active intervention. The debentures were issued by a special-purpose company, Social Financial Financing Israel Ltd. (Public benefit company). **As part of this effort, the Bank provided NIS 3.6 million; through end of 2019, NIS 0.64 million was provided to the issuer.**

- **Government-backed fund for small and medium businesses** – Since 2012, the Bank has been active in the Government-backed fund for small and medium businesses. In 2016, the Bank was awarded the new tender conducted by the Government and started providing such loans as from May 2016. The Bank's share of credit provided is 60% of the financial partnership with institutional investors which provides the loans. To this end, the Bank provided **loans amounting to NIS 4,430 billion through end of 2019, of which NIS 766 million in 2019.**
- **Loans in cooperation with IVN Yozma Fund** – The Bank provides loans in jointly with the Fund, which focuses on the development, investment and support for social businesses that focus on vocational training and employment for youth and youngsters at risk, people with special needs, paroled prisoners, the elderly and single-parent families. As part of this partnership, the Bank resolved to lend NIS 1 million over 10 years, starting in 2017. **In 2019, the Bank provided NIS 83 thousand to the fund.**
- **Social investments by US affiliate** – **In 2019, the Los Angeles branch invested approximately NIS 18 million** (USD 5.04 million), as required by the Community Reinvestment Act (CRA), in dedicated funds which provide mortgages to the disadvantaged and loans to small businesses in the USA. This is the same amount as invested in 2018.





Composition of social lending



Financial education

Being one of the top 5 banks in Israel, which impacts the economy and the market, we at Mizrahi-Tefahot attach great importance to promoting financial education among the Israeli public and we make an effort to provide our clients and the public with tools for proper financial conduct, tools for economic empowerment and proper budget management.

The Bank believes that promoting Bank clients and the communities in which the Bank does business is affected by the Bank's positive social activity and by providing tools for correct financial conduct. Providing tools for smart, responsible financial conduct helps reduce the cases of financial crisis and supports the financial robustness of Bank clients. Sharing the Bank's knowledge and expertise in the financial world would allow clients, both individual and business, to develop and make progress – as well as the community around.

As part of Bank activity in this area, the Bank offers:

- **Support and economic advice to businesses** – Assistance and advice for businesses large and small, for correct financial conduct of the business, both for businesses just starting out and for well-established ones as well.
- **Financial workshops and training for the public at large** – Providing basic concepts in the financial world for diverse demographics to improve their economic well-being.
- **Digital literacy** – Activity to empower and learn digital tools, designed for senior citizens.






In 2019, the Bank conducted 75 sessions and conferences on financial topics, enjoyed by approximately 4,700 attendees (both Bank clients and from the public) (for more information about financial sessions, see this chapter under "Client experience" and chapter "Community" on page 86).










In 2019, the Bank conducted **75 sessions and conferences on financial topics**, enjoyed by approximately **4,700 attendees**

Looking forward

Achievement of 2019 goals

Specified goal	Response to SDGs	Status
Continue offering conferences and meetings with business clients on various topics, including foreign trade		Done
Invest in social-oriented debentures to increase the percentage of 4- and 5-unit mathematics graduates in Rahat		Done
Provide assistance to small businesses to promote improved energy efficiency, through the Improved Energy Efficiency Fund		Done
Continued expansion of the service: Open 3 new branches		Done
Continued expansion of activity in the Arab sector and in the Jewish Orthodox sector, by opening new, designated branches and expanding existing services		Done
Continued "Let us meet at Mizrahi-Tefahot" activity" in the financial domain, focused on the Arab sector, Jewish Orthodox sector and retirees ("Let us meet - Sixties")		Done
Training on environmental risk delivered to relevant employees		Done
Monitor changes in the threat space and adapt defensive systems at the Bank, in line with such changes, so as to ensure the level of defense for Bank systems and client information. Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection		Done
Maintain high level of satisfaction among Group clients and continue to provide optimal service handling client complaints, with fair treatment of clients by the Bank		Done

Goals for 2020

Specified goal	Response to SDGs
Continued "Let us meet at Mizrahi-Tefahot" activity" in the financial domain, focused on the Arab sector, Jewish Orthodox sector and retirees ("Let us meet - Sixties")	  
Continue expansion of the service by adding new service locations and offering diverse services to clients at central locations	
Continue expansion of activity in the Arab and Jewish Orthodox sectors, by expanding existing services	
Training on environmental risk delivered to relevant employees at the Business Division	
Monitor changes in the threat space and adapt defensive systems at the Bank, in line with such changes, so as to ensure the level of defense for Bank systems and client information	
Further increase awareness of cyber risk among Bank employees and provide basic tools for understanding the threat outline and desirable ways of protection	
Maintain high level of satisfaction among Group clients and continue to provide optimal service handling client complaints, with fair treatment of clients by the Bank	





Investing in the

COMMUNITY

Overview

Approximatley

80,000

students took part in "Green light for children" training sponsored by the Bank at 200 schools

Approximatley

31,000

hours of volunteer work

Total investment
Community-social

NIS **19.1** million

18.8% growth

Approximatley

NIS **240,000**

Total purchasing from social NGOs

Approximatley

1,800

Participate in the "NOAR LATET" program for social entrepreneurship

97%

are local suppliers
Of which 14% are from outlying areas

Approximatley

7.5% increase

in "Let us meet at Mizrahi-Tefahot" activities

Approximatley

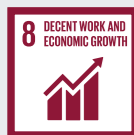
72%

of suppliers are micro and small businesses

50%

of Group employees volunteer for different activities

Impact on Israeli society through involvement and volunteer work



As a business entity whose business relies on the community in which it operates, the Bank is committed to be involved with and to invest in the community. The Bank is working to realize its community involvement in a manner that expresses its strength, engages the Bank's employees in active volunteer activity and leverages its physical, financial and human abilities and resources. These matters are handled at the Bank by the Mizrahi-Tefahot in the Community unit of the Organizational Development and Training Department of the Human Capital, Resources and Operations Division.

The Bank's community engagement is carried out accompanied by a constant dialogue and realization of broad initiatives with community partners throughout Israel, engagement of employees and managers, geographic and other diversification of activities utilizing the Bank's nation-wide presence, through partnerships and with internal and external communication of the Bank's community involvement.

Bank strategy on social involvement is designed to promote inclusive growth to promote equal opportunities in Israeli society in four core areas:



Investing in the community

Community involvement - Mizrahi-Tefahot Bank promotes social involvement by Bank employees and their families, as well as by the public. The Bank encourages employees to adopt social organizations and to take part in volunteer activities wherever the Bank operates. The Bank further believes that in order to expand its circle of influence, it should act to empower values of volunteering and giving to the community among everyone in Israeli society. Volunteering enhances the sense of belonging to the community and produces personal interactions.

Financial education - The Bank regards financial education as a means to increase equal opportunities, to reduce socio-economic gaps and to improve the well-being and quality of life of the population; therefore, the Bank has set a goal of providing financial knowledge on smart economic conduct to everyone, so as to help in economic empowerment.

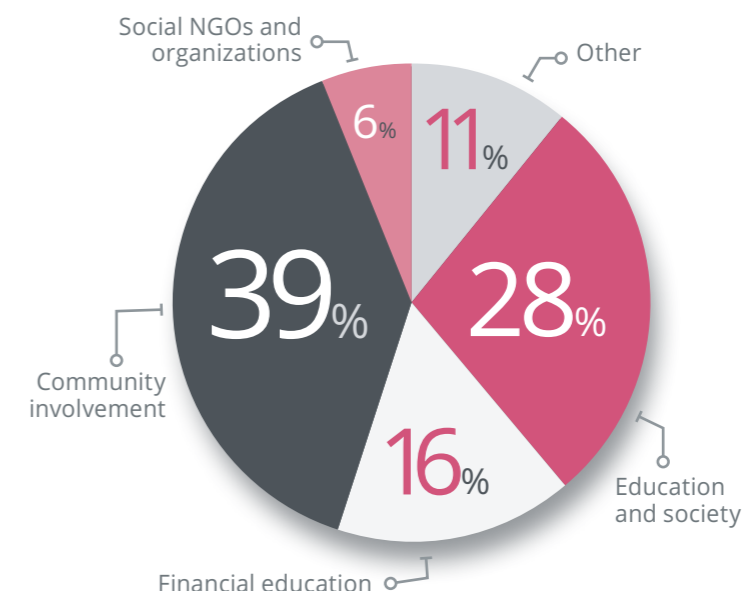
Promoting social NGOs and businesses - Mizrahi-Tefahot Bank acts to enhance the business and organizational capabilities of social NGOs and businesses, by providing business and management tools designed to enhance their positive impact.

The Bank also encourages purchasing of goods and services from social NGOs and businesses, by Bank employees and for Bank clients.

Education and society - Mizrahi-Tefahot Bank regards its branches as a place for building a supportive, stable community and not merely as a financial center; therefore, the Bank emphasizes promoting education and society and reinforcing its relationships with local communities in which the Bank operates. The Bank has created a social project designed to empower, enrich and bring residents in the vicinity of Bank branches to meet Bank employees. The Bank is also involved in funding and social activity, as part of their involvement in neighboring communities around Bank branches.

This strategy, which was reviewed and revised in 2019, was aligned with the Bank's business strategy and with trends in Israel and world-wide. As part of the strategy review process, we assessed the alignment with Bank values, the capacity to engage employees, relevance for social issues in Israel and world-wide and connecting with innovation.

Investment in the community by activity type for 2019



The Group's total social investment

The Group's total social investment in 2019 amounted to

NIS 16.1 million
compared to NIS million –
increase by
18.8%

This investment consists of **total cash donations of approximately**

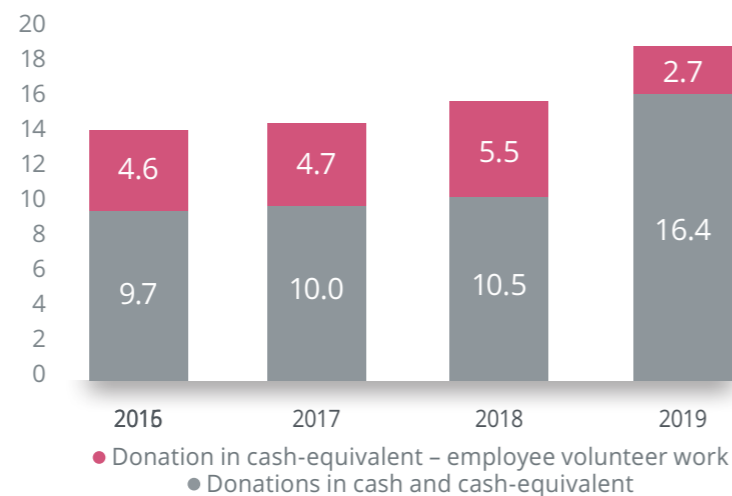
NIS 16.1 million and cash equivalent donations of approximately

NIS 2.7 million

Investment in the community as percentage of total net debt before taxes is

0.65%

Social investment by the Group over the years (NIS in millions)



Stronger community involvement

Mizrahi-Tefahot Bank strongly emphasizes awareness of diversity and being sensitive to under-privileged populations. To this end, the Bank promotes in the Israeli society values such as mutual help and volunteering.

As part of Bank policy on empowering the values of volunteering and giving to the community and educating the younger generation based on these values, the Bank encourages employees and their family members to actively volunteer and continues to invest in diverse projects that would allow this goal to be achieved. Below are select projects conducted in 2019:

- **Adoptive units** – Bank branches and headquarters units adopt more than 100 social entities and institutions in their towns, acting on behalf of under-privileged populations. This includes regular activities to provide assistance and mentoring by volunteer employees, holding common social events, unique activities in advance of holidays, using creative craft kits sent by "Mizrahi-Tefahot in the Community" and centralized activities for children well-being in various regions all across Israel.
- **"ZAZIM"** – youth movements for the community – The objective of this project, in cooperation with the Youth Movement Council, is to encourage youth movement participants to volunteer for society and their community. In this project, which was started in 2012, youngsters submit proposals for involvement projects in community work, which would be supported by the Bank. Out of approximately 300 proposals submitted in 2019, the Bank selected 60 projects to support. Thus, for example, in 2019 the "Game room" project was selected, whereby the Ariel movement, Homat Shmuel branch created a game room for children with disabilities. The game room operates every Thursday from 5pm to 7pm and each child has their own support staff to play with and to do creative art. Furthermore, as part of community involvement at the Bank and to encourage family members of Bank employees to take part in community involvement, the Bank personally invited children of employees to take part in the ZAZIM project.
- **"LATET Youth"** – Since 2012, the Bank has partnered in an educational program for social entrepreneurship, volunteer work and empowerment of youth, in co-operation with the NGO named LATET. As part of the program, youth initiate and operate social projects for the benefit of the communities in which they live, with assistance from the Bank. In 2019, this activity took place at 32 towns nationwide, with 1,800 participants from various parts of Israeli society, including youth at risk, youth with disabilities, Druze, Muslim and youth from underprivileged towns.

Bank branches and headquarters units adopt more than 100 social entities and institutions in their towns, acting on behalf of under-privileged populations.

This includes regular activities to provide assistance and mentoring by volunteer employees, holding social events and unique activities in advance of holidays.



- **"Make a Wish"** - This NGO acts to make dreams and wishes come true for children suffering from serious illness. In 2019 the Bank participated in planning and fulfilling four wishes for sick children. The wish realization was planned at a workshop, attended by 40 Bank employees, who also took part in making the wish come true. In 2019, the Bank also sponsored the NGO's fund raising event.
- **"Zichron Menachem"** - This NGO serves children with cancer and the Bank has been co-operating with this NGO for nine years. Throughout the year, the Geula branch in Jerusalem adopts the "Zichron Menachem" children, celebrating the holidays and their birthdays with them. Furthermore, the Bank headquarters in Lod served as a meeting point to prepare children served by this NGO for their summer camp in Thessaloniki.
- **"Ezer MeZion"** - an NGO acting for the well-being of cancer patients, including children. In 2019, this NGO received a financial donation, as selected by Bank employees. In 2016, the Bank helped increase the bone marrow database managed by this NGO by creating a special database in the Bank's name - and this year the first donor match was found in this database. The database is available to patients requiring bone marrow transplant and treatment.
- **"Joy for children"** - this NGO acts for the well-being of children suffering from serious illness. In 2019, the Bank sponsored a fund raising event for the NGO and Bank volunteers, to bring joy to children in hospitals in Jerusalem and helped raise funds on a special fund raising day dedicated to this NGO.
- **"Shalva"** - This NGO helps children with special needs. In 2019, the Bank's Agripas branch adopted children from this NGO and conducted custom activities together with them, such as cooking workshops. The Bank also sponsored this NGO's fund raising event.
- **Hanukkah of Gifts** - As part of this unique project, on Hanukkah 2019, approximately 1,700 children from boarding schools and well-being day-clubs enjoyed Hanukkah gifts purchased by Bank employees. The gifts are purchased by employees at a subsidized cost, with the difference made up by Bank management. Total donations amounted to approximately NIS 85,000.
- **"Friends in Medicine"** - An NGO which operates a social pharmacy, by collecting un-used medications and providing them as a contribution to people unable to buy them. Medications are collected through dedicated collection containers, placed at Bank branches, employees and clients can provide drugs that are no longer needed. The drugs are passed on to the

Investing in the community



NGO and are checked by professional pharmacists, before being delivered to patients who face financial challenges in buying their drugs. Since the launch of this activity through 2019, medications valued at over NIS 5 million have been collected through the Bank alone.

- **"Young Summer"** - The Bank invites employees' children to volunteer during the summer vacation with social NGOs involved in the community. Approximately 42 children of employees volunteered in 2019 and received a gift whose monetary value is in line with their volunteering hours.
- **"Repeating Story"** - The Bank has joined the "All Good" NGO in operating a venture for book lending to Bank employees through three libraries created in the management building: in Ramat Gan, Lod and in the Bank building in Agripas Street in Jerusalem. These libraries are operated by members of "Shekulo Tov" who are being rehabilitated.
- **"Eran"** - The Bank, together with NGO Eran, started a second training round for employees and retirees who do volunteer work, providing a response to callers using the NGO online hot line. This is in addition to approximately 20 employees who completed their training in 2018 and continue to be active as volunteers at this NGO.
- **"Tour De TROM" bicycle rally** - This initiative, launched nine years ago, has become a tradition at the Bank. This project is held in cooperation with the ILAN NGO sports center - designed to raise funds for ILAN children. In 2019, some 130 employees took place in the rally.
- **Popular race at the Jerusalem Marathon** - This race is sponsored by the Bank in co-operation with the Israel Cancer Society, and approximately 600 employees and their family members take part in 2019.
- **Passover Walk** - This walk is designed to increase awareness of the fight against cancer. The walk took place for the 10th year and this year approximately 600 employees and their family members took part in it.
- **Employee contribution to "Ezra LeMarpeh"** - Bank employees who so wish donate monthly, out of their salary, to the NGO "Ezra LeMarpeh". Total contributions in 2019 amounted to NIS 192,000.



Promoting social NGOs and businesses

These social NGOs and businesses assist under-privileged populations and promote values of equality, charitable donation and safeguarding human rights.

As part of its community involvement, Mizrahi-Tefahot Bank supports NGOs and social-oriented businesses that promote social innovation, so as to increase its influence to benefit the community.

- **"Business with value" project** – the Bank's social venture program, in cooperation with the IVN Foundation supporting social businesses and NGOs that aid under-privileged populations in an innovative, ground-breaking way.

As part of this venture, start-up social businesses or NGOs are invited to apply to take part and to benefit from a financial grant from the Bank and from professional assistance by professional mentors. In 2019, approximately 100 businesses and NGOs applied, of which 4 NGOs were selected to receive professional assistance from Bank employees and business consultants in different areas, such as creating a business plan, organizational development, marketing, managing human resources and others. These NGOs also received a financial award, for expanding their business, in conformity with the business plan. Below are the 4 selected projects:

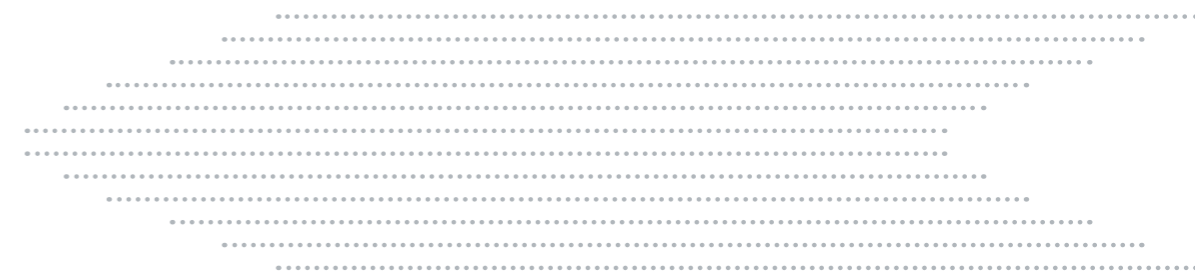
- **NAILIT** – social business venture to promote economic independence of girls at risk, operated by the NGO Neshet (as a separate business operation). The venture operates experiential booths (hair braiding, nail polish and art tattoos) at events.
- **Kite Pride** – This venture provides rehabilitation activity for men and women previously involved in or currently exiting the world of prostitution and human trafficking. The venture produces and markets unique bags made of boat sails and hang gliders no longer in use.

The Bank's social venture program, in cooperation with the IVN Foundation supporting social businesses and NGOs that aid under-privileged populations in an innovative, ground-breaking way.

In 2019, a venture named **Al Manara** was selected. This venture helps to promote persons with disabilities in the Arab sector. The venture employs six guides with special needs.



- **Blue Bridge tourism** – This venture acts to develop incoming tourism and employment for residents of Jisr Al Zarka, including providing guided tours of the village and home hospitality by village residents.
- **Al Manara** – This venture helps to promote persons with disabilities in the Arab sector. The manager of this venture, Attorney Abbas Abbas, is blind and the NGO employs six guides with special needs.
- **"The Honeycomb"** – a home for the promotion and development of social projects that provide solutions to challenges faced by disadvantaged populations. The Bank is a sponsor of the "Honeycomb" activities, both financially and through assistance, with the participation of Bank managers at different stages of these ventures.
- **Workshop for NGO managers** – In 2019, the Bank offered a workshop on "Guidance for economic growth" to NGO managers, designed to enhance their toolbox for economic independence and generating their own revenues. The content was presented by external advisors and by representatives from the Bank's Marketing Division. **This event was attended by approximately 60 managers of social NGOs and businesses, in order to help them expand their business activity.**
- **"Creating from the Heart for the Community"** – For several years now, the Bank has been holding the "Creating from the Heart for the Community" fair, held since 2010 during the Sukkot holiday. This year, for the first time, the fair was held at the Tel Aviv Port. **Approximately 25 NGOs who employ under-privileged persons attended the fair.** The objective of this fair is to help support social NGOs and organizations to increase their sales and to increase public awareness of their social activity. All revenues from sales at this fair go to these NGOs.
- **Buying gifts and giveaways from NGOs** – During the holiday season, Bank employees are invited to buy gifts and other giveaways from various social NGOs and businesses at fairs held at Bank headquarters and through the Bank's intranet website. **Total purchasing from social-oriented NGOs by Bank employees at NGO fairs or through various Bank activities, amounted to approximately NIS 240 thousand in 2019, compared to a similar amount in 2018.**
- **Employee contribution to "Ezra LeMarpeh"** – Bank employees who so wish donate monthly, out of their salary, to the NGO "Ezra LeMarpeh". Total contributions in 2019 amounted to NIS 192,000.





Promoting financial education

Being one of the top 5 banks in Israel, which impacts the economy and the market, we at Mizrahi-Tefahot attach great importance to promoting financial education among the Israeli public and we make an effort to provide our clients and the public with tools for financial conduct, economic empowerment and proper budget management.

The Bank believes that promoting Bank clients and the communities in which the Bank does business is affected by the Bank's positive social activity and by providing tools for correct financial conduct. Providing tools for smart, responsible financial conduct helps reduce the cases of financial crisis and supports the financial robustness of Bank clients. Sharing the Bank's knowledge and expertise in the financial world would allow clients, both individual and business, to develop and make progress – as well as the community around.

Other activities in this framework include:

- **"Money Road" training kit** – A program which provides youth with training on financial issues. This kit is available on the Bank website, to assist a wider audience of teachers, instructors, counselors etc. to learn the content of this package and to train youngsters in the content listed in this package. In 2016, the kit was translated into Arabic and made available on the Bank website. In 2019, "Money Road" kit training was delivered by Bank employees and students who received tuition scholarships from the Bank, in exchange for training groups of youths at high schools. As from 2018, we also offer the "Value of Money for elementary schools" kit, adapted for activities in elementary school classes (3rd to 6th grades). This kit is designed for Bank employees who wish to deliver activities at their children's schools. **In 2019, this kit was borrowed by approximately 35 Bank employees to conduct activities at their children's elementary schools.**
- **Financial meetings at branches throughout Israel** – In 2019, as part of the "Let us meet at Mizrahi-Tefahot" program, **22 financial meetings were held at branches throughout the country, in which approximately 790 participants took part.** The meetings were held in the evening, in a relaxed, pleasant atmosphere, and included lectures on various topics: deposits and savings, retirement advice, mortgages, family economics and capital market investment.
- **Mortgage workshops for Jewish Orthodox sector** – As the leading mortgage bank in Israel, we attach great importance to holding training sessions and workshops on this topic. These workshops provide participants with professional information about the world of mortgages and tools to choose the most suitable track. These workshops are attended by Bank clients, even those who eventually decide to take out a mortgage elsewhere. We see it as our responsibility to provide the best tools for making such decisions. **In 2019, we offered 9 mortgage workshops designed for the Jewish Orthodox sector, attended by approximately 1,000 participants.**

As the leading mortgage bank in Israel, we attach great importance to holding **training sessions and workshops** on this topic.

In 2019, we offered **9 mortgage workshops designed for the Jewish Orthodox sector, attended by some 1,000 participants.**



- **Digital banking empowerment for older citizens** – In co-operation with the Bank of Israel, the Ministry of Social Equality and the Banking Association, extensive activity took place in 2019 to promote awareness and financial knowledge among retirees. As part of this activity, Bank representatives delivered talks at multiple cinemas across the country, and Bank clients were invited to Bank branches to receive in-person training about digital banking. Later, the Bank produced training brochures on this topic, to help Bank clients – user guide for Mizrahi-Tefahot website, user guide for Mizrahi-Tefahot app and details about service stations at branches. At the end of this process, we conducted a participant satisfaction survey, with the activity rated highly by respondents (rating scale from 1 to 5, with 5 being the highest rating):
 - Clarity of information provided during meetings and how helpful is this information for using digital services – 4.5.
 - client ability to use digital services after the meetings – 4.4.
- **Reinforce financial education for students and relations with institutions of higher education** – The Bank intensified links with institutions of higher education, by co-operating with colleges and universities, delivering lectures to students by volunteer employees and managers and by providing scholarships for students at several universities and colleges in financial fields of study. In 2015, the Bank sponsored the "Breathe easy at Tel Hai College", a center for providing financial advice to students at Tel Hai College. The center offers workshops on proper economic conduct for students, as well as personal workshops and meetings to increase awareness of this topic. This center also employs students who have received a tuition scholarship and financial training from Bank employees. **In 2019, 45 students attended workshops on proper economic conduct offered by the center.**
- **Pa'amonim** – The Bank has been co-operating with Pa'amonim to provide training on economic recovery for families, helping them succeed and achieve financial robustness. The Bank supports and assists a group of families in the Bet Shemesh and Modi'in regions, holding multiple meetings assisted by branch manager in the region. Bank employees are also invited to volunteer as advisors nation-wide, with their training being financed by the Bank, as a donation to this NGO.

In 2019, Pa'amoniim received a donation of NIS 50,000 from the Bank, as part of the "Partners by choice" project, that would support the financial training program for young couples and the financial education program for youth and young adults at risk.

- **Mizrahi-Tefahot Small Business College in cooperation with the Israeli Management Center ("MIL")** – the Small Business College, operated by the Bank together with the Israeli Management Center ("MIL") offers two courses: a marketing course and a financial course. Each course consists of five sessions. Bank clients pay to attend these courses at price subsidized by the bank.
- **"Let us meet on the international stage" – a series of meetings for the business sector and for companies with foreign trade experts** – In December 2017 we launched a pilot for specific business-oriented meetings. The series of meetings on foreign trade issues takes place in the Bank's business centers (in Haifa, Netanya, Petah Tikva and Beer Sheva). In each branch, a series of three different meetings takes place, on topics relevant to foreign trade. The content of these meetings was adapted to businesses and companies and participation at these meetings is open to the general public at no cost. **In 2019, we conducted 10 custom meetings for businesses on the world of foreign trade, attended by approximately 360 participants.**



Promoting education and society

As part of its activity in the community, the Bank sees the importance of promoting education and social issues and reinforcing its ties with local community where the Bank operates.

To this end, Mizrahi-Tefahot Bank is active in various communities in the vicinity of Bank centers, and is also involved in funding and social activity as part of its activity among neighboring communities:

Community activity in major cities where the Bank operates

The Bank headquarters is located in Lod and in Ramat Gan, with approximately 1,000 employees in each of these cities. It is therefore important for the Bank to take an active part in local life, and the Bank partners with many initiatives in these cities.

- **In Lod**, the Bank contributed to **construction of a pre-school center**, serving the Arab and Jewish populations who live close to the Chicago Youth Center in the city. The Bank sponsors operation of the Melodica social club, which provides social activities to teenagers in Lod. The Bank supported creation of a cycling group, as part of the cycling club launched in the city, to benefit residents and to provide a social sports activity for youths. The club offers cycling groups for different groups: Youths of Ethiopian descent, Arab boys and Arab girls. The youths also receive lessons on responsibility, bicycle maintenance, team work, caring for others on joint rides and mutual responsibility. Bank employees also take part in various community activities and join volunteer organizations in school after-study clubs, in providing financial training to youngsters (The Money Road project) and in other municipal events, such as the Purim festival "ADLODYADA" and the Lod Race, attended in 2019 by approximately **190 employees and their family members.**

- **In Ramat Gan**, the Bank adopted all well-being daytime clubs in the city, providing assistance by Bank units. In Hanukkah this year, a major event for all children in these daytime clubs took place at the Ramat Gan Theater – with approximately 300 children enjoying a performance of the "1001 Nights" play at the Bet Zvi Theater, sponsored by the Bank. The Bank also supports the **"Theater Days"** project of Bet Zvi Theater in Ramat Gan, where pupils in schools adopted by Bank units enjoy an experiential day, including a performance by theater students, workshops and theatrical activities. In the 2019 school year, approximately 150 pupils from 5 schools participated in these theater days.

Other activities for promotion of education and society

- **"Birthright"** – The project objective is to reinforce Jewish identity and links to Israel among Jewish youngsters from around the world. The Bank has chosen to include employees in accompanying Project Birthright groups. Therefore, the Bank, together with Project Birthright, identified 20 employees to join in accompanying 20 groups, where group members are graduates employed by various companies and organizations around the world, speakers of English, Russian and Spanish, aged 24-32. Bank employees who took part in this project joined the group members for a weekend, participated with them in all activities and represented the labor market in Israel. Family members of Bank employees were also invited to volunteer to accompany Project Birthright groups.
- **"Neighborhood Leaders"** – a two-year program for fourth to fifth graders in Jerusalem, who learn about their neighborhood and the school vicinity, through tours and meetings with related figures. This activity is conducted as part of school classes. The program goal is to empower the pupils and to intensify their sense of affinity, belonging and local pride in the neighborhood in which they live. The program is spearheaded by the Yad Ben Zvi Institute. This year, the program was offered in the Ramot neighborhood and was also extended to the Talpiot neighborhood.

The Bank has sponsored the **"Green Light for Children" program**, which is operated by an interactive van that visits elementary schools throughout the country.

In 2019, training was delivered in 200 schools throughout the country, attended by 80,000 pupils.

- **"March of Heroism"** – In 2019, on the Holocaust Memorial Day, Mizrahi-Tefahot Bank sponsored events of the "March of Heroism" for Holocaust survivors, to promote remembrance of Jewish heroism during the Holocaust period. Bank employees and their family members took part in this walk at four locations around the country: Eilat, Yad Mordechai, Tel Aviv-Yaffo and Kibbutz Lochamey HaGetaot.

- **"Hebrew Salaam"** – The Bank has joined forces with the Abraham Foundation to operate a program teaching Hebrew language skills at Arab schools, taught by Jewish teachers. **In 2019, this activity took place at 33 Arab schools with 330 classes and approximately 10,000 pupils.**
- **Road Safety** – The Bank has sponsored the "Green Light for Children" program, which is operated by an interactive van that visits elementary schools throughout the country. As part of this activity, pupils receive experiential learning of road safety content, designed to raise awareness of road risk and to provide them with tools for handling such risk. In this activity, the pupils experience safe riding, practice proper road crossing and are taught safety rules. **In 2019, training was delivered in approximately 200 schools throughout the country, attended by approximately 80,000 pupils.** Moreover, volunteers of this NGO operated game stations and activities in the Passover walk to Fight Cancer, attended by Bank employees, and at the "Heart-felt creation for the community" fair.
- **"Adopt a Battalion"** – The Bank adopts an IDF unit and conducted various activities with this unit. The Bank also hosted events for the unit, such as: conference for departing soldiers, workshop for Operations Officers and others.
- **Landmark events in Israeli society** – Mizrahi-Tefahot Bank promotes initiatives among employees to reinforce their sense of belonging to this country, acting to celebrate special events on the calendar, such as ceremonies for the Holocaust memorial day at Bank facilities, packing food packages during the month of Ramadan, taking part and making a donation for the "Lights of Hope flag" project of NGO Elem on Independence Day and so forth.
- **Scholarships for students of Ethiopian origin** – This year, too, the Bank continued its co-operation with the Feuerstein Institute and the Hebrew University of Jerusalem, to promote higher education by providing scholarships to students of Ethiopian descent. **In 2019, the Bank awarded 74 scholarships to outstanding students in different educational institutions.**



"Let us meet at Mizrahi-Tefahot"

Bank branches are also a place for community building and not merely financial centers. Aiming to be a human bank that strives to bring our clients closer to the Bank and to Bank branches, the Bank has created a social project designed to empower, enrich and bring residents in the vicinity of Bank branches to meet.

As part of the "Let us meet at Mizrahi-Tefahot" project, a wide range of activities are being offered at key Bank branches, by leading lecturers in their fields. These meetings are devoted to topics of general interest and enjoyment, are held in the afternoon and evening hours, in a relaxed atmosphere and clients of all banks, residents of the neighborhood and the general public are invited to attend at no cost.

A dedicated website is provided for this project, listing information about lecturers, lectures and activities for different audiences. Information about the project is also available on the Bank's main website and Facebook page, and is provided to clients and participants in previous events through a dedicated newsletter. Naturally, Bank employees, their families and friends are also invited to attend these meetings.

In 2019 there were 242,286 visits to the "Let us meet" website.

Let us meet at Mizrahi-Tefahot

in 2019 we held

173 meetings

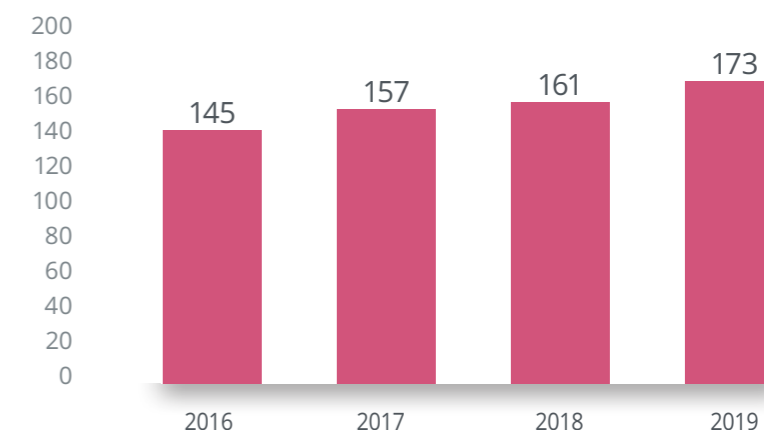
at **33** key branches around the country.

These meetings were attended by

8,907 participants

of which approximately **42%** are not Bank clients.

Number of "Let us meet" activities over the years



Meetings customized for different target audiences

As part of the "Let us meet" activities, the Bank offers sessions with content adapted for target audiences in various demographics, in response to their individual needs. These include:

- **"Let us meet – Sixties"** – Understanding the needs of clients, we expanded the range of activities and adapted these meetings to retirees by developing the "Let us meet – Sixties" series of meetings. In 2019, we conducted 30 customized, relevant activities for retirees at 7 designated branches. These meetings included banking lectures as well as non-banking lectures on topics adapted to retiree, along with general interest lectures. In 2019, the Bank also developed a workshop titled "Retire and spread your wings – preparing for retirement", in co-operation with experts from the Adler Institute.

- **"Let us meet" in the Arab sector and in the Jewish Orthodox sector** – In 2019 special activities were organized for Arab sector and the Jewish Orthodox sector, as part of the "Let us meet at Mizrahi-Tefahot" project, adapting the content and lecturers to the target audience. In this context, we conducted another 13 activities for Arab sector at our branches in Kfar Kassem, Sachnin, Shefaram and Akko, as well as 11 activities for the Jewish Orthodox sector at our branches in Tarfon Business Center in Bney Brak and Geula in Jerusalem.

The various activities are widely acclaimed, as reflected in participant numbers and in very high satisfaction ratings for these meetings, as reflected in feedback received at the end of each meeting – in 2019, similarly to previous years, satisfaction with the meetings remained high and was rated 4.8 out of 5.

Community involvement at Bank Yahav

As part of managing investment in the community at Bank Yahav, the Bank strives to create long-term relationships with social organizations and partners. The Bank also encourages employees to volunteer, both during and outside business hours.

In 2019, investment in the community at Bank Yahav included the following initiatives:

Involvement in the community

- Employees volunteered on many projects, such as at kindergartens for children with special needs, collection and donation of food and activities with the elderly.
- Participation in the Tour De TROM bicycle rally, in co-operation with "ILAN" NGO.

Financial education

- Promoting financial literacy in co-operation with NGO "Another Lesson" – As part of this effort, 110 Bank employees volunteered to deliver courses providing knowledge and tools for smart economic conduct, all across Israel. In 2019, 12 courses were delivered, attended by 250 children.

Promoting under-privileged populations

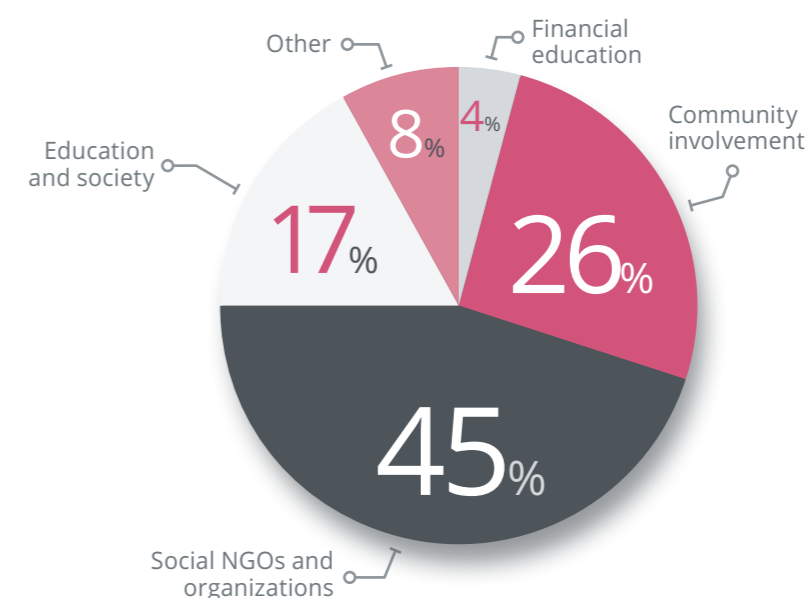
- Empowering youth of Ethiopian descent – support and assistance for youth project in Petach Tikva, in co-operation with NGO "Fidel".
- "Adopt an apartment" project – Joint activities with persons with disabilities, in co-operation with NGO AKIM in Jerusalem.
- Established and assisted cycling groups for children at risk, in cooperation with the "Shimshon Riders" NGO.
- Funding of judo and basketball classes at the SHALVE Jerusalem center for children and youth at risk and for children with disabilities.
- Support and assistance for boarding schools of "HaMifal" NGO for training of Israeli children.
- Support and guidance for youth in disadvantaged neighborhoods, in cooperation with "The sky is the limit" NGO.

- Financing for summer camp for children with diabetes from under-privileged families.
- Established and assisted basketball teams for youth at risk, in co-operation with HaPoel Yahav Jerusalem.

Community involvement at overseas affiliates

Group activity in the USA (Los Angeles branch) and in the UK (London branch) in the community is focused on these activities:

- **Volunteering in the community** – In 2019, 46.6% of our employees in the USA volunteered for 63 hours in their local community.
- **Donations to social community activities** that support social businesses and disadvantaged populations, to promote financial education, to promote education and social activity, and to empower children and youth. In 2019, the contribution amounted to approximately NIS 235,000.
- **Composition of operating segments for overseas affiliates**



Employee volunteer work



Employee volunteer work is a material part of the Bank concept promoting equal opportunity for success. Employees are involved and play an active role in volunteer activities, which they regard as a key value, investing their time and skills. The value of giving and connecting with the community have become part of the DNA of each branch and unit of Mizrahi-Tefahot Bank.

Volunteer activities by Group employees take place in co-operation with local authorities and social organizations, are focused on activity designed to eliminate social gaps and to promote under-privileged populations. The Bank recognizes the importance of volunteering, as a tool for community involvement, and therefore fosters co-operation with social organizations and institutions with which the Bank co-operates, to reinforce a long-term relationship.

Moreover, the Bank acts to expand the range of volunteer activities, both in terms of the nature and scope of such activities, so as to allow each employee to find their place and to reinforce their involvement in and commitment to such activities.

Volunteering for the community

approxitmaley
2,000
participants in
financial training
delivered by Bank
employees

Over
100
Bank units and branches
adopt social organizations
nation-wide

20
Bank employees and their
family members took part
in Project Birthright and
accompanies participants
during their visit in Israel

Over
50
financial
education training
sessions for
children and youths

approxitmaley
3,000
food baskets packed by Bank
employees and distributed
to **under-privileged families**
ahead of the Passover and
Ramadan holidays

12,710 kilometers
of walking/running/cycling
by Bank employees and
their family members to
benefit social causes

Management of volunteer work

Volunteer work at the Bank is managed by the "Mizrahi-Tefahot in the Community" unit of the Organizational Development and Training Department. This unit is tasked with finding needs for volunteer work, contacting social partners, initiating projects, integrating activities, supporting volunteers and managing the volunteering budget. At each unit or branch that adopts a social organization, there is a contact person – **community relations representative**. These unit representatives are in charge of keeping in contact with the adopted organization and execution of the activity program, which mostly takes place during business hours. Once every two years, the Bank holds an event in recognition of volunteering employees, to thank them for their meaningful activity to spread light, smiles and humanity, as we have stated in the Bank values.

Types of volunteer work

- **"Adoptive units"** – Long-term volunteer activity, where Bank units and branches adopt social organizations and various institutions in their cities, acting to benefit under-privileged populations. This includes regular activities to provide assistance and mentoring by volunteer employees, holding social events, unique activities in advance of holidays, using creative craft kits and centralized activities for under-privileged populations in various regions in Israel. **Currently there are over 100 adoptive units and branches at the Bank.**
- **Employee involvement in community relations projects** – As part of Group policy to empower the values of volunteering and giving to the community and educating the young generation on these values, the Bank also encourages ad-hoc activities for employees. The Bank continued to invest, throughout the year, in diverse projects, initiated by the Bank or by the actual units, such as employee participation in the Jerusalem Marathon, Passover Walk, Tour De Trom, hospital visits, food distribution, Day of Good Deeds and so forth. Thousands of Bank employees and their families take part in these activities.
- **Financial training** – Bank employees deliver financial training to entities adopted by the Bank. Many employees also deliver such training at their children's schools. Furthermore, students who receive scholarships from the Bank deliver group training to youths at high schools. These training sessions are delivered based on content in the "Money Road" kit put together by the Bank. This kit has also been translated in to Arabic.
- **Individual volunteer work** – The Bank co-operates with NGOs and organizations, such as Eran and Pa'amonim, through training that allows employees to volunteer as part of the NGO activities, even outside of business hours. Employees found to be a good fit, after professional screening processes, take part in this volunteer activity.
- **Encouraging Bank retirees to volunteer** – The Bank emphasizes keeping in touch with Bank retirees, and believes that they can contribute significantly to the community even after retiring from the Bank. Retirees are invited to take part in diverse volunteer activities, such as the following: Providing financial assistance in conjunction with the connection with Pa'amonim; running the Jerusalem Marathon to benefit the Israel Cancer Society, the Lod Race and so forth. The Bank also holds a special fair prior to retirement of employees, offering those retirees who are interested several options to volunteer with different social organizations with which the Bank has a relationship.

- **Encouraging family members to volunteer** – Beyond encouraging Bank employees to volunteer, the Bank also invites their family members to volunteer with social initiatives, such as the "Young Summer" initiative to promote volunteering by employees' children, employee family members accompanying Project Birthright groups and so forth.

Employee volunteer work

approxitmaley

31,000

hours of volunteer work by Group employees as part of activity in the community

57%

of total volunteer hours were during business hours, for which the employees were paid their salary

50%

of Group employees volunteer for different activities

10%

of Bank employees volunteer on regular basis

approxitmaley

10.2

hours of volunteer work per worker on average per year



Involvement with cooperation, dialogue and feedback ¹

The outline of activities and involvement in the community is formulated through ongoing dialogue with social organizations and community partners. In this way, the group identifies needs, renews the social involvement program every year, and maximizes its resource investment for the community. Moreover, all projects are subject to close monitoring and assistance by the Bank, to ensure that charitable donations end up where intended.

- **Local authorities** – The Bank is in constant contact with the welfare and education departments at many local authorities across Israel, in order to develop projects and to identify social organizations that may be adopted by Bank units, as part of their regular community involvement. Together with these, the Bank reviews and plans the investment plan for the relevant venture, such as adoption of welfare daytime clubs in Ramat Gan by Bank units, or sponsoring of municipal programs, such as the Melodica club or the social film festival in Lod.
- **Clients – "Partners by Choice"** – This project allows Bank clients to take part in voting on which NGOs, that provide for under-privileged populations, would receive a Bank donation of NIS 500 thousand. In this project, now in its eleventh year running, the Bank contacts its clients and asks them to vote for their preferred NGO. The Bank and the selected NGOs

deliver joint projects designed for the benefit of under-privileged populations. In 2019, clients chose the following NGOs: Or Yarok, Shanti House, Israel Cancer Association, Zichron Menachem, Krembo Wings, Latet, Ezer MeZion, Elem and Pa'amonim.

- **Employees – "Your Vote Counts"** – This project allows Bank employees to take part in the decision as to which NGOs would participate in the project and which ones would benefit from the Bank's contribution amounting in total to NIS 100 thousand. The selected NGOs, together with the Bank, offer projects to promote social causes, to employ persons with disabilities or to promote financial education in the community. In 2019, employees chose the following NGOs: Or Menachem, Or Shalom, Ihud Hatzala, Alot, Alin hospital, Hasdey Naomi, Israeli Center for Guide Dogs, Matnat Haim, Aleh – aid for special children and Kav LeHaim. In 2019, a further NIS 15,000 was donated to three more NGOs selected by employees – Iggy, Variety and Rachashey Lev.
- **Social NGOs and organizations** – In order to identify needs, the Bank is in constant dialogue with social NGOs and other organizations. As a result, we initiate projects in response to emerging needs, such as the "Partners by choice" project, "Friends of medicine" and "Green Light for Children", which were described in detail in this chapter.

Measuring activity effectiveness and impact

In addition to measuring satisfaction with activities for the community, the Bank also measures the effectiveness and impact of projects in which the Bank is involved:

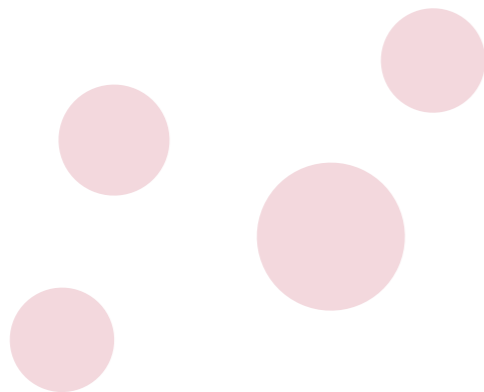
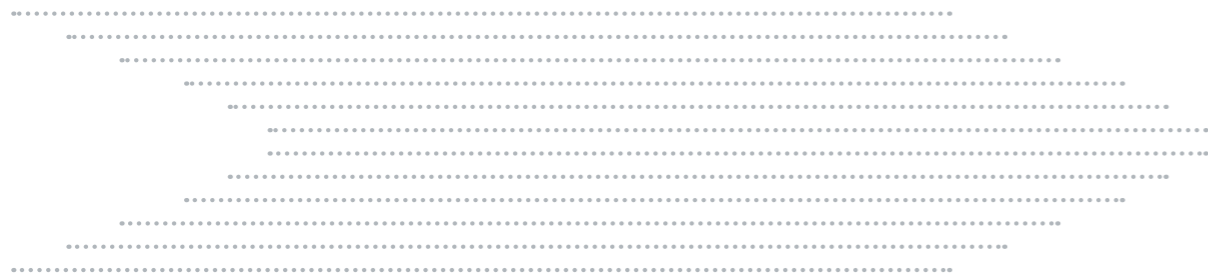
- **Surveys and feedback questionnaires** – The Bank sends out surveys to relevant respondents after activities are completed, to evaluate participant satisfaction in the interest of constant improvement. Thus, for example, surveys are sent to NGOs that took part in the "Heart-felt creation for the community" fair, feedback questionnaires are sent to Bank employees who took part in the Tour De TROM bicycle rally, and a dialogue takes place with NGO managers who took part in the seminar delivered to them. The Bank also maintains a constant dialogue with representatives of the social organizations where employees do volunteer work in the "Adoptive Units" project, through questionnaires and visits which review, inter alia, their satisfaction with the volunteer work and with their relationship with the Bank unit. The data collected in 2019 indicates that satisfaction of social organizations where Bank employees volunteer remains very high, with demand to expand operations with additional volunteering employees.
- **Lesson learning process** – Upon completing a major activity, the lesson learning process takes place with all relevant parties, based on feedback received from people in the field. After the lesson learning process, changes and improvements are made to future planned activities.
- **Activity and outcome review** – For major projects conducted by the Bank, after the activity we receive reports to summarize the activity outcome vs. pre-defined goals. For example, after the year's activity and support for social-oriented businesses by the **"Business with value"** project, we monitored the development and improvement of those businesses by using different parameters. Analysis of these reports showed that ventures which participated in this project have increased their average monthly revenues, profitability and headcount.

1. GRI 102-43

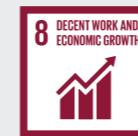
Communicating about activities and invitation to join them

The Bank communicates its social activities to employees and clients and invites them to take part in various activities:

- **Bank website** – Activities are listed on the Bank website, as a platform for including clients in various social projects (examples: Invitation to the "Heart-felt creation for the community" fair, enrollment in the Jerusalem marathon, a project for collecting medications for the "Friends in Medicine" NGO, promotion of the ZAZIM project, publication of the gift food fair around the Purim holiday, publication of a call for action for the "Business with value" project.
- **Intra-organizational dialogue** – The Bank maintains a constant dialogue with employees, through internal communications and by listing the diverse activities on the "Mizrahi-Tefahot in the Community" website.
- **Calendar** – Every year, a calendar is produced and distributed to all Bank employees, describing the projects and activities of volunteer employees across each month.
- **Recognition for volunteer employees** – Bank management values and appreciates employee involvement in the community and regards this as part of the organization's values. Once every two years, an evening of appreciation is held for volunteer employees and during the annual balance sheet conference, management recognizes outstanding branches and units for their contribution to the community.



Reinforcing Israel's economy through responsible supply chain management



The Bank generates direct economic value to its stakeholders and indirect economic value to companies and suppliers that are part of its supply chain. The Bank regards its suppliers as partners in promoting sustainability and responsible conduct. To this end, the Bank acts to promote a responsible supply chain and strives to improve the social and environmental performance of its suppliers, with attention given to diversification among suppliers, responsible financing and development of supplier capabilities. The Bank strives, in as much as possible, to consume products and services from suppliers who respect and ensure human rights and ethical conduct. Bank suppliers are also expected to act in the spirit of the Bank's values.

Suppliers and Procurement

97%
are local Israeli suppliers

3,400
active suppliers provide services to the Group

Approxitmale
72%
of suppliers are micro and small businesses

70%
of total purchasing is paid to small and micro businesses

Responsible supply chain management

Mizrahi-Tefahot Group has significant impact on Israel's economy, and as such it attaches great importance to orderly and responsible supply chain management. Procurement is managed at the Bank by the Logistics Department of the Human Capital, Resources and Operations Division.

In conformity with the group policy and its responsible supply chain preception, the Group prefers to do business with local suppliers. The Bank has an agreed payment policy with suppliers and the Bank ensures timely payment to suppliers, as agreed and committed to ahead of time.

Responsible supply chain management is applied as follows:

- **Audit of Suppliers employment terms** - Visits to premises of major suppliers of the Bank, review of these suppliers based on criteria specified by the Bank. Any supplier that fails to meet the criteria is liable to have their contract terminated.
- **Outsourced employees' employment terms** - The Bank ensures that employment terms of outsourced employees would be in line with all laws and regulations with regard to security, cleaning and catering staff. This is verified by a qualified payroll auditor, in conformity with statutory provisions, including requests made by employees seeking specific verification.
- **Promoting local procurement** - Given its responsibility to reinforcing the Israeli economy, it is Bank policy to prefer local suppliers ("Made in Israel"), so that the great majority of purchasing by the Bank is made from local suppliers.
- **Prioritizing suppliers** - Being accountable to Israeli society, the Bank maintains a policy that prioritizes suppliers who contribute to the community and operate based on an internal Code of Ethics. and is committed to providing service in conformity with the Bank's Code of Ethics. Also giving priority to procurement of equipment with a high energy efficiency rating.

Responsible supply chain¹

Group has a policy in place for preferring local suppliers. The Group receives services from approximately 3,400 active suppliers (of which approximately 850 are Bank Yahav suppliers), of which 584 new suppliers and 97% local Israeli suppliers. As part of Group action to diversify the supply chain, suppliers were from different regions in Israel. Moreover, 14% of them are from outlying regions, as defined by the Central Bureau of Statistics² and approximately 72% of them are small and micro businesses³, accounting for approximately 70% of total procurement. These are construction and maintenance, landlords and management companies, equipment suppliers (office equipment, printers, auto leasing, telephones, computers, computer equipment etc.) and service providers (consultants, designers, supervisors, computer and information security service providers and cleaning service providers).

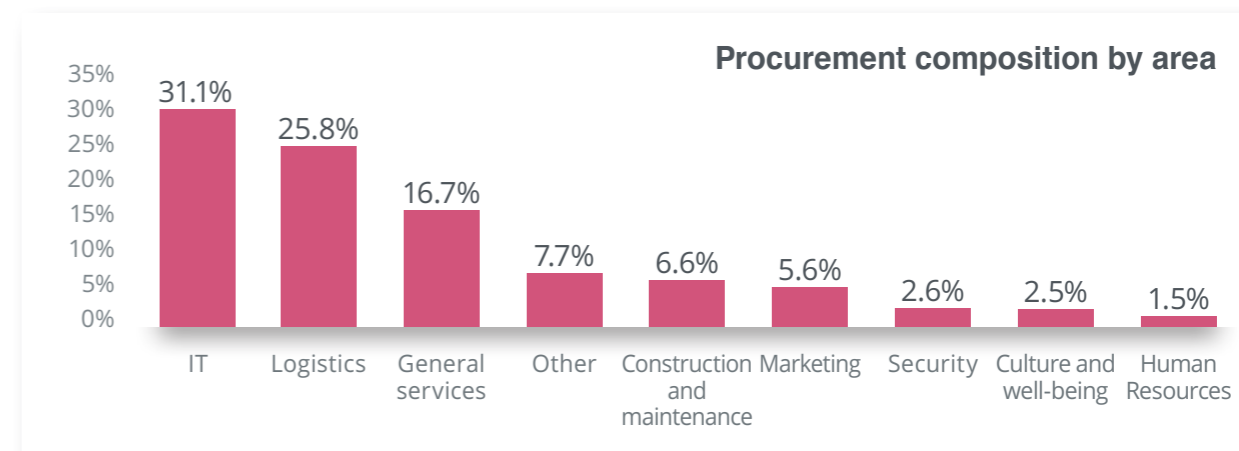
In 2019, total procurement purchase orders created by the Group amounted to NIS 1.3 billion.

1. GRI 102-43

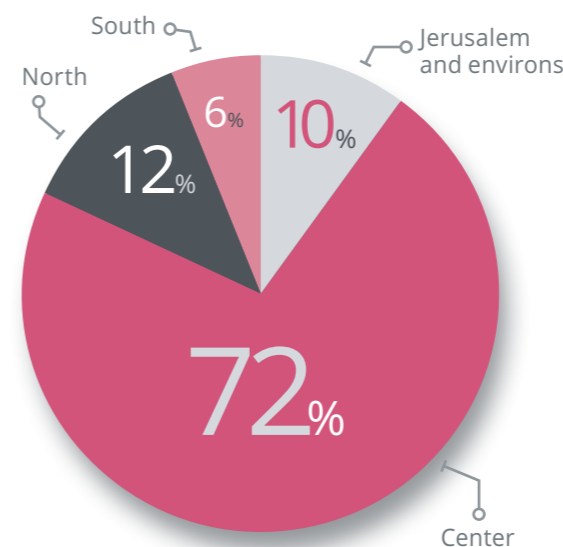
2. Clusters 1-5 according to the Central Bureau of Statistics benchmark.

3. According to the definition commonly used in Israel, as per Government Resolution no. 2190.

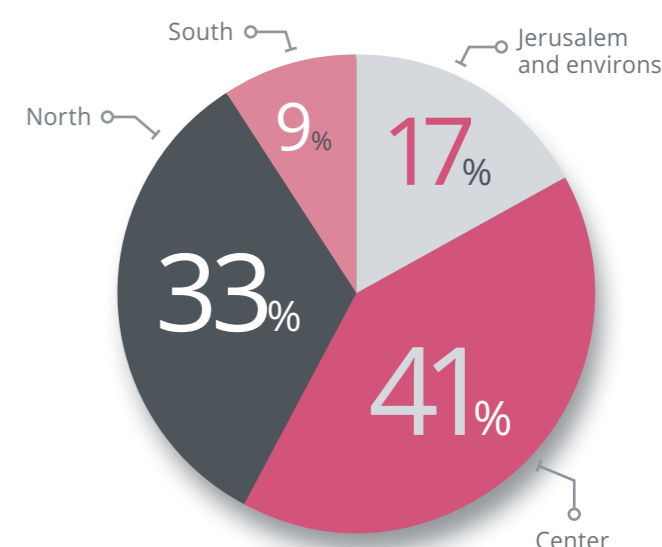
Procurement at Mizrahi-Tefahot Group



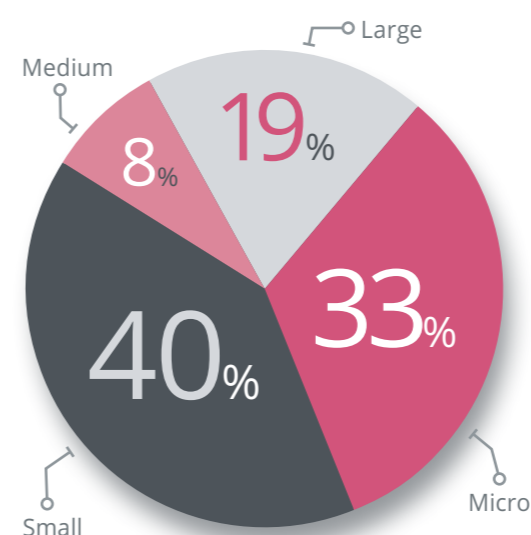
Composition of Group suppliers, by geographic region



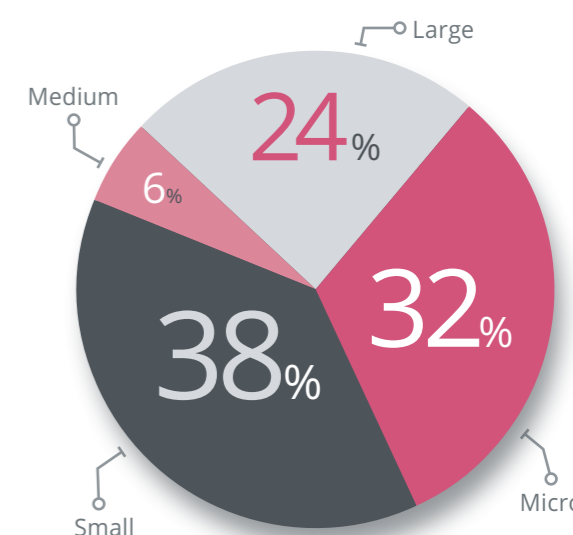
Total payments to Group suppliers by geographic region



Composition of Group suppliers, by business size



Payments to Group suppliers by business size



Prioritizing responsible suppliers – The Bank's procurement policy stipulates a mandatory condition, whereby a business license and permits must be in place and appropriate employment conditions, including compliance with protective legislation safeguarding employee health and safety, payment of minimum wage, prohibition of child labor, prohibition of discrimination and ensuring employee rights. We take into consideration different parameters for our suppliers. For example, does the business comply with work health and safety regulations. Considerations for supplier selection may also impact parameters such as contribution to the community and adhering to a Code of Ethics.

In 2019 the Bank held a conference for small to medium businesses, in co-operation with MAOF (Small and Medium Business Administration of the Ministry of Economics) to expand the roll of Bank suppliers. This conference was attended by 270 businesses



Promoting small businesses – The Bank recognizes the important role of small business as a business growth engine in the economy and takes care of promoting them within the Bank as well. The Bank is acting to expand its supplier base among small businesses; as an example, in 2019 the Bank held a conference for small to medium businesses, in co-operation with MAOF (Small and Medium Business Administration of the Ministry of Economics) to expand the roll of Bank suppliers. **This conference was attended by 270 businesses** and included professional presentations and a panel of representatives from different Bank departments, who presented to the attendees the range of needs at the Bank. Representatives then met with suppliers individually, as expected from the Bank who emphasizes the value of providing personal, human service.

Preserving human rights and compliance with the law

The Bank only contracts with suppliers who operate in compliance with all relevant laws and regulations. Furthermore, the Bank, when signing agreements with suppliers, makes sure that such agreements include a requirement for suppliers to fully discharge their obligations as employers towards their employees or anyone on behalf thereof, including the suppliers' obligations to comply with all statutory provisions applicable to employers with regard to their employees and laws which govern employment and employee rights.

Bank contracts with suppliers reflect the values in the Bank's Code of Ethics, and suppliers commit to act, as part of their current work with the Bank, in conformity with the values of reliability, professional service orientation, excellence, transparency, fairness and maintaining human dignity.

Supplier Audit

The Bank's Logistics Division Manager and Procurement Manager visit premises of major Bank suppliers. Over the years, we have visited all our major suppliers, some of them more than once. This visit is accompanied by a questionnaire, in order to examine suppliers based on the aforementioned criteria. Voluntary topics (such as, is there a Code of Ethics in place) are also being viewed during this visits.

Environmental issues – agreements with suppliers include all sections required by law regard to environmental aspects (such as removal of batteries and electric equipment). Any supplier that fails to meet the criteria is liable to have their contract terminated.

Beyond regular Audits, in 2019 the Bank visited the premises of two major suppliers.

Outsourced employees' employment terms – In accordance with the law, the Group makes sure that the employment terms of outsourced employees (cleaning, security and catering staff) are verified by a certified wage reviewer. As of the end of 2019, all Bank suppliers in these areas were compliant with statutory provisions tested, except for one cleaning supplier whose contract was terminated in 2019 due to failure to comply with audit requirements and failure to remedy the deficiencies found. All outsourced employees can use an anonymous, discreet mechanism of the bank to report violations and non-compliance by their employers.

Suppliers audit with regard to corruption risk – The Bank performs risk assessments, including with regard to corruption risk, among suppliers and sub-contractors engaged on a regular basis. The final invoices from these contractors for refurbishment work and cleaning service invoices are specifically and regularly reviewed by the supervisor in charge of these operations.

In addition, significant contracts signed with architects and supervisors include a specific clause forbidding them from accepting any direct or indirect benefit from any third party. In 2019, there were no cases of corruption found with regard to suppliers.

Safety – The Group constantly acts to control and guide employees and suppliers on safety issues. In 2019, a one-day training was delivered to all external supervisors working with the Bank on this matter.





Risk management among suppliers

The Bank has policy in place with regard to managing suppliers and outsourcing (outsourcing is managed in conformity with the Bank of Israel Proper Conduct of Banking Business Directive 359A, effective as from September 2020). This policy stipulates, inter alia, aspects of corporate governance for supplier risk management, the risk owner and the roles and responsibilities of relevant units of the various lines of defense. It also stipulates principles for risk measurement and management, including a periodic revision of the risk assessment.



Looking forward

Achievement of 2019 goals

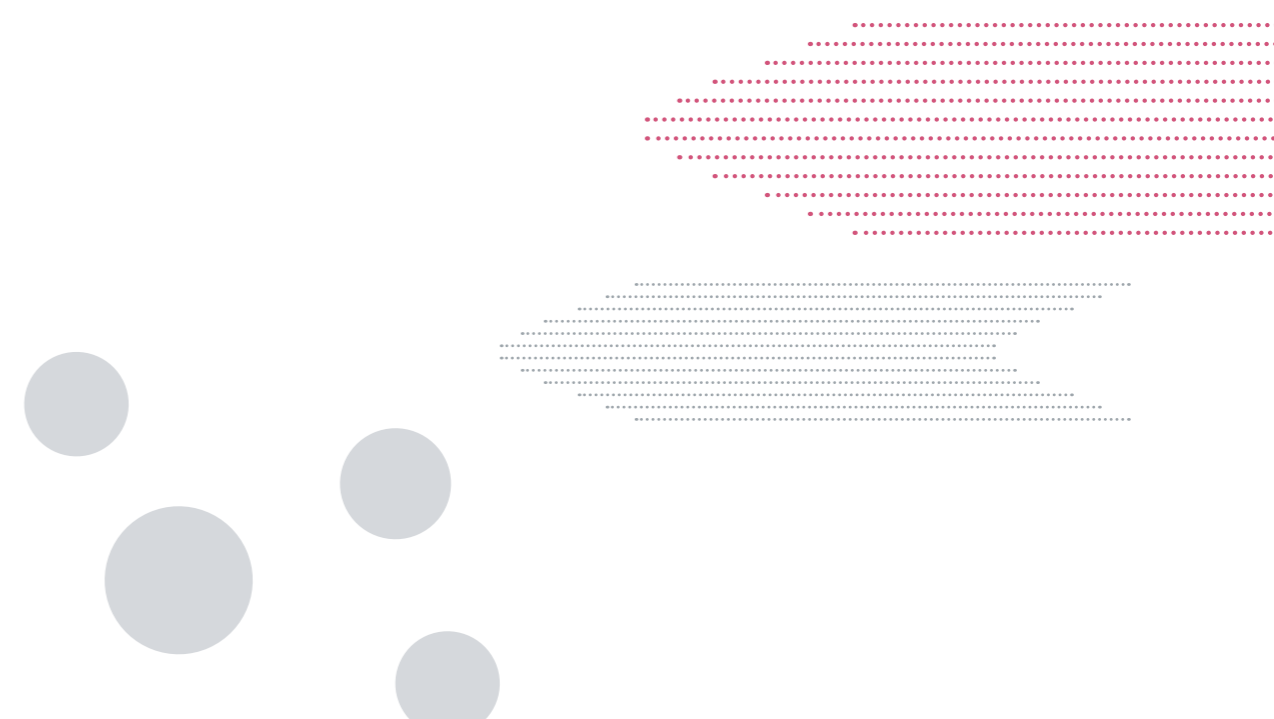
Specified goal	Response to SDGs	Status
Co-operation with NGO Pa'amonim to enhance financial education		Done
Expand the "Leading Neighborhood" project in the Talpiot neighborhood		Done
Continue "Let us meet at Mizrahi-Tefahot" activities and create in-depth activities on general topics and on financial topics customized for various segments		Done
Expand the number of participants in the "Young Summer" project by 5%		Done
Produce an evening honoring employees who volunteer in the community in 2019		Done



Investing in the community

Goals for 2020

Specified goal	Response to SDGs
Upgrade the "Money Road" kit	 
Continue "Let us meet at Mizrahi-Tefahot" activities and create in-depth activities on general topics and on financial topics customized for various segments	  
Promote activities to increase awareness in society for the Ethiopian-descent community, in co-operation with the Israel Association of Community Centers	 
Continue random visits to major suppliers (3 suppliers)	
Expand activity to encourage family volunteer activity	



Investing in **EMPLOYEES**



Overview

Approximatley
50%
female managers
Of all Group managers

6,531
employees
were employed
in the Group

64% women
Of all Group
employees

42%
female senior
executives
at Mizrahi-Tefahot Bank

75%
of Bank employees
with a university degree

Average age
40.5
of Bank employees

Approximatley
325
training hours Delivered
to all Group employee

50 Training
hours
per worker on average

12.7 years
Average seniority at
the Bank

99% promoted internally
Employees and managers
promoted to management
positions, as percentage of Bank
employees

Mizrahi-Tefahot employees

The Bank management considers all Bank employees and managers as a key component for achieving its business strategy and growth objectives for operations and profitability. The Bank is committed to investing in development of its employees, to encourage their curiosity and trust and to empower them in order to create meaningful change. Mizrahi-Tefahot Bank is a place of work where:

- Employees' needs are seen, taken care of and nurtured.
- A safe work environment is ensured.
- Inclusion and diversification are important values in the Bank's organizational culture.
- Basic human rights are ensured and respected.

The group commitment to all its employees, in Israel and world-wide, is reflected by development of a pleasant work environment with fair employment terms for all employees. The Group's capacity to listen to needs of its employees and consequently, to create a work place which provides a solution over time – turns the Group into a high-quality and sought after place of employment. Consequently, the strategy for managing human resources at the Bank, is managed by the Human Capital, Resources and Operations Division and is reflected on two levels:

- **Responsible work environment** – Services to individual employees, from recruiting through ongoing services and up to retirement.
- **Employee training and development** – Human resource development at the Bank in all relevant aspects.

Bank employees are located across Israel: approximately 42% reside in HaSharon and Central regions, approximately 18% in Jerusalem and environs, approximately 11% in the Southern region, approximately 18% in the Shfela region and approximately 10% in the Northern region

Responsible work environment



As part of Bank commitment to its staff, a special policy document was created with regard to care for human resources. This commitment is reflected by implementation of key principles in the Bank operations:

Promoting fair work environment and employment terms – The Bank strictly ensures the rights of all employees, complies with labor laws in countries of operation and provides to employees better work conditions than required by labor laws. Work relations with employees and managers are mostly governed by collective bargaining agreements and the Bank is in constant discussion with employees and employee representatives. Moreover, the Bank only employs employees in the working age, in conformity with the law in countries it operates.

Diversity, equality and avoiding discrimination in employment – The Bank constantly acts to promote equality in the work environment. This is based on the importance of the value of equality. The Bank does not discriminate any employee based on religion, ethnicity, race, gender, age, gender identity, place of residence nor any other attributes.

Caring for employee well-being – Employee well-being is managed as follows: Creating well-being support for Bank employees and their families, a health care plan for employees, an organizational culture which supports recognition and allows for optional leisure activities – based on the understanding that such balance generates value for both the employee and the Bank.



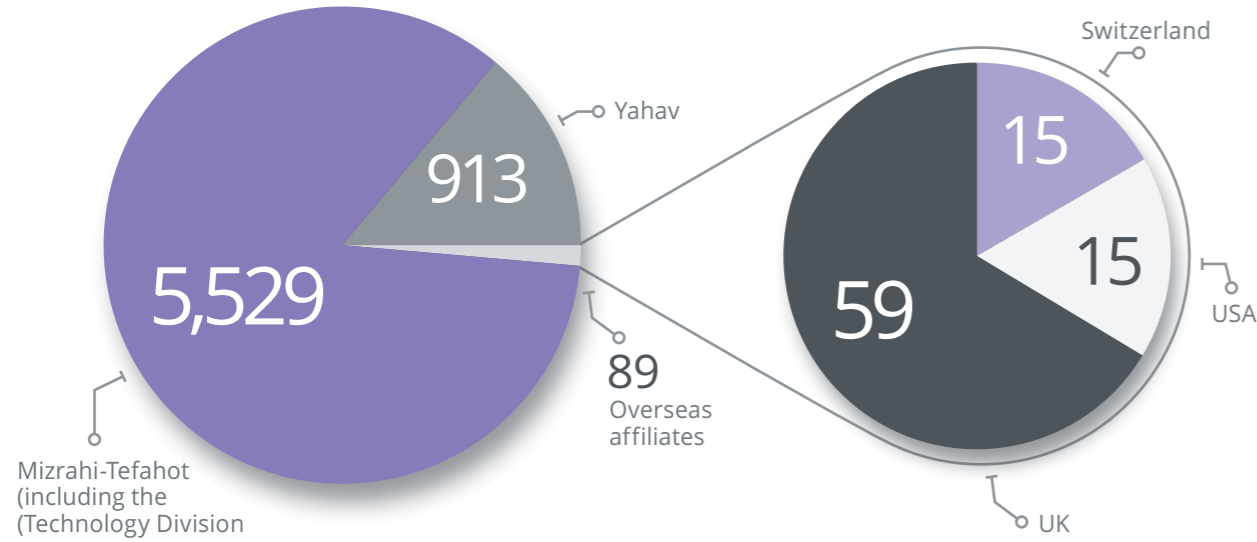
Mizrahi-Tefahot family

Mizrahi-Tefahot Group continues to grow from year to year, and therefore the number of Group employees grows accordingly.

Mizrahi-Tefahot employees

Mizrahi Tefahot Group employees as of the end of 2019 included 6,531 employees and managers

Total Group employees

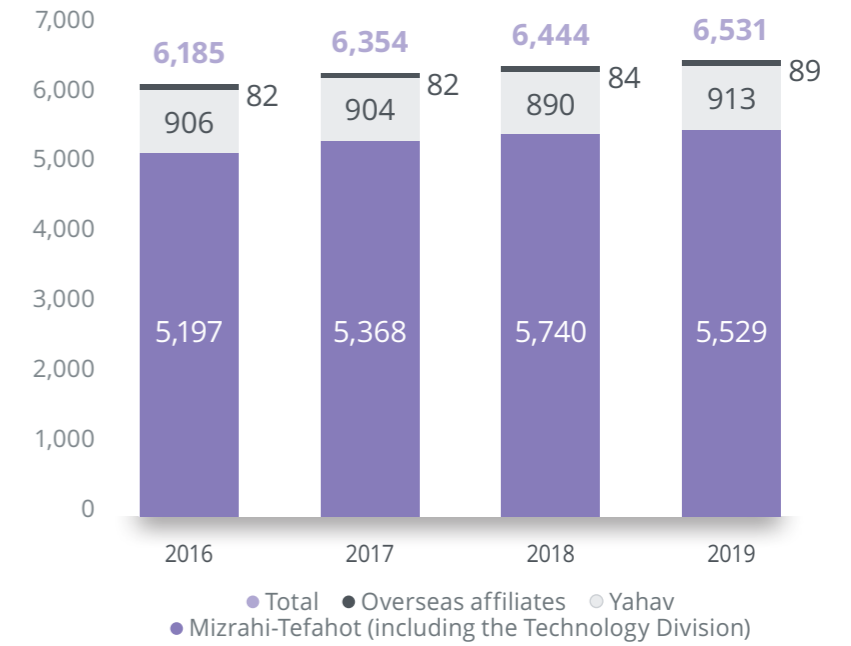


Composition of Group employees by rank and gender

	2018			2019		
	Female	Male	Total	Female	Male	Total
Managers	614	636	1,250	633	647	1,280
Employees	3,479	1,715	5,194	3,556	1,695	5,251
Headquarters	1,364	1,086	2,450	1,301	1,060	2,361
Branches	2,729	1,265	3,994	2,888	1,282	4,170
Total	4,093	2,351	6,444	4,189	2,342	6,531

Investing in employees

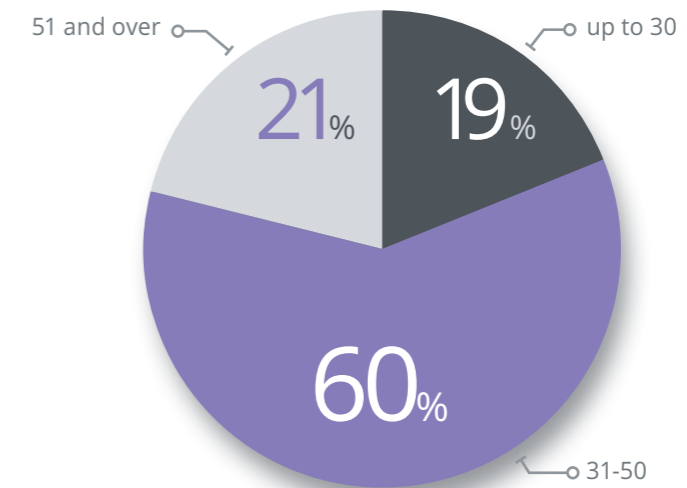
Group employees over the years



Approximately 91% of Group employees are full-time employees and the others are part-time employees. Most of the part-time employees are students, who work at the Banking Center (call center).

The average age of Bank employees (excluding the Technology Division) is 40.1, and the average age of all Group employees is 40.5.

Group employees in 2019 by age (in %)



Composition of Group employees over the years by age

	Age group	2017	2018	2019
Non-managerial position	Up to 30	1,371	1,326	1,195
	31-50	2,820	2,948	3,136
	51 and over	947	922	920
Group managers	Up to 30	18	19	17
	31-50	777	813	812
	51 and over	421	416	451
Total employees	Up to 30	1,389	1,345	1,212
	31-50	3,597	3,761	3,948
	51 and over	1,368	1,338	1,371

Geographic diversity

Mizrahi-Tefahot Group employees in Israel by geographic distribution, in 2019

	Residential region in Israel and overseas	Number of employees	Percentage of total employees
Israel	South	726	11%
	Jerusalem and environs	1,161	18%
	North	669	10%
	Shfela	1,143	18%
	Sharon	838	13%
	Tel Aviv metro area	1,905	29%
	Total in Israel	6,442	98.6%
UK	London	59	1%
Switzerland	Zurich	15	0.2%
USA	Los Angeles	15	0.2%
	Total – overseas affiliates	89	1.4%
	Total – Mizrahi-Tefahot Group	6,531	100%

Approximately 42% reside in the Central regions (Sharon region and Tel Aviv metro area), approximately 18% in Jerusalem and environs, approximately 11% in the South region, approximately 18% in the Shfela region and approximately 10% in the North region.

Approximately 1.4% of Group employees are employed by overseas affiliates (89 employees and managers) – in UK, Switzerland and USA. The great majority of these are local employees. The group has strict adherence to hire locals for management and other roles at Bank overseas affiliates. Local employees account for two thirds of management at the Switzerland subsidiary; 90% of management at the UK branch; and 100% of management at the USA branch.

Education

In 2019, the share of Bank Mizrahi-Tefahot employees (excluding the Technology Division) who hold a university degree was approximately 75% and approximately 10% were university students. In 2019, approximately 73% of Group employees had a university degree.

Contractors

As a rule, it is Bank policy that each Bank employee is an employee of the Bank for all intents and purposes. From time to time, the Bank receives services from external companies, to support project operation for a limited time – and only a small number of such contractors. In 2019, the Bank received services rendered by 20 external contractors.

Employee turnover

The Group strives to maintain a low turnover rate among employees. Employee turnover is affected by Bank policy of employing all of its employees as regular employees, including banking center employees, most of whom are students characterized by high turnover. Therefore, the turnover rate at these centers is relatively high and affects the turnover rate for the entire Group.

The table shows employee turnover rates for each age bracket, an indication that the Group is a constantly desirable work place for young employees. **Data in this table excludes banking center employees.**

Employee turnover

		2018		2019	
	Age group	Employees and managers hired by the Bank	Employees and managers who departed (dismissed / resigned / retired)	Employees and managers hired by the Bank	Employees and managers who departed (dismissed / resigned / retired)
Male	Up to 30	102	54	96	64
	31-50	111	88	99	115
	51 and over	6	58	3	46
Total male		219	200	198	225
Female	Up to 30	227	147	254	133
	31-50	94	114	137	144
	51 and over	4	58	2	73
Total female		325	319	393	350
Total under 30		329	201	350	197
Total 31-50		205	202	236	259
Total 51 and over		10	116	5	119
Total		544	519	591	575

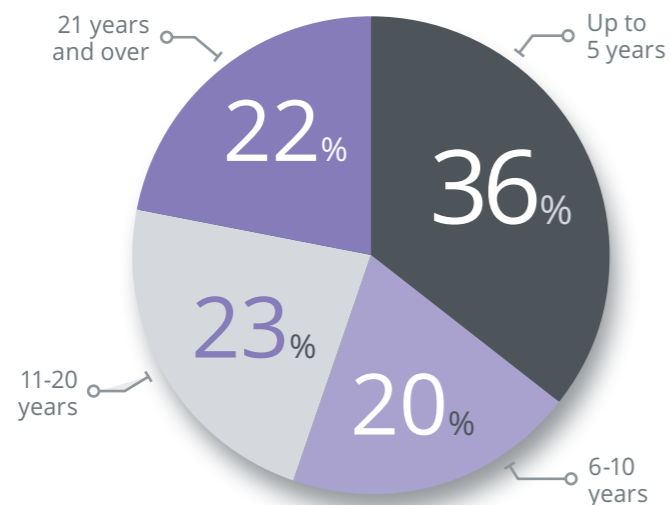
Turnover rate for the Group in 2019 (excluding Banking Centers) was approximately 9%. The total turnover rate for Mizrahi-Tefahot Group in 2019 (including Banking Centers) was 11.5%.



Seniority

36% of employees are new employees at the Group (up to 5 years), along with employees who have been with us for over 21 years and constitute 21% of the work force. The diversity of veteran and experienced employees, alongside new and young ones, allows for preservation of knowledge, organizational memory and professionalism over many years, along with new ideas, growth and development. **Average seniority at the Group is 12.6 years.**

Composition of Group employee seniority as of 2019



Promoting fair work environment and employment terms



The Bank regards its employees and managers as partners in the Bank's success and therefore strives to promote them and to create a supportive, respectful work environment. This commitment is reflected by implementation of key principles in Bank operations: Caring for employee rights and ensuring employment conditions.

Caring for employee rights

The Bank ensures the rights of employees – and human rights in general. The Bank does not employ children nor practices forced labor. Moreover, the Bank ensures that suppliers engaged by the Bank are also meticulous about safeguarding employee rights.

Freedom of association

As part of ensuring employee rights, the Bank ensures employees' right of association. Bank employees are represented by one of three different Employee Unions: Mizrahi-Tefahot Employee Union, Council of Managers and Authorized Signatories and Mizrahi-Tefahot Technology Division Ltd. Union. Bank managers are aware of the guidelines and procedures that ensure operations of these Employee Unions and act accordingly.

1. GRI 102-41

Collective bargaining agreements apply to approximately 93% of Mizrahi-Tefahot Bank employees, 90% of Technology Division employees and 89% of Bank Yahav employees. All other Bank employees are employed in conformity with individual employment contracts¹.

The following key events in management-employee relations took place in 2019:

- General arbitration 2005-2015 – In January 2019, the outcome of the arbitration between Mizrahi-Tefahot management and employee representation was published. The arbitration decision was made public in January 2019. For more information about this arbitration verdict, see Note 22 to the Bank's 2019 financial statements (page 157).

Promoting employment security

The Group strives to promote employment security among its employees. Inter alia, the Bank applies a policy whereby each Bank employee is an employee of the Bank for all intents and purposes. This policy also applies, naturally, to banking center employees, most of whom are students characterized by a higher turnover. When a new hire starts working at the Bank, they are classified as "Trainee". After a relatively short time of only 3 years, the Bank decides to grant tenure to employees, in accordance with procedure. **As of the end of 2019, approximately 70% of Group employees were tenured, and are permanent status employees.**

Moreover, the collective bargaining agreement provides a solution in cases of downsizing due to streamlining.

Composition of Group employees by employment agreement, 2019

Employment agreement	2018			2019		
	Female	Male	Total	Female	Male	Total
Permanent status	2,872	1,607	4,479	2,918	1,633	4,551
Temporary status	1,047	451	1,498	1,057	404	1,461
Employees subject to Personal contracts	174	293	467	214	305	519

Maintaining employee health and safety

The Bank attaches great importance to maintaining employee safety, health and security – as an integral part of employment conditions and care for Bank employees. The Bank has appointed a special manager to manage health and safety issues, as required by law.

One key aspect of employee safety is road safety. The Bank makes sure to deliver training to employees who use a company car or a leased company car about the car's safety systems and careful driving. As part of the concern for employee transportation safety, the Transportation Safety Officer sends out periodic emails with current updates on winter driving, driving during the holidays etc. In 2019, we also delivered 2,925 training hours on safety to 2,770 employees and managers.

1. GRI 102-41

Work-related accidents¹ – In 2019 there were 32 work-related accidents en-route to/from or during work. The Bank is acting to reduce the number of such accidents. In this year there were no work-related accidents involving external contractors.

Moreover, since 2016, the Bank sends an annual postcard to employees whose children are of legal driving age, with emphasis on accompanying new drivers with regard to driving safely and adapting the driving to conditions around you.

Addressing distress situations at the branch

As part of safeguarding employee safety and security, Bank employees attend training on dealing with stress situations at the branch. As part of training of branch staff when they join the Bank, they receive training on conduct during a robbery. The Bank also disseminated additional material and E-learning kits, delivers training on this topic at branches and conducts debriefing of events.

Training on addressing conflict with clients at Bank branches – In 2019, approximately 100 employees, who serve as security officers in addition to their role as bankers at branches nation-wide, attended a workshop where they received tools and skills for addressing conflict situations with clients at Bank branches.

Employees Absence (in days) in 2019

		Paid leave	Military reserve service	Absence days due to sickness ²	Absence rate due to sick days (in %)
Mizrahi-Tefahot	Female	54,640	87	48,773	5.8%
	Male	29,002	1,859	17,154	3.9%
	Total	83,642	1,946	65,927	5.1%
Bank Yahav	Female	12,108	23	8,717	5.3%
	Male	4,771	291	2,416	3.7%
	Total	16,879	314	11,133	4.9%

1. In 2019, the methodology for calculation of work-related accidents was improved. These data is not comparable to data presented in previous years.

2. The data regards absence days due to sickness" in clodus: absence due to illness, work accidents and car accidents.

Ensuring employment conditions

The Bank believes that each and every one of the Bank employee is entitled to work in a respectful environment. Thus, the Bank acts to ensure working conditions of employees in several ways.

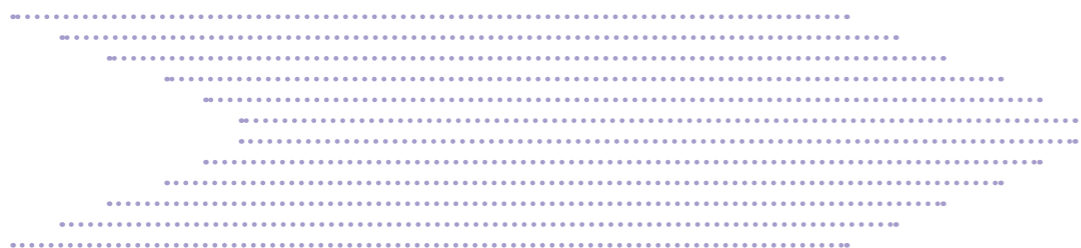
Ensuring wages and social benefits in conformity with legal requirements

In all its areas of operation, including at its overseas affiliates, the Bank adheres to equal pay to employees in conformity with statutory provisions and consequently also complies with the binding minimum wage. Note that for employees employed under the collective bargaining agreement, pay is updated annually. The Group also adheres to all statutory requirements with regard to taking parental leave, work hours and other labor laws.

The Bank also provides increased social benefits, whereby vacation pay to Bank employees is higher than required by law, as is their number of sick leave days.

Going on parental leave

Parental leave – By law, employees returning from parental leave are assigned their old job, and any changes are made in strict coordination with the employee. In 2019, 401 female employees and 4 male employees went on parental leave, and 169 female employees and 4 male employees returned from parental leave.



Parental leave

	2018			2019		
	Female	Male	Total	Female	Male	Total
Number of employees who have taken parental leave	533	4	537	401	4	405
Of which, number of employees who resumed their work after completing parental leave	239	4	243	169	4	173
Number of employees who took parental leave during the year and remained on parental leave / unpaid leave at the end of the calendar year	265	-	265	211	0	211
Employees who took parental leave in 2018 and remained employed 12 months after resuming their work	219	3	222	365	3	368
Took parental leave during the year and chose not to resume their work	29	-	29	21	0	21

Data excludes overseas affiliates.

Organizational changes

The Bank informs employees in advance of organizational changes, so that all parties involved may find the optimal solution in full co-operation. All re-organization takes place with professional assistance, sharing change leadership with managers. Upon termination, the advance notice period takes into consideration the employee's needs and system constraints – but no less than required by law.

Employee remuneration

The Bank leads multiple measures to remunerate and provide positive incentives to employees, including:

- **Pay promotion** – Once a year, in accordance with the recommendation of management, the Board of Directors decides on promotion or pay increase across the organization, based on performance in the past year. This is done in conformity with the various collective bargaining agreements, for employees and managers employed by individual contract, for managers based on the agreement signed with them and for tele-bankers with experience at the Banking Centers.

- **Individual bonus** – Once a year, in accordance with the Group's financial standing and taking into account other business considerations, the Board of Directors decides on bonuses to be awarded, their rate and how they are to be distributed. Bonus eligibility and amount are determined, for each employee, based on their achievement of targets and on their supervisors' recommendation.

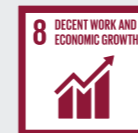
Part of the bonus is paid uniformly to all employees, and another part is paid based on personal performance of the employee and their contribution to the Bank's success.

- **Wage increase bonus and ROE bonus** – The Bank pays its employees subject to the collective bargaining agreement, during the term of this agreement, a variable bonus based on achievement of return on equity targets. In addition, part of the ROW bonus will become fixed as a fixed wage increase, subject to achievement of minimum ROE.
- **Outstanding employees** – The Bank recognizes outstanding employees with special attention. Outstanding employees receive recognition in front of the entire Bank management, in presence of the Bank President & CEO, in an impressive ceremony. Outstanding employees are selected by recommendation of their supervisor, their achievements and their contribution to the Bank.
- **Individual awards** – The branches offer a program of incentives and remuneration, based on excellence in various benchmarks, in branch activities and in special drives. Remuneration is typically paid at the branch level and is designated for team building and leisure activities for branch employees. Bank headquarters awards individual prizes in recognition of employees who posted outstanding achievements in their work.

As a rule, it is Bank policy that **each Bank employee is an employee of the Bank for all intents and purposes.**



Diversity, equality and avoiding discrimination in employment



Mizrahi-Tefahot Bank believes that promoting diversity and equality in the workplace generates social and economic value for the Bank, for employees and for all of society. Hiring employees of diverse demographics allows Bank clients to receive service while recognizing their unique needs and providing them with an appropriate response.

The Bank regularly promotes equal opportunity in the work place. This is based on recognizing the ultimate importance of the value of equality. The Bank does not discriminate against any employee by religion, ethnicity, race, gender, age, gender identity, place of residence nor any other attributes. The Bank constantly strives to promote equality in the workplace, through equal recruitment, equal employment, equal pay and promotion of gender equality.

Equal hiring

Mizrahi-Tefahot Bank actively recruits employees from various demographics and sectors that are under-represented in the labor market as a strategic step, and to this end also cooperates with designated NGOs and other organizations. The Bank applies a recruitment process which provides equal opportunity to candidates from different demographics in Israeli society, and does not discriminate against any employee by national, religious, cultural or ethnic affiliation, by race, gender, sexual orientation, disability nor any other attribute.

As needed, adjustments are made to the recruitment and selection processes, to ensure equal opportunity for all candidates, so that candidates are recruited based on their qualifications and on needs of the Group. Such adjustments is typically in the form of time addition or the option to take the test in candidate native language (such as Arabic).

Below are some examples of initiatives launched by the Bank to recruit diverse employees:


Employees from the Ultra Orthodox sector – As part of its strategy to create a diverse work environment, the Bank acts to include employees from the Ultra Orthodox sector. As part of this effort, the Bank joins forces with Bereshit, the employment guidance institute in Bney Brak; Kivun, the employment guidance institute for the Ultra Orthodox public in Jerusalem; and with Mafteah, development centers for Ultra Orthodox employment of JDC Israel. The Bank also participates in employment fairs designed for hiring from Ultra Orthodox sector, including at Lev Academic Center in Jerusalem and at the Ultra Orthodox campus of Ono Academic campus. The Bank also uses the Glatt Jobs website, dedicated to job searching for the Ultra Orthodox population. These hiring methods are used in conformity with the Bank needs.

A dedicated team consisting of approximately 20 Ultra Orthodox women was established in 2017 at the Banking Center (call center). Most of the candidates have no background nor experience, and they receive their banking training on the job. When establishing the team and throughout their employment, the required adjustments were made to include them in the workplace, by way of adjusted shift times and work environment. In 2019, two more dedicated teams were created at the Banking Center and at the Mortgage Center, with a total of 15 female employees.

Employees from the Arab sector – As part of its strategy to create a diverse work environment, in 2019 the Bank continued to recruit employees from the Arab sector. As part of this recruitment effort, the Bank co-operated with NGOs "Kav Mashve" and "Al Fanar", that refer Arab candidates to the Bank.

Student Inclusion – The Bank has multiple programs designed to promote students and help them find employment. In 2015, the Technology Division created a special training program for computer science students, whereby select students are trained to specialize in computing fields required by the Division. This four-year program includes in-person studies, a significant project, a period of on-the-job training and a mentoring period, concurrently with completing their university degree studies. Those graduates who successfully complete this course receive offers to join the Technology Division's permanent staff. In 2019, the third class of this program started. The Bank also takes part in the training program of Aluma NGO, where students start working at the Bank during their studies, in roles that are appropriate for their field of studies, and accumulate practical work experience.

Integration of employees with disabilities – the Bank is committed to promoting equal opportunity employment for persons with disabilities. In order to comply with statutory provisions of the Employment of the Disabled Act, the Bank put in place a strategy for including employees with disabilities and locating relevant positions for them in different units. The Bank has appointed an officer responsible for employment of persons with disabilities. We also maintained contact with the Support Center for Employers of Disabled Persons, at the Ministry of Economics – as well as with various NGOs which specialize in assisting in placement of such employees. Each year, the Bank hires several employees with disabilities in various positions, and adds special positions for new employees with disabilities. In order to ensure inclusion of employees with disabilities, the Bank's work environment is accessible, and is further adapted when additional needs arise.



In 2015, the Technology Division created a **special training program for computer science students**, whereby select students are trained to specialize in computing fields required by the Division. This four-year program includes in-person studies, a significant project, a period of on-the-job training and a mentoring period, concurrently with completing their university degree studies. **Those graduates who successfully complete this course receive offers to join the Technology Division's permanent staff.**

Employee diversity

Mizrahi-Tefahot Bank believes that promoting diversity and equality in the workplace generates social and economic value for the Bank, for employees and for all of society. Hiring employees of diverse demographics allows Bank clients to receive service while recognizing their unique needs and providing them with an appropriate response.

Employee diversity in 2019

8.5%

Of all employees recruited by the Bank, **were from groups subject to under-employment**, including employees from the Arab sector, employees of Ethiopian descent and persons with disabilities.

7.3%

of all branch managers at the Bank **are from the Arab sector**

13.8%

of all Arab sector employees are managers.

We should note that Bank systems do not include any records that classify employees by such groups. The data presented is based on information obtained from employee statements, and it is likely that other employees from these groups were not included in these data.

Equal employment

The Group strictly complies with statutory requirements regarding equal and fair employment, acting on equal basis with regard to employee benefits as well, subject to various employment agreements. Part-time and full-time employees are eligible for the same benefits, and their employment scope does not affect standard benefits, including vacation reimbursement, holiday gifts, employee gifts etc. Other than standard benefits, some specific benefits are based on scope of employment, with differences between full-time and part-time employees, such as vacation pay, clothing allowance, paid leave and sick leave.

Moreover, employing staff from different sectors requires a work environment that reflects cultural sensitivity and adapts itself to the religious and cultural needs of its employees. Therefore, as from 2018, non-Jewish employees may take advantage of five paid leave days at the Bank's expense during their holidays, in addition to holidays according to the Jewish calendar, which are not business days at the Bank.

As part of promoting equality at the Bank, the Bank adheres to a policy for avoidance of discrimination, both with regard to discrimination against employees and against clients, including action designed to reduce gender inequality, avoid vulnerability due to preference based on ethnic or cultural background, eliminating prejudice against persons with disabilities and so forth. The Bank also operates an anonymous hotline and fax for employee inquiries as needed.

In 2019, no complaints of discrimination were received from employees nor from job applicants.

Promoting gender equality

The Bank attaches great importance to promoting gender equality in the work place. The Bank has an equal opportunity employment policy, with employees hired and promoted based solely on their skills and on needs of the Bank.

	2019			Percentage of female employees at this rank
	Female	Male	Total	
Executive management of Mizrahi-Tefahot Bank only (VP or higher)	5	7	12	42%
Division / Sector / Region Managers	35	85	120	29%
Branch managers / department managers / business center managers	150	241	391	38%
Team managers / area managers	443	313	756	59%
Non-managerial position	3,560	1,692	5,252	68%
Group managers	633	646	1,279	49%
Total employees	4,193	2,338	6,531	64%

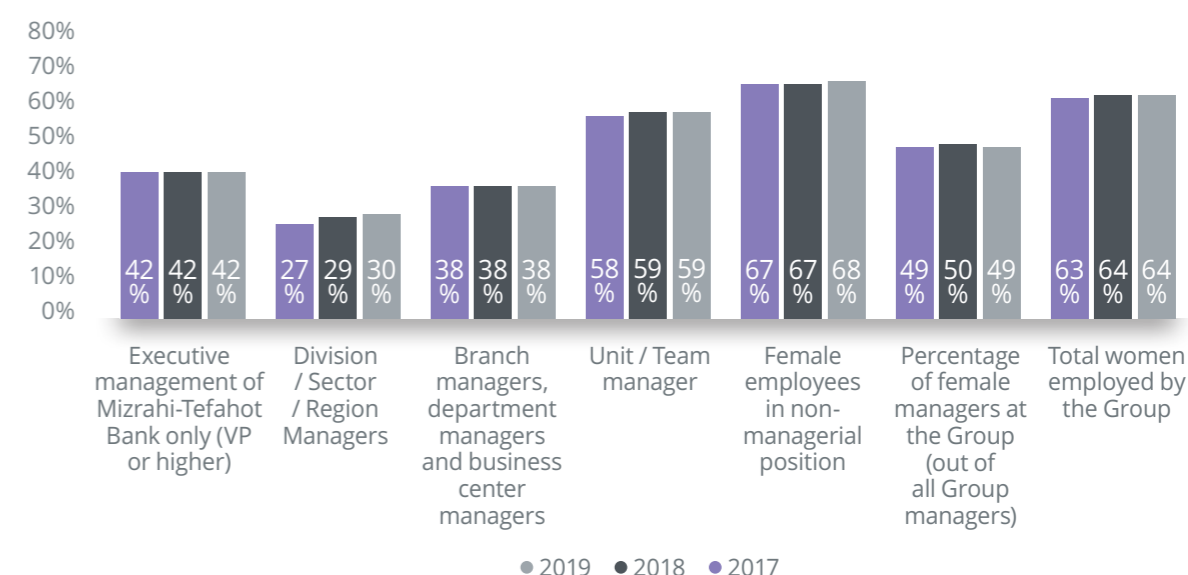
Promoting gender equality

64%
of Group employees are women

50%
of Group managers are women

42%
of senior management are women

Percentage of female employees in Mizrahi-Tefahot group, by rank



As of 2019, the Group had 4,189 female employees, or 64% of all Group employees, compared to 4,093 female employees at the end of 2018, or 64% of all Group employees.

In 2019, the number of Group female managers increased by 3%. As of the end of 2019, the number of female managers was 633, or approximately 49% of all managers, compared with 614 female managers at the end of 2018, or approximately 50% of all managers at that time.

Wage gaps between male and female employees

Each employee's wage, in all ranks and positions at the Bank, is determined upon hiring by the Bank, regardless of the employee's gender – but rather based on their skills, professional experience and their designated position. And indeed, when we considered the wage of male and female employees in similar roles, from entering the organization to three years later – we found no wage differences.

We also considered wage gaps across the Bank, between the average wage for female and male employees at different ranks. For groups of managers and employees, we calculated this for employees with seniority of 20 years or less, to eliminate any distortion in this calculation.

Salary ratio female / male, 2019

Rank	wage ratio
Executives	0%
Senior management	6%
Managers	3.7%
Employees	11%
Employee in similar roles (up to 3 years' seniority)	0

The data shown refers to full-time employees who have been employed by the Bank for 12 months or longer. The difference is due to the wide range of roles in each of the categories listed above, hence the variance in total wage paid for each role (regardless of gender). This variance is affected both by the rank and by the administrative standard rank for each role. Moreover, there is variance in pay based on individual employee attributes, such as seniority, additional pay with respect to children and so forth.

Equality in pay promotion

Group employees receive pay promotions based on equal criteria and on their skills, taking into account only relevant considerations.

Preventing abuse and sexual harassment in the work place

As part of the measures designed to ensure a safe and pleasant work environment for all employees, the Bank strictly prevents all cases of abuse and sexual harassment.

The Bank has appointed a Supervisor for Prevention of Sexual Harassment, who was trained for this role and attends workshops in this field from time to time.

Any case of sexual harassment should be referred to the Supervisor for Prevention of Sexual Harassment, and each case is reviewed in conformity with the applicable procedure.

The Supervisor for Prevention of Sexual Harassment is also responsible for handling complaints filed by outsourcing contractors who work on Bank premises.

Every year, all Bank employees receive the procedure for preventing sexual harassment, including contact information of the Supervisor for Prevention of Sexual Harassment, and all new hires attend training on this topic, delivered by mandatory E-learning kit. Bank management and the Board of Directors receive an annual report on sexual harassment at the Bank.

Courses and conferences for managers at the Bank include workshops on prevention of abuse and sexual harassment.

In 2019, only a handful of complaints were filed at the Group with regard to sexual harassment or abuse in the work place. Each case was reviewed and appropriate actions were taken to avoid any recurrence of such case and to increase awareness of this topic.

In 2019, we delivered 1,186 hours of training on prevention of sexual harassment and workplace abuse, to employees and managers.

Caring for employee well-being

In order to develop employees, the Group acts to promote their well-being at the Bank and in their personal lives, by diverse ways: Employee benefits, work-life balance and caring for retiring employees.

Employees' benefits

The Bank emphasizes three circles that accompany the employee throughout their work, professional development, personal joyful occasions and, if needed, in times of crisis and distress. All Bank employees are entitled to benefits, without distinguishing between regular and provisional employees.

- **The work cycle** – various benefits upon reaching milestones during employment at the Bank: Upon hiring, upon reaching tenure, upon promotion, at milestones based on seniority and upon approaching retirement.
- **Annual Cycle** – benefits and gifts for holidays and other events based on the calendar
- **Employees' family circle** – benefits for life events of employees and their families. This includes gifts given at events such as birthdays, bar / bat mitzvahs, weddings, births, etc., as well as upon starting in first grade and starting military / national service.

Moreover, Bank employees also enjoy a range of other benefits:

- **Banking benefits** – Bank employees also enjoy various benefits in management of their bank account and credit facilities and loans at preferential terms.
- **Benefits for the family** – contribution towards financing day care and kindergartens for employees' children and tuition reimbursement for their children's higher education.
- **Eligibility for study fund.**

Well-being events together with employees' families

- **Israel Trail** – Bank employees are invited, at a nominal cost, to walk the Israel Trail, guided by tour guides. In 2019, approximately 1,200 employees and family members took part in this activity, across approximately 8 tours across Israel (Tzfat, Jerusalem, Sharon, Tel Aviv etc.)
- **Summer events** – In 2019, some 2,200 Bank employees and their families attended a special summer event.

Employees and their spouses are invited, for a token cost, once a quarter to watch a selected movie.
In 2019, 3,500 employees and employees took part in this activity.

- **Good film club** – Employees and their spouses are invited, for a token cost, once a quarter to watch a selected movie at one of several cinemas around the country, along with a lecture and light refreshment. Bank retirees are also invited to take part in this activity, through the Retiree Council. In 2019, approximately 3,500 employees and family members took part in this activity.

Promoting a healthy lifestyle

- **Healthy lifestyle** – As part of promoting a healthy lifestyle among employees, all employees received yoga mats to promote sports activities.
- **General lectures for employees** – In 2019, presentations about CPR, ergonomics and cyber topics are delivered to enhance the general knowledge of employees in these areas.
- **Fun team-building days** – The Bank makes sure that employees go on fun days and team-building activities, which are an opportunity to break out of the routine, relax and re-charge.
- **Gym at the Lod headquarters building** – At the Lod headquarters building, a gym is available to Bank employees, offering a variety of activities and courses during the week, at a nominal cost.
- **Marathons** – The Bank encourages employees to take part in marathons around Israel and contributes towards the cost of enrollment in these marathons, such as the Jerusalem Marathon, Marathon to Increase Awareness of Cancer, Lod Marathon and the Tour De Trom bicycle rally, attended by approximately 980 employees and their family members.
- **Workplace League** – The Bank has 12 sports teams that annually take part in the Workplace League. approximately 150 Bank employees take active part in Bank teams, practice and competitions. In 2019, representatives of these teams took part in the Eilat Sportiada sports games. Furthermore, a festive event took place, attended by the Bank's sports teams and the Bank President & CEO, in recognition, award ceremony and to promote employee participation in such teams.
- **Medical check-ups for all employees aged 40 or over** – As part of our concern for the health and well-being of employees, the Bank bears the cost of medical check-ups for all employees aged 40 or older.
- **Awareness of disease and plagues** – In case of an outbreak of disease / plague in Israel, the Bank informs employees on how to protect themselves. Handling of such cases is part of the Bank's business continuity plan, in conformity with directives of the Bank of Israel.
- **Assistance to employees suffering from severe medical conditions** – The Bank appointed a Well-being Manager, tasked with contacting employees with severe medical conditions, supporting their requests and needs and assisting employees whose family requires financial assistance for medical treatment.

Investing in employees

The Bank bears the cost of medical check-ups for all employees aged 40 or older.

- **Blood donation** – From time to time, the Bank, in cooperation with the Blood Bank, conducts a blood donation drive among Bank employees.

Help in times of crisis

As part of our concern for the family circle, unit managers, with help from Human Capital, Resources and Operations Division, accompany and support the employee and their immediate environment when facing difficulties and in times of crisis. In addition to the Bank's support in crisis situations, a mutual aid fund was established at the initiative of the employees. Employees who wish to do so, pay a modest sum out of their salary into the fund, which helps employees in various crisis situations.

Saluting employees serving on the Military Reserve – In 2019 we delivered a gift to employees serving on the Military Reserve for longer than 5 days. The Bank also recognizes those in the Army reserve at the meeting of all Bank managers.

Work-life balance

A proper work-life balance and development of professional skills, as well as development of personal interests and personal growth directly affect employee well-being.

Therefore, the Bank encourages employees to maintain a balance between work and leisure, provides training for employees on this subject and ensures that employees have free time during the week for their family and other activities:

- **Work week** – The work week at the Bank, for a full time position, is only 39 hours long, compared to 42 hours as stipulated by law.
- **Additional paid leave** – Employees are granted annual paid leave as required by law and based on seniority, and even longer:
 - Paid leave during Hol HaMoed are only partially deducted from the remaining paid leave days.
 - Non-Jewish employees may take five days off every year, paid by the Bank, during their religious holidays. These days are in addition to holidays according to the Jewish calendar, which are not business days at the Bank.
 - The Bank offers additional paid leave to employees upon their wedding, their child's birth, Bar-Mitzva (or Bat-Mitzva) and wedding.
 - Regular employees at the Bank who study for a post-graduate degree while working are credited with paid leave upon graduation.
- **Support for caregivers** – employees who care for a sick family member – As a rule, the Bank is considerate of employees and is flexible in crisis situations, when employees are required to care for a sick family member.

- **Vacation pay** – Bank employees are eligible to receive vacation pay, at a rate higher than required by law:
- **Vacation voucher** – Once every year, employees receive a voucher with a specified value, for booking a vacation in Israel or overseas, at their choice.

In 2019, the Bank participated, for the first time, in the "100 Top companies to work for" survey, conducted by BDI and TheMarker Magazine. This year, Mizrahi-Tefahot Bank was ranked 37, a significant 33 places higher than in the previous year.

Caring for employees approaching retirement

As part of its responsible employment policy, the Group cares for employees about to reach retirement age or as part of early retirement agreements.

- **Employees retiring at the legal retirement age** are eligible to a pension from the pension fund. Contributions to this fund on behalf of Bank employees are made in conformity with the law.
- **Employees retiring before the legal retirement age (early retirement)** – Employees confirmed for early retirement have two tracks available to them: the early retirement track and the increased severance pay track. Retiring employees in these tracks are also eligible for Bank assistance in financing training courses and a meeting with a retirement advisor to maximize their benefits.

Employees nearing retirement or early retirement are invited to attend a retirement preparation workshop held at the Bank. All retiring employees are eligible to benefits in account management, holiday gifts as well as cultural events organized by the Retiree Council. The Bank also encourages managers to keep in touch with retirees in their departments and to continue to benefit from the latter's extensive experience and knowledge accumulated over the years, should the retirees so wish.

In 2019, 160 employees retired after many years of diligent service with the Group:

	Female	Male	Total
Natural retirement	21	49	70
Voluntary retirement (in conformity with voluntary retirement program)	84	19	103

Benefits for Bank Yahav employees and retirees

Bank Yahav provides these employee benefits: Eligibility for study fund, summer camp, scholarships, student dormitories, newspapers, vacation pay, annual bonus, benefits from the well-being Fund and clothing allowance. They are also eligible to receive benefits and bonuses on holidays and upon certain events, such as a bonus to mark 25 years of seniority, gifts on holidays, gifts for personal events and so forth.

Bank Yahav offers an increased severance pay track for employees taking early retirement. Bank Yahav retirees enjoy various benefits, such as gifts on holidays or birthdays or attending extra-curricular courses and leisure activities. The Bank also provides a budget for the Retiree Council and for trips and lectures for Bank retirees. The Bank offers a contribution towards payment of a retirement advisor's fee to employees retiring at the retirement age

Employee training and development



The Bank attaches great importance to professional and personal growth of its employees. Bank management regards the development of its staff and constant improvement of the professional and personal skills of Bank employees and managers, as a critical component of implementing the Bank's business strategy, as well as a tool for reinforcing Bank values. Mizrahi-Tefahot strives to provide its employees with learning experiences and personal and professional development that would ensure that employees keep current with the changing work environment, through:

Training and mentoring of employees and managers – training and personal and professional development processes, led by the Training Center of the Human Capital, Resources and Operations Division, are provided throughout the employee's employment by the Bank: From mentoring and certification training when starting on the job, through various training programs throughout the career, preparing for the next position through professional or management cadres and through preparation for retirement.

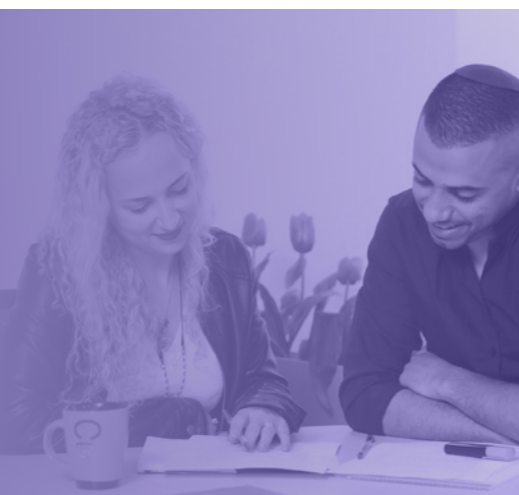
Dialogue with employees – As part of the development and learning process for employees, the Bank maintains a dialogue with employees about their performance and targets, through evaluation and feedback processes. The Bank also encourages excellence and remunerates employees through bonuses, promotion, individual awards to outstanding employees and recognition of outstanding employees.

Training and mentoring of employees and managers

The Group's training program includes a variety of courses, training and general interest lectures for employees and managers, both on professional topics (whether or not regulatory mandated), as well as on general topics for expanding their knowledge and for acquiring various personal skills. Each employee is assigned a customized training curriculum, consisting of training activities appropriate for their role.

The training center is a strategic partner for cross-bank processes with regard to change management, deployment and training.

the Bank encourages promotion of its employees to management positions and provides them with tools for this purpose. In 2019, some 99% of management appointments were promotions of Bank employees.



- **Training, seminars and workshops** – The Bank offers training and workshops which support the professional, behavioral and management skills required for the position at the highest standards. The courses delivered cover the various banking topics: loans, investments, service and selling, work process deployment, IT deployment, management and leadership and so forth. Bank employees also take part in external professional conferences, such as annual conferences for CPAs and for attorneys, capital market and so forth. During training delivered to employees, special emphasis is placed on regulatory training – a deployment method for each regulation, adapted for its complexity and for its relevant target audience. Training also refers to deployment of new content among employees and managers, as well as to maintaining and refreshing skills over time. In the past year we conducted, inter alia, conferences and seminars on compliance: "The True Path to Business" for branch managers, compliance trustees and area managers other than compliance trustees; a seminar on compliance for economists and so forth, emphasizing the cultural deployment of compliance at branches and at headquarters.
- **Personal mentoring program** – The Bank emphasizes professional and managerial mentoring. Every employee starting in a new position is mentored by a colleague and by the unit manager, using a structured, customized mentoring program. Employees attending managerial courses are mentored by other managers at various levels.
- **Learning organization** – The Training Center develops diverse projects, designed to deploy a "learning bank" culture where managers and employees regard learning as a continuous activity, which also takes place at their work station, as well as initiated by branch managers. Material is made available to managers and employees on the Bank's learning portal, mentoring is provided as part of starting in a new position, computer-based kits for individual

Investing in employees

learning are provided for training at team meetings and so forth. For example: A letter sent to managers upon starting their first managerial position provides a link to a custom training kit, based on their role, designed to support managers upon entering their role and so forth.

- **The BINA learning system** – provides employees with transparency with regard to their planned personal training program and allows managers to constantly monitor the employee's professional development. Basic E-learning kits (mandatory for all new hires) and mentoring tracks have been uploaded into the system. Furthermore, dissemination of training deliverables is automated by the system, with each recipient getting their own individual email message. Examples of regulatory E-learning kits disseminated in the BINA system: Allowed transactions in securities for bankers other than advisors, anti-trust laws and the Economic Competition Act. This system also provides additional material to managers and employees, consisting of kits for in-branch training, E-learning kits for individual self-learning and so forth.
- **Extra-curricular classes** – The Bank offers its employees various extra-curricular courses for enjoyment and for development of skills – even beyond what is needed for their position, such as language courses. This year, too, the Bank continued the Tree of Knowledge project, with presentations given by senior lecturers from business and academia. In 2019, we delivered 6 presentations. Each session was attended by 100 managers and headquarters employees.
- **Academic education** – The Bank encourages employees to complete and expand their academic education, and contributes towards tuition costs for select eligible employees.
- **Personal support and advice** – Branch / department managers receive, upon starting in a managerial position, personal support and advice and also attend individual consulting meetings as part of select training courses.

Bank Yahav creates an annual training plan for all employees, based on the Bank's work plan and needs. This plan is disseminated to all employees.

Investment in training hours:

In 2019 we delivered

325.3 thousand training hours in total, compared to

286.6 thousand hours in 2018

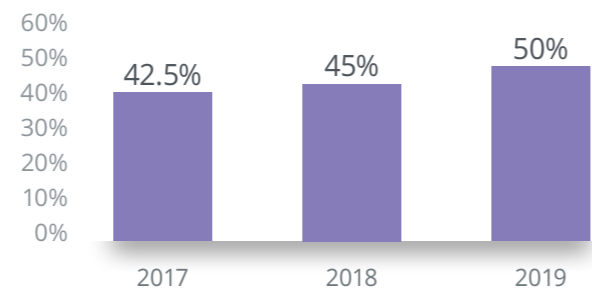
In 2019, the cost invested in training for Mizrahi-Tefahot Bank employees amounted to

NIS 55.2 millions

Average hours of training in 2019

	2018			2019		
	Female	Male	Average - overall	Female	Male	Average - overall
Managers	57.9	61	59.5	57	62	60
Employees	42.5	41.2	41.6	50	46	47
Headquarters	23.7	24.6	24.2	27	27	27
Branches	66.9	54	58.1	72	59	63
Average hours - overall	46.6	44.1	45	49	52	50

Average training hours per employee



Review of training program effectiveness

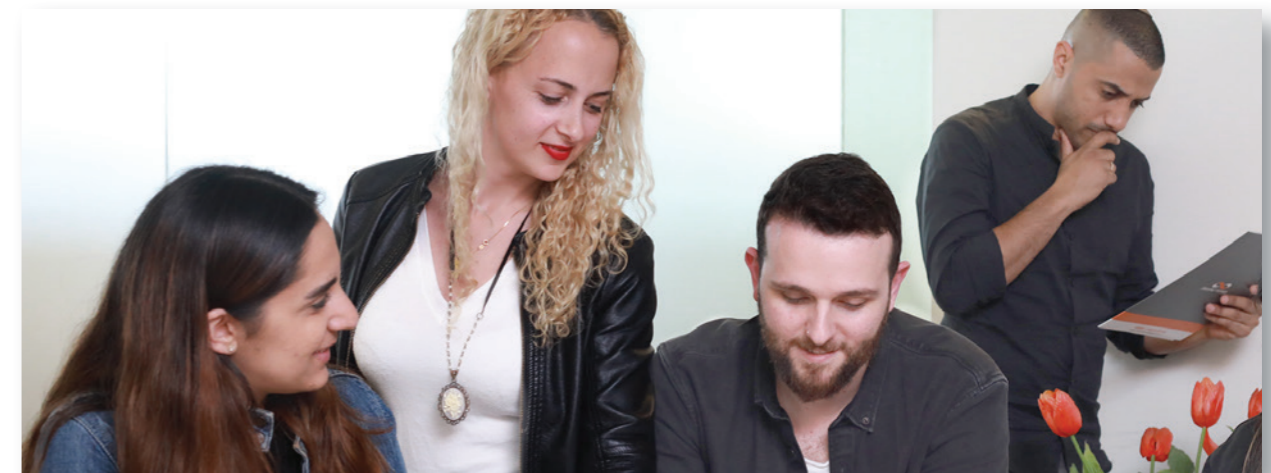
In order to review, to improve professional skills and to streamline learning processes, a structured process is in place for testing the effectiveness of new learning content as well as of existing learning content.

To this end, the Training Center applies the following measures:

- **Feedback** - At the end of each training session, participants take part in a verbal feedback session, designed to test their satisfaction with the training. Training participants are also asked to complete feedback forms in the BINA system; in some cases, employees and managers are also asked to complete a feedback form after some time has passed, designed to test the contribution of training to improved performance, knowledge implementation and application in the normal course of their work. The feedback serves to review the presentation quality, any aids in use and relevance of the content for the employee's job. Feedback ratings and comments are monitored and analyzed, with reference to standard deviation for each item, resulting in the required modifications being made to future training sessions, with monitoring of their implementation. The weighting of feedback and ratings for all training and courses delivered in 2019 showed a high level of effectiveness and satisfaction by the training participants.

Investing in employees

- **Review and revision of study material** - Once every other month the relevant staff convenes at the training center in order to review feedback received and to decide on any changes required in order to improve training. Changes are also made as a result of response choice analysis of the composition of responses to course questions and testing of assimilation of the material learned. For each course, we review which topics were clearly delivered and well understood by participants, and which require further highlighting.
- **Effectiveness testing after course completion** - For courses that concern compliance content at the Bank, course participants are required to undergo another test six months after they completed the course, to test the implementation of the course material and to review the effectiveness of content and course delivery.



Career development tracks

Promoting employees to management positions - the Bank encourages promotion of its employees to management positions and provides them with tools for this purpose. **In 2019, approximately 99% of management appointments were promotions of Bank employees.** New managers and their families are invited, on several occasions throughout the year, to an event held in the office of the Bank President & CEO and in his presence, as well as the presence of Bank managers, to recognize and highlight their promotion to Bank management.

The Bank offers multiple career development tracks for both employees and managers:

- **Manager development program** - This program is intended for branch, department and team managers. The program consists of multiple courses, individual advice and seminars on management and project skills.
- **Training program for management cadre** - The Bank has developed programs to train suitable employees for future positions, in both their professional and managerial capacity. Employees and managers found suitable for promotion receive, as part of this program, diverse training, such as: branch management cadre, headquarters management cadre, advanced management course, Target program for training managers for senior positions and employee training program for future professional positions (business management cadre).

- **Manager training at Bank Yahav** – In 2019, Bank Yahav operated programs for development and preservation of the management cadre at the Bank, by delivering management development courses at headquarters and at branches throughout the year.

Training employees on human rights topics

Preserving human rights in Bank operations – As part of the Bank's commitment to preserve human rights, the Bank preserves human rights in all areas and avoids any action or business initiative which may impact human rights. To this end, the Bank delivers training on topics including the following: preventing sexual harassment, customized training for security staff on limitations on the use of force etc. The issues of preventing discrimination and respecting human rights are handled at the Bank by the Human Capital, Resources and Operations Division with regard to employee hiring and employment, by the Retail Division, Business Banking Division and Financial Division with regard to avoidance of discrimination in client recruitment and in provision of service to clients.

The Bank attaches great importance to having all Bank employees be capable of handling issues related to human rights, in all aspects of their work. This is a major cornerstone of Bank life and one of its key values. To this end, the Bank delivers training on human rights from the client aspect and from aspects of all stake holders at the Bank. The Bank also invests in training by way of remote learning – through interactive E-learning kits used individually by each employee / manager at their own pace, to bridge physical distances, on topics such as the following: Accessible service for persons with disabilities, prevention of abuse and sexual harassment, insider information and so forth. Ethics-related training is also delivered for deployment of the Code of Ethics, preventing sexual harassment, equal opportunity at work, accessible service, consumer-related regulations and public inquiries.

Furthermore, the Bank website provides a brochure titled "Happy that you joined us", providing information for new hires with regard to their rights, explaining their pay slip and pay components at the Bank, as well as the system for promotion, remuneration and incentives at the Bank.

In 2019, Mizrahi-Tefahot Group delivered 26,974 hours of training on policies and procedures with regard to human rights aspects relevant to Bank operations¹.



1. In 2018, data collection for training hours on human rights was improved, hence the data is not comparable to previous years

Dialogue with employees¹

The Bank attaches great importance to maintaining a constant dialogue with Bank employees and managers, as part of the Bank's responsible employment policy. In order to expand the dialogue with the employees.

Maintaining a dialogue with employees and expanding intra-organizational communication.

In order to foster an organizational culture of open discourse, the Group acts as follows:

- **Direct meetings** – The members of the management and senior management of the Group conduct tours of all units and branches, and regularly and directly meet with employees throughout the country.
- **Running forums** – The Bank operates several forums, whose members include employees and managers from different levels and departments. Such a meeting between representatives of different levels and departments enhances communication between Group departments and improves their mutual work interfaces. The forums managed by the Bank include an Internal Communication Forum, consisting of representatives of all units and branches, which convenes periodically to discuss ways to improve internal communication.
- **Meetings of senior executives and employees** – During banking and management courses, executives deliver presentations to employees and present the division they head.
- **Path of Enrichment conferences** – In 2018, the Bank developed the "Path of Enrichment – for employees who would like to know more" conference program. This training is designed to reinforce intra-organizational communication and improve employee knowledge of Bank operations, its business environment, culture and attributes. In 2019, we held 3 sessions of this conference, attended by approximately 350 employees. Participants received content with regard to the real estate and mortgage market, trading in the capital market and corporate responsibility.
- **Information bulletin "Among Us Online"** – an employee newsletter published on the internal website for Bank employees. Each newsletter contains articles on diverse subjects within the organization, such as: personal advancement, employee volunteer activity, special systems put into work at the Bank and so forth. **Monthly information bulletin "Among Us Online"** – In 2019, the Bank issued 5 issues of "Among Us Online" for a total of 49 issues to date, with an average of approximately 1,600 employees who read the various articles.

1. GRI 102-43

The Bank operates a committee for "promoting initiatives for improvement, savings and streamlining", whose role it is to discuss employees' suggestions for improvement and streamlining of work processes. In 2019, employees submitted 1,404 improvement suggestions.



- **"Among us, this is serious"** – The "Among us, this is serious" website lists aspects and milestones for professional and personal assistance to employees.
- **"Round Tables"** – In 2019, the "Round tables" project invited all Bank employees to open discussions, led by a senior manager or executive, on issues that are on the Bank's agenda. The project resulted in three meetings attended by 120 employees. This activity is another step in promoting intra-organizational communications at the Bank, based on the wish to conduct a dialogue and raise ideas regarding the Bank's key activities and processes.
- **Dialogue with new employees** – In 2019 we held 3 round tables specific for new employees, about their onboarding experience at the Bank.
- **Good to know** – Mizrahi-Tefahot Bank provides presentations to employees on diverse topics, such as "paperless branch", capital adequacy, growth engines for client recruitment, cyber and information security, international operations and private banking. These presentations are delivered by managers and professional employees, and are designed to increase awareness of the roles and diverse activity throughout the Bank, so as to reinforce the connection between divisions and employees' sense of belonging.
- **"Organizational structure" publication** – The Bank portal provides all employees with the Bank structure and explanations of roles and responsibilities of the various units and their activities at the Bank.
- **"Happy that you joined us"** – This brochure for new hires provides information with regard to their rights, explaining their pay slip and pay components at the Bank, as well as the system for promotion, remuneration and incentives at the Bank. (Also listed under "Preserving human rights in Bank operations").
- **Promoting entrepreneurship by efficiency improvement suggestions from employees** – The Bank attaches great importance to promoting innovative initiatives and in improving work processes and client service processes. The Bank operates a committee for "promoting initiatives for improvement, savings and streamlining", whose role it is to discuss employees' suggestions for improvement and streamlining of work processes. The committee convenes

quarterly to discuss the suggestions submitted. The best suggestions are implemented by the Bank and awards are given to those who made these suggestions. These awards are presented at a grand ceremony, attended by the Bank President & CEO. This is a positive tradition very successfully deployed at the Bank, which is an important value in the Bank's organizational culture. In 2019, employees submitted approximately 1,404 improvement suggestions.

Providing feedback and evaluation to employees

The Group ensures that employees receive regular feedback and evaluation for their performance. In 2019, 100% of Mizrahi-Tefahot employees received feedback and evaluation, in a personal conversation or meeting.



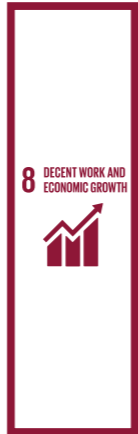
Feedback and evaluation are provided in a personal dialogue. Soon prior to the evaluation date, workshops regarded a proper evaluation process are provided and an explanation file is disseminated. Moreover, employee evaluation and effective feedback workshops are held as part of the management training process as well.

The feedback dialogue is mutual, and allows employees to give feedback on what is going on at the bank.







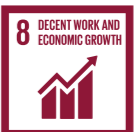
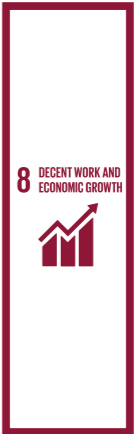

Looking forward

Achievement of 2019 goals

Specified goal	Response to SDGs	Status
Further expand use of LMS BINA system and increase transparency and information available to employees and managers through this system		Done
Increase the number of participants in conferences of "Path of Enrichment" to improve intra-organizational communication		Done
Continue activity to recruit and hire employees with disabilities and assistance for managers of those employees		Done
Expand recruitment of employees from diverse demographics, according to the geographical distribution of Bank branches		Done
Deployment and training for managers on appropriate work environment, preventing sexual harassment, preventing abuse and gender equality		Done

Investing in employees

Goals for 2020

Specified goal	Response to SDGs
Diversify training means – use of platforms and auxiliary systems and promote remote learning	  
Develop technology to support working remotely / from home	 
Continue manager assistance for employees with disabilities	
Meetings at headquarters with unit managers and higher, to expand knowledge on matters related to human resources, in order to improve intra-organizational communication	
Improve and expand intra-organizational communication channels	
Improve and expand intra-organizational communication channels	

Investing in the **ENVIRONMENT**



Overview

Savings of

353 tons of
CO₂

primarily due to initiatives to
reduce paper consumption
at the Bank

Savings of

23 tons of
CO₂

due to transition to
video conferencing

Reduce energy
consumption by

2.5%

compared to 2018

Recycled

10,000

bottles and cans

Deposit fee for these was
donated to the community

Reduced carbon footprint
intensity per employee by

9%

compared to 2018

Reduce energy
consumption by

4.7%

compared to 2018

Group responsibility for the environment



Mizrahi-Tefahot Bank recognizes the impact of its operations on the environment and on the Earth's climate, both directly due to resource consumption by the Bank and indirectly – through the Bank's value chain. Therefore, the Bank strives to minimize the negative impact of its operations, to protect and improve the environment in which the Bank operates. To this end, the Bank strives to reduce material consumption, promote energy efficiency and manage environmental risks. These matters are managed at the Bank by the Business Banking Division with regard to environmental credit risk management and by the Logistics Department of the Human Capital, Resources and Operations Division with regard to consumption and energy efficiency

The Bank's strategy on environmental activity focuses on three major areas:

- Responsible resource consumption
- Management and reduction of carbon footprint
- Increased awareness of environmental issues

Responsible resource consumption – energy efficiency

Energy consumption is among the Group's most significant environmental impacts, due to operation of office buildings. Therefore, the Group manages and measures this area and promotes to improved its energy use, including replacement of systems with high energy consumption to advanced more advanced and efficient energy utilization systems.

This issue is managed by an Energy Efficiency Committee, consisting of professionals from the Logistics Division and permanent professional consultants. The role of the Committee is to consider any idea and suggestion for improved efficiency – from buying advanced systems with the capacity for analysis and control, to help reduce energy consumption, through adjustment of the temperature of cold water in cooling units according to the temperature outside and business hours, turning off lights or air conditioners in bulk after business hours etc.

Investing in the environment



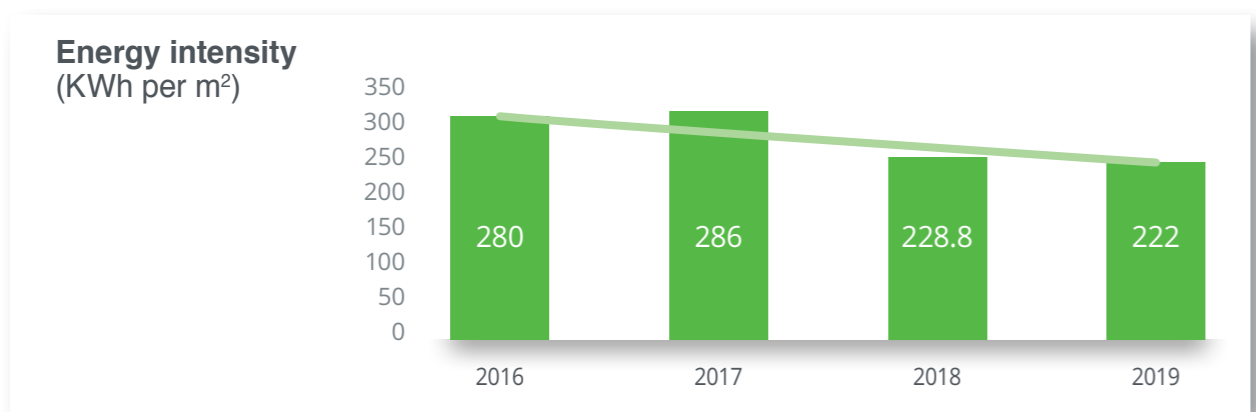
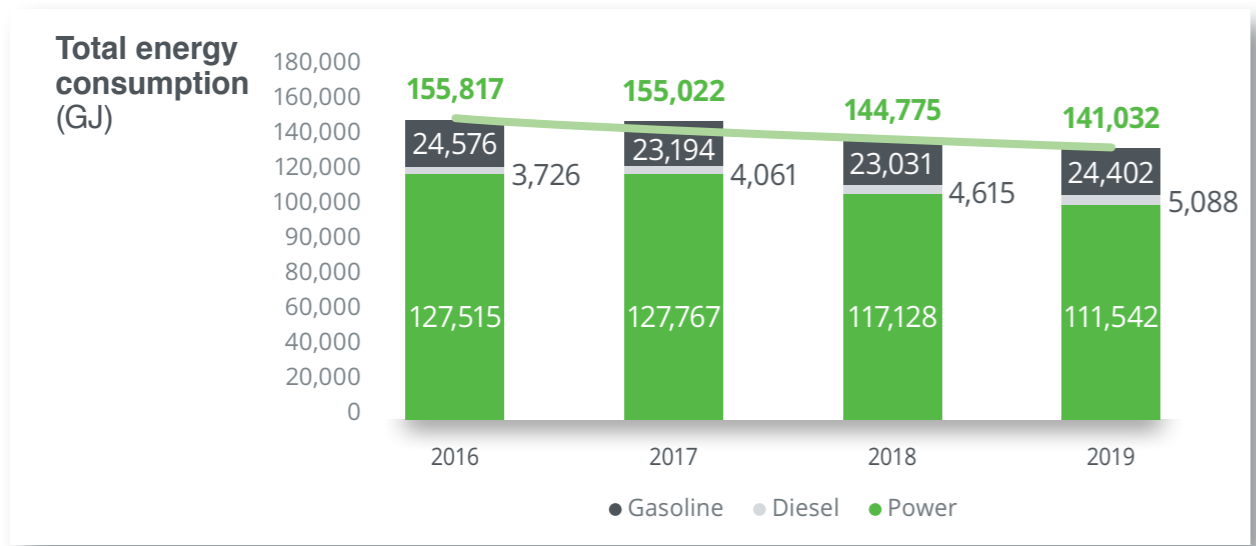
decrease by approximately
4.7% in power consumption
 by the Group and
 with total energy consumption reduced
 by **2.5%**

Energy consumption at Mizrahi-Tefahot Group (excluding overseas affiliates)

		2016	2017	2018	2019
Power (KWh)	Total power consumption per m ²	280	286	229	216
	Total power consumption per employee	5,727	5,658	5,116	4,744
	Total power consumption	35,420,720	35,490,911	32,535,599	30,983,930
Fuel (liters)	Total gasoline consumption	731,837	690,497	675,060	715,235
	Total diesel consumption	101,366	110,344	119,631	131,881
	Total fuel consumption	833,203	800,841	794,691	847,116
Energy (GJ)	Total power consumption	127,515	127,767	117,128	111,542
	Total gasoline consumption	24,576	23,194	23,031	24,402
	Total diesel consumption	3,726	4,061	4,615	5,088
	Total energy consumption	155,817	155,022	144,774	141,032
Energy intensity	Total energy intensity per m² (GJ/m²)	1.23	1.24	1.16	0.98
	Total energy intensity per employee (GJ/employee)	25.53	24.84	22.76	21.59

* KWh – kilowatt-hour
 ** GJ – Giga Joule – unit for measuring energy

In 2019, the trend of improved efficiency in energy consumption (power and fuel) by the Group continued, with a decrease by approximately 4.7% in power consumption by the Group and with total energy consumption reduced by 2.5%. The increase in diesel consumption is due to expansion of cash transportation services provided to external parties through courier vans operated by Mizrahi Security Services. In 2019, the Bank purchased additional courier vans due to the increase in such activity. The increase in fuel consumption is also due to the increase in number of vehicles used by the company due to expanded operations.



Energy efficiency measures for reducing power consumption

- **Use of LED lighting** – Gradual replacement of lighting fixtures at Bank premises to use low-cost lighting. It is Bank policy to install low-cost lighting in any branch or facility newly constructed or refurbished. In 2019, the Bank started gradual replacement of lighting fixtures with LED lighting at older branches and at headquarters. In this year, we replaced lighting fixtures at approximately 15 branches, and this project would continue in the coming years.

Currently, the Bank is planning construction of Technology-Logistics Center 5, to be constructed in conformity with an environmental standard.

- **Electricity control systems at headquarters buildings** – The bank has a system that controls the lights, and can automatically turn off lights after business hours and reduce lighting in parking garages, according to a pre-defined schedule. The Bank has also a system which automatically turns off the lights in empty rooms and turns it back on when someone enters the room.
- **Power savings at Bank headquarters in Lod** – This was achieved by adjusting the temperature provided by the AC system to the desired air temperature – increasing the temperature of cold water flowing in the AC pipe system in the headquarters building in Lod. The adjustment is made based on specific requirements for each area. In addition, the operating schedule of the AC system was aligned with business hours in the building; sometimes, a decision was made together with the business units to concentrate activity in certain areas in order to allow the system to be disconnected in the evening hours. This matter is being review on regular basis and adjustments are made if nesenary.
- **Use of emergency generators during regular peak hours** – According to an agreement signed in 2014 with IEC, the Bank participates in PUA's load minimizing program and sells power to IEC during peak hours, on demand, by operating its emergency generators. This was in order to help reduce peak consumption at the national level and to make use of diesel in generators at the Technology and Logistics Center.
- **Installation of diesel circulation system in generators** – in order to avoid soil pollution by unusable diesel and to extend the useful life of diesel. In addition, diesel containers are tested to ensure impermeability to prevent any leaks.
- **HVAC system installation** – HVAC units in computer rooms were networked for optimized operation of the AC systems.
- **Replacement of older, inefficient AC systems at branches** – In 2019, systems were replaced at another 4 branches.
- **Efficient space utilization** – The Bank regularly reviews the efficient utilization of all its assets. In case of need for additional work stations, the first planning option considered is how to do so without any additional space, by re-organization of the work areas. The Bank also regularly reviews the sale / return of surplus space. More efficient use of space indirectly results in savings in power consumption as well.
- **In 2019 we approved space reduction at four branches** – Despite the increase in employee headcount and continued opening of new branches, in 2019 the total area used by the Bank is similar to that in 2018. This is further evidence of the bank's successful use space.
- **Review of alternative energy at the Technology-Logistics Center** – In 2019, we approved construction of a power plant at the Technology-Logistics Center, operated by natural gas, to generate power to be used by this facility, as well as "co-generation", or use of excess heat emitted by the system for cooling the facility. This is currently in planning, as part of the overall design of the campus to be constructed in the coming years (Technology-Logistics Center 5).
- **Promoting green building** – The "Technology-Logistics Center 1" building, that the bank owned, was constructed in conformity to the Green Building standards. Currently, the Bank is planning construction of "Technology-Logistics Center 5" – this building is being designed with assistance from an environmental consultant expert in green building. This expert accompanies this project from the outset through to receiving the environmental standard certification when construction is complete.

Energy efficiency measures for reducing fuel consumption

Several complementary measures were taken in order to reduce fuel consumption in the organizational vehicle fleet. In addition to reduced fuel consumption, these measures streamline the use of time and save costs:

- Transition from in-person meetings to video conferences** – Since 2012, the Bank started installation of video conference systems at headquarters and regional buildings. In 2014, a system was launched to measure the number of such meetings, to allow the Bank to better estimate the savings due to this initiative. These calls result in fewer employees traveling between Bank sites. In 2019, we had approximately 68 thousand call minutes, compared to 36 thousand in 2018 (approximately 2,500 calls, compared to approximately 1,250 in 2018). This was due to simplification of the use of this system, which resulted in increase use.
- Shuttle service** – The Technology-Logistics Center operates a shuttle service for employees arriving from different locations around Israel. The shuttle size matches the actual number of passengers. We also promote the use of public transportation in general, and the train in particular, by offering shuttle service from the train station to the Technology-Logistics Center building, at all hours of the day. A shuttle service also operates between Bank headquarter buildings in Ramat Gan and in Lod for employees who need to attend meetings. This co-ordinated service reduces the use of private cars or taxis. In 2019, similar to previous years, 350 employees make daily use of organized transport.
- Carpooling** – The Bank encourages employees to carpool, by rewarding employees who gave rides to other employees and who have accumulated a specified number of signatures on a specially designed card. Furthermore, in late 2019, the Bank started co-operation with Waze to expand ride sharing by employees.

All Bank initiative to reduce energy consumption

Initiatives to reduce power consumption	Estimated power consumption saved		Estimated carbon footprint savings
	KWh	Giga Joule (GJ)	
Replacement of light bulbs in offices with LED light bulbs	165,000	594	94
HVAC system renovation	104,000	374	59
Total	269,000	968	153

Initiatives to reduce fuel consumption	Estimated fuel consumption saved		Estimated carbon footprint savings
	Liters	Giga Joule (GJ)	
Transition to video conferencing	10,000	241	23.38



All Bank initiative to reduce energy consumption resulted in savings of approximately **176 tons of CO₂**

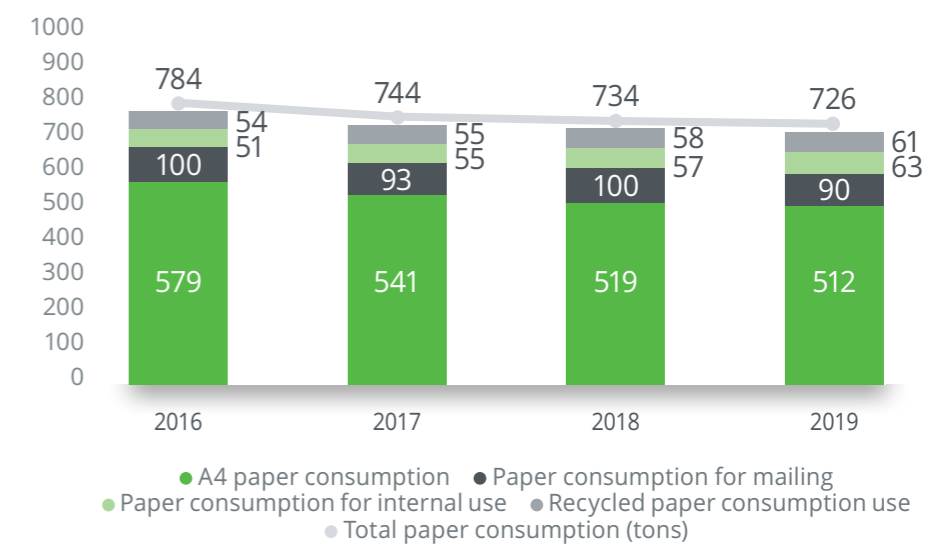
In 2019, the number of video-conferencing calls was doubled compared to 2018

Reducing paper consumption

The Group uses paper mainly for forms, letters to clients, report printing etc. Note that a considerable percentage of paper usage is due to printed material produced according to Bank of Israel directives for clients, and hand-delivered to them.

	2016	2017	2018	2019
Total paper consumption (tons)	784	744	734 ¹	726
Recycled paper used as percentage of total paper consumption	6.9%	7.4%	7.9%	8.5%

paper consumption by the Group, 2016-2019



1. GRI 102-48 – data corrected for typographical error.

In 2019, the Group reduced its paper usage by 8 tons. This is a decrease by approximately 1% compared to 2018. This reduction was achieved while Bank business operations continued to grow. One of the reasons for this reduction is the "Paperless Branch" project, whereby the Bank converted client service at branches to use tablets for digital signatures. This allows for improved efficiency and reduced paper consumption, as well as shorter service times and added value for all Bank clients, from the private sector as well as from the business sector. Other reasons for reduced paper consumption include: Providing an option to capture printouts to a digital file and sending a copy of the transaction to the client in digital format only; replacement of all printers at the Group with two-sided printers; and increasing the use of daily control reports, through computer systems that replace the paper reports that used to be printed daily at branches and headquarters.

Along with efforts to reduce consumption, the Group acts to include purchasing of recycled paper. In 2019, this purchasing constituted approximately 8.5% of total paper consumption by the Group, 5% increase in consumption of recycled paper compared to the previous year. All recycled paper used by the Bank is made of 100% recycled fibers. The Bank ensures that raw materials used by suppliers are from an approved source and compliant with international standards.



Measures to reduce paper consumption at the Bank **resulted in savings of approximately 75.2 million pages equivalent to approximately 353 tons of CO₂**

Moreover, as part of promoting Bank activities to ensure environmental protection among clients as well, the Bank continues to promote sustainable mailing and encourages clients to accept mailing by email messages, thereby reducing paper consumption and protecting the environment. **Currently, 40% of Bank clients receive mailing by email messages**, and the Bank continues to encourage clients to enroll to receive mailing by email messages, in order to further reduce paper consumption.

Initiatives to reduce paper consumption	Estimated paper consumption saved		Estimated carbon footprint savings
	units	tons	
"Paperless Branch"	1.1 million	5.5	5
Mailing by email messages	74.1 million	370.5	348
Total	75.2 million	376	353¹

1. This data was calculated based on a pack containing 500 A4 pages weighing approximately 2.5 kg.

Waste and recycling

Waste treatment at the Group focuses on separating waste into 3 types: Paper waste, electronic waste and ink jet cartridges.

Waste type	Handling	Destination for removal	Volume in 2016 (in tons)	Volume in 2017 (in tons)	Volume in 2018 (in tons)	Volume in 2019 (in tons)
Paper waste	Sent for recycling (tons)	KMM	465	432	501 ¹	400
Handling of electronic waste	Scrap (tons)	Ecommunity	22	35	66	46
Processing of ink jet and toner cartridges	Scrap (units)	KMM and Cahila	18,065	14,851	12,472	9,711

The Group sends 100% of its paper and electronic waste to be recycled. Moreover, in 2019, there was also a decrease in the number of ink jet and toner cartridges sent to be scrapped, compared to previous years – a decrease by approximately 22% compared to 2018, by approximately 34.6% compared to 2017 and a decrease by approximately 46% compared to 2016. This was due to reduced paper consumption; massive replacement of old printers with new and more efficient ones; and starting to use original toner instead of OEM toner, which is more efficient as it may be used for a longer period of time.

The Bank is compliant with directives of the Ministry of Environmental Protection with regard to disposal of normal and hazardous waste².

Water consumption

Water consumption at Mizrahi-Tefahot Group is primarily for office use. In 2019, total water consumption at Mizrahi-Tefahot Group was approximately 90,927 m³. The water consumption intensity of the Group was 13.9 m³ per employee.

1. In 2018, a project took place to reduce the number of years stored in the Bank archive.
2. Being a financial institution, hazardous waste at the Bank includes batteries and light bulbs. This data is presented under electronic waste for the Bank.

Management and reduction of carbon footprint

As part of the desire to reduce climate change, the Group carefully measures greenhouse gas emissions caused by direct consumption of gasoline and diesel (Scope 1), indirect emissions as a result of power consumption at the Bank (Scope 2) and other indirect emissions along the supply chain due to business flights, paper consumption and waste (paper waste sent to be recycled, electronic waste sent to be scrapped) (Scope 3).

Measurement of greenhouse gas emissions is carried out in accordance with the Green House Gas (GHG) methodology¹, using calculation adjustments specified by the Ministry of Environmental Protection.

This year, for the first time, Mizrahi Tefahot Group joined the voluntary greenhouse gas emissions reporting initiative of the Ministry of Environmental Protection, whereby the Group reports its greenhouse gas emissions in conformity with a qualified methodology.

Mizrahi-Tefahot Group's carbon footprint (CO₂eq)

	2016	2017	2018	2019	Change in % compared to 2018
scope 1 – direct emissions due to fuel consumption	1,989	1,917	1,913	2,042	6.7%
scope 2 – indirect emissions due to power consumption	21,347	20,185	18,504	16,714	-9.6%
scope 3 ² – Other indirect emissions in the supply chain as due to business flights, paper consumption and waste (electronic and recycled paper)	Not measured ³	661	857 ⁴	847	-1.16%
Total carbon footprint (CO₂e) – scopes 1, 2 and 3	23,336	22,763	21,274⁴	19,603	-7.8%
Carbon footprint intensity (CO₂e tons per employee) – scope 1, 2 and 3	3.8	3.6	3.3	3.0	-9.0%
Carbon footprint intensity (CO₂e tons per m²) – scope 1, 2 and 3	0.18	0.18	0.15	0.13	-23.5%

1. <http://www.ghgprotocol.org/>

2. Emissions in scope 3 exclude emissions involved in paper and waste transportation to waste treatment facilities.

3. In 2016, scope 3 was not measured and the total carbon footprint for this year only includes scopes 1 and 2.

4. GRI 102-48 – data corrected for typographical error.

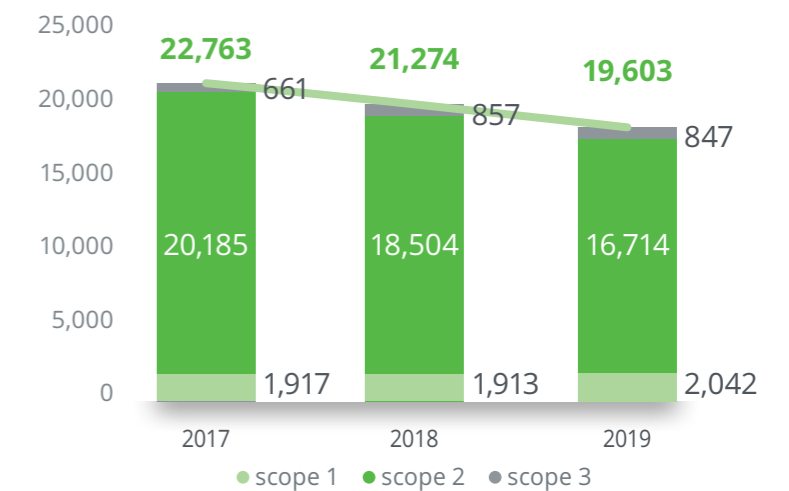
Investing in the environment

greenhouse gas emissions for the Group decreased in 2019, compared with 2018, by **7.8%**

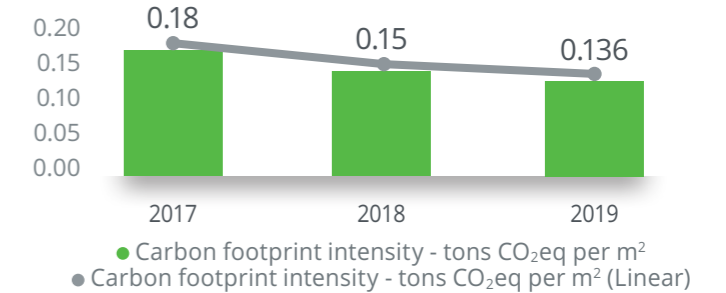
The carbon footprint intensity per employee decreased by **9%**

The carbon footprint intensity per meter decreased by **23.5%** compared to 2018

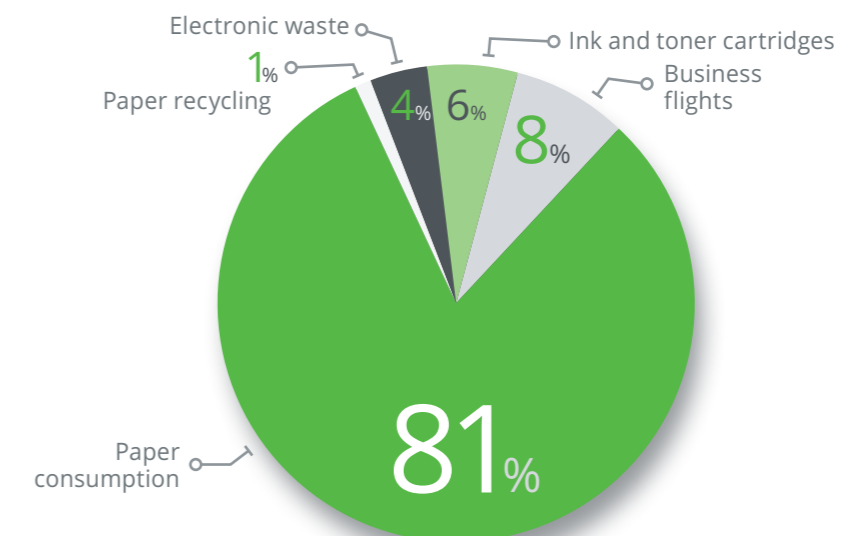
Group carbon footprint over the years (tons CO₂eq)



Carbon footprint intensity (tons CO₂eq per m²)



Emission source – scope 3



Increased awareness of environmental issues – Campaigns to promote recycling by employees

The Bank operate to promotes the understanding of the importance of environmental protection in order to creates environmental awareness among employees. To this end, the bank deliver annually training on environmental issues, and promotes initiatives among employees and their family members for reducing waste and recycling.



As part of diverse actions taken by the Bank to itegrate sustainability values as part of the organization culture, the bank have training on environmental issues. The Bank also promotes campaigns designed to promote recycling by employees. These campaigns are focused in particular on recycling of bottles, batteries and electronic waste. In order to increase employee awareness of this matter, the Bank placed special signage that promote recycling. In each of the designated areas, these campaigns were successful and achieved great cooperation and satisfaction among employees.

- **Bottles recycle** – The Bank has placed containers for collecting cans and bottles. **In 2019, 10,000 bottles were collected**, and the deposit money was donated to families in need.
- **Batteries and electronic waste Recycle** – The Bank cooperates with "Ecommunity", a social corporation for recycling of electronic waste which employs employees with disabilities. The bank employees are asked to bring used batteries and electronic waste, which is collected in containers placed around the Bank.
- **Collecting clothes for donation and recycling** – In the Bank's office building in Lod, we placed a container for collection of clothes from employees and their families. This project is conducted in cooperation with the "Pitchon Lev" NGO.
- **Re-use of furniture** – When a property is sold or returned, the Bank reviews if the furniture can be used elsewhere at the Bank. If possible – furniture is moved to such alternative location or, otherwise, it is donated to the community.

Indirect impact

Most of the Bank's indirect impact is due to lending and project financing. Therefore, the Bank has in place a policy on environmental risk management, and as part of management of the risk involved in granting loans, elements of this policy are also reviewed, including risk assessment, monitoring and management, inter alia. The Bank also strives to develop products and services that would help clients manage their own environmental impact. The Bank recognizes that climate change has significant long-term impact for the economy and for the community, and managing this impact requires cross-segment co-operation. As a financial institution, the Bank plays a role in managing such impact, inter alia, by acting to finance projects designed to address the climate crisis, extending loans to clients designed to reduce emissions and to promote products of environmental value. (For more information about products, see page 69)

Dialogue on environmental issues¹

The Group maintains a dialogue on environmental issues, focused on discourse with relevant clients and suppliers about the environmental impact resulting from their operations. The Bank also derives ideas for activities and initiatives from on-going dialogue, allowing the Bank to contribute towards environmental protection.

- **Suppliers** – During visits by the Logistics Division to strategical suppliers, they administer a specific questionnaire on environmental issues. This questionnaire tests the extent to which suppliers act in conformity with social responsibility, including environmental aspects thereof. This questionnaire asks suppliers how they handle waste, incorporate green standards in their operations and so forth.
- **Environmental organizations** – The Bank maintains a dialogue with organizations and NGOs on environmental issues, where ideas are raised for activities in which the Bank could contribute to environmental protection. This dialogue resulted in multiple projects, such as recycling drink cans and bottles, recycling medications, recycling batteries, recycling electronic waste, carpooling, environmental initiatives as part of the "ZAZIM" project etc. The Bank includes its employees and clients in these activities.



Regulatory compliance and control

In the reported year, no fines or non-monetary sanctions were imposed on the Group for non compliance with environmental laws or regulations.

The Bank applies internal and external control to all aspects of environmental management:


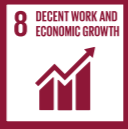


- Paper consumption and shredding are controlled by computer-based systems and by different suppliers.
- Fuel consumption data for the Group are provided by the various fuel companies.
- The Group's power consumption data is provided by Israel Electric Company.
- Data on electronic waste recycling is provided by supplier reports.
- All employees who use a company car from the Bank receive regular reports, which reflects the fuel consumption data of their vehicle. This increases their awareness of the need to reduce consumption by efficient, proper use of their vehicle.

All these are constantly monitored by relevant employees and managers of the Logistics Division. Furthermore, as part of the Bank's commitment to environmental protection, this year, for the first time, the Bank joined reporting of greenhouse gas emissions initiative of the Ministry of Environmental Protection as part of its operations. This is reported annually.

1. GRI 102-43















Looking forward

Achievement of 2019 goals

Specified goal	Response to SDGs	Status
Replacement with LED lighting at branches, by the winner of a tender conducted in 2019		Done – lighting replaced by LED at 15 branches
Sample visits to major suppliers		Done – visits made to 2 major suppliers
Continue review for efficient utilization of space.		Done – approved area reduction at 4 branches and added 15 stations at existing branches – with no additional area
Continue reducing paper consumption		Done
Replacement of old chillers, with low energy efficiency, at 3 more branches		Done – old chillers replaced at 4 branches
Continue review of the option of setting up a power plant at the Technology-Logistics Center, operated by natural gas, to generate power to be used by this facility		Done – approved construction of power plant at the Technology-Logistics Center, operated by natural gas, currently being planned
Install Optinergy system to monitor and control power used at the Technology-Logistics Center and start obtaining results and conclusions on this issue		Not done – supplier discontinued operations in Israel

Investing in the environment

Goals for 2020

Specified goal	Response to SDGs
Continued replacement of lighting with LED lighting at branches (approximately 15 branches) and at the Technology-Logistics Center	
Review model to promote selection of hybrid cars by managers	 
Expand the video-conferencing facilities through custom VC systems and by adding advanced systems in conference rooms	 
Continue review of old chiller replacement at branches (2 branches)	  
Review potential for promoting carpooling through co-operation with custom apps	  
Continue review for efficient utilization of space (added approximately 15 stations at existing branches – with no additional area)	
Continue reducing paper consumption	 

Commitment to **ACCOUNTABLE CONDUCT**



Overview

In **2019**

we revised the **Code of Ethics** and added a new value – **social and community responsibility**

In 2019, we delivered approximately

34,500

training hours to Bank employees on **preventing corruption**

In 2019, we delivered approximately

18,300

training hours on the **Code of Ethics** and on **ethical issues**

In 2019, we delivered approximately

8,950

training hours on **risk management**

Group commitment to accountable conduct



Being a leading financial institution in Israel, the Bank strictly maintains responsible conduct and disseminates across the Bank Group the commitment to comply with statutory provisions and to implement proper corporate governance. The Bank adheres to ethical conduct by employees and acts to prevent corruption. The Bank also strives to achieve its goals and to implement its business strategy while managing risk and remaining committed to its clients. These issues are part and parcel of the work of all Bank divisions, including the Risk Control Division, the Technology Division, the Human Capital, Resources and Operations Division and by the Bank Secretary.

Mizrahi-Tefahot Board of Directors¹

As part of corporate governance management at the Bank, the Board of Directors is responsible for Bank business and for its financial resilience. The Board operates in conformity with the law, including Proper Conduct of Banking Business Directives, and in conformity with the Board of Directors procedures. As part of approval of the Bank's annual work plans, the Board of Directors is asked annually to approve the work plan with regard to social responsibility.

Board members²

As of December 31, 2019, the Bank Board of Directors consisted of 11 Board members – 9 male and 2 female. The Board of Directors includes 9 Board members having accounting and financial qualifications (the Audit Committee includes 5 such Board members). The Board of Directors includes 4 external Board members, pursuant to Proper Conduct of Banking Business Directives, of whom 3 are external Board members appointed pursuant to the Corporate Act. All external Board members are also independent Board members.

1. Information about the Board of Directors in this chapter only refers to the Board of Directors of Mizrahi-Tefahot Bank, unless otherwise noted. For more information about the Board of Directors of Bank Yahav see the 2019 annual report, available on the Bank website.

2. For more information about the Bank Board of Directors, see the Bank's 2019 annual report, pages 327-338.

Commitment to accountable conduct

Among the Board members are also Board members with experience and knowledge of risk management and credit risk. The Risk Management Committee of the Board of Directors consists of seven members with significant experience with risk management.

All Board members have professional qualifications, in conformity with provisions of the Corporate Regulations, and are classified as "expert Board members" for the purpose of Corporate Regulations.

All Board members do not report to the CEO, directly nor indirectly.

All Board members are aged 50 and over, and there is no age limit for membership of the Bank Board of Directors.

Furthermore, the Board of Directors has an annual training program and Board members are invited, from time to time, to attend external professional training.

Below are members of the Bank Board of Directors who served in office during 2019:

- **Moshe Vidman, Chairman**
- **Zvi Ephrat** (concluded their term in office on June 25, 2019)
- **Sabina Biran**
- **Ron Gazit**
- **Avi Zeldman**
- **Yoav Asher Nachshon**
- **Mordechai Meir** (concluded their term in office on March 28, 2019)
- **Avraham Ya'akov Neuman** (concluded their term in office on December 31, 2019)
- **Liora Ofer** (concluded their term in office on February 7, 2019)
- **Jonathan Kaplan**
- **Yossi Shachak** (concluded their term in office on April 25, 2019)
- **Hannah Fayer**
- **Gilad Rabinowitz** (started their term in office on March 12, 2019)
- **Ilan Kremer** (started their term in office on March 27, 2019)
- **Eli Elroy** (started their term in office on June 25, 2019)
- **Yosef Plus** (started their term in office on August 20, 2019)



Appointment of Board members

Board members are appointed by the General Meeting of Shareholders, unless the office of a Board member became vacant after the previous General Meeting of Shareholders, in which case a Board member, other than external Board member, may be appointed, in conformity with the Bank's Articles of Association and in conformity with the Corporate Act, by the Board of Directors effective until the next annual General Meeting of Shareholders. No Board member may be appointed nor serve unless they have the required qualifications and the capacity to allocate the appropriate time for discharging the office of a Bank Board member with due care, inter alia, to the specific needs and size of the Bank.

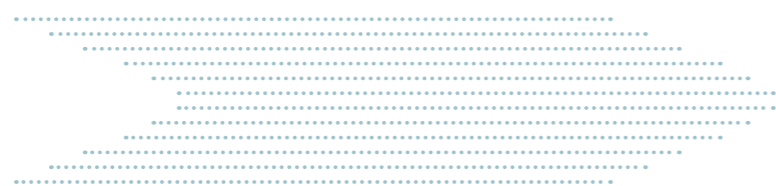
On April 2, 2019, the General Meeting of Bank shareholders approved an amendment of Bank Bylaws, with regard to appointment of Board members (other than external Board members) by the General Meeting and their term in office. For more information see Immediate Report dated April 2, 2019 and the Bank's Articles of Association.

Effectiveness of Board operations

Assessment of effectiveness of Board operations – The Board of Directors plenum assesses the effectiveness of the Board of Directors' operations, in conformity with Directive 301, using structured questionnaires. Once every two years, the Board of Directors self-assesses the effectiveness of its operations, in discussion attended exclusively by Board members. For more information about the effectiveness of Board operations, see the Bank's 2019 financial statements (page 282).

Bank Yahav assesses the effectiveness of the Board of Directors' operations in accordance with Proper Conduct of Banking Business Directive 301. The assessments made to date have been carried out by external advisors and discussed by the Board of Directors plenum.

Improvement of Board operations effectiveness – On July 5, 2017, the Bank of Israel issued an update to Proper Conduct of Banking Business Directive 301 concerning "Board of Directors". These updates to the directive are designed to improve the effectiveness of Board work and to enhance the professional qualifications of the Board of Directors. The revised directive stipulates, inter alia, that the Board of Directors may not consist of more than 10 members; expands the definition of "having banking experience" and increases the number of Board members required to have such experience from one fifth to one third; stipulates that the Board of Directors shall include at least one Board member with proven experience in technology; reduces the list of topics for which Board authority may not be delegated to Board committees; stipulates that the Board of Directors should set policy on the maximum term in office of the Chairman of the Board of Directors; as well as other provisions with regard to Board authority, work and function. The revised directive is effective as from the circular issue date. With regard to the number of Board members pursuant to approval then granted by the Supervisor of Banks to the Bank, the effective date starts on the date of the annual General Meeting of Bank shareholders to be held in 2020.



Board of Directors – committees

In 2019, the Board of Directors operated five standing committees:

Credit Committee	
Name	
Composition	Moshe Vidman (chairman), Zvi Ephrat (concluded their term in office on June 25, 2019), Yoav-Asher Nachshon, Liora Ofer (concluded their term in office on February 7, 2019), Yossi Shachak (concluded their term in office on April 25, 2019), Hannah Fayer, Sabina Biran (started their Committee membership on May 20, 2019), Ron Gazit (started their Committee membership on March 27, 2019).
Role	This committee is authorized to discuss general policy issues concerning credit, to formulate recommendations to be brought before the Board of Directors plenum, to discuss the annual and multi-annual work plan of the Credit Control Department and to receive periodic reports concerning credit risk. The committee is also authorized to discuss credit applications which are exceptional to the credit policy and to recommend their approval to the Board of Directors plenum.
Risks Management Committee	
Name	
Composition	Moshe Vidman (chairman), Sabina Biran, Ron Gazit (concluded their Committee membership on March 27, 2019), Avraham Zeldman, Avraham Ya'akov Neuman (concluded their term in office on December 31, 2019), Jonathan Kaplan, Yossi Shachak (concluded their term in office on April 25, 2019), Yosef Plus (started their Committee membership on August 26, 2019), Ilan Kremer (started their Committee membership on March 27, 2019).
Role	This committee is authorized to discuss issues and policy related to risk management and control at the Bank, capital planning at the Bank and internal control. The Committee discusses and makes recommendations to the Board of Directors plenum prior to discussion of these matters by the Board of Directors. The Committee discusses, inter alia, the master policy on risk management and control framework, overall risk strategy, risk appetite, the assessment process of capital adequacy and the quarterly risk document. The Committee discusses and makes recommendations to the Board of Directors on approval of policy documents for the various risk factors, including: Overall management of financial risk, operating risk management, including management of business continuity, reputation risk management, online banking management. The Committee is authorized to approve new products that are subject to approval by the Board of Directors plenum.
Remuneration Committee	
Name	
Composition	Avraham Ya'akov Neuman (Chairman) (concluded their term in office on December 31, 2019), Sabina Biran, Hannah Fayer, Gilad Rabinowitz (started their Committee membership on March 12, 2019), Yosef Plus (started their Committee membership on August 26, 2019).
Role	This committee is authorized to discuss and make recommendations to the Board of Directors with regard to remuneration policy and procedures, as required by the Corporate Act and in conformity with Proper Conduct of Banking Business Directives. The remuneration policy is required to be in conformity with the Bank's organizational culture, its long-term strategic goals and its control environment – such that remuneration incentives would not encourage risk taking beyond the Bank's specified risk appetite and would allow the Bank to maintain a robust capital base. The committee convenes at least once per year to review the implementation of the remuneration policy. Once every three years, the committee shall make its recommendations to the Board of Directors with regard to approval or revision of the current policy. This committee also makes recommendations to the Board of Directors with regard to guidelines for employment and retirement terms of Bank executives and employees and also approves officer remuneration, prior to approval by the Board of Directors and by the General Meeting of shareholders, as the case may be.

Name		Audit Committee
Composition	Avraham Ya'akov Neuman (Chairman) (concluded their term in office on December 31, 2019), Sabina Biran, Mordechai Meir (concluded their Committee membership on March 28, 2019), Yossi Shachak (concluded their term in office on April 25, 2019), Hannah Fayer, Avi Zeldman, Yosef Plus (started their Committee membership on August 26, 2019).	
Role	The roles and responsibilities of this committee are: discuss any faults identified in conducting Bank business and to propose ways to remedy these faults to the Board of Directors, to specify arrangements with regard to handling complaints by Bank employees with regard to any faults identified in conducting Bank business, to review the quarterly and annual reports to the public, to discuss them and recommend their approval, to approve transactions and actions as specified in the Corporate Act and to approve transactions with related persons in conformity with Proper Conduct of Banking Business Directive 312. The Board of Directors also appointed the Audit Committee to be the entity responsible, on behalf of the Board of Directors, for supervision of the work of the Compliance Officer, including execution of the enforcement plan of securities laws and anti-trust laws, as well as its implementation.	
Name		Technology and Innovation Committee
Composition	Moshe Vidman (Chairman), Ron Gazit, Yoav-Asher Nachshon, Sabina Biran, Gilad Rabinowitz (started their Committee membership on March 12, 2019).	
Role	This committee was established in 2019. Its objective is to discuss and to advise the Board of Directors on strategy, risk appetite and IT policy and management, by the Bank and by entities controlled thereby, including overseas affiliates (hereinafter: "the Bank Group"). The Committee discusses, inter alia, matters of information and cyber security, technology infrastructure at the Bank Group, administration and use of data bases, technology innovation in support of business innovation, and aligning these with the overall strategy and policy of the Bank Group, including targets, annual work plans and resources.	

Board of Directors – operation

The Board of Directors fulfills its functions by means of discussions by the Board of Directors plenum, at meetings held at least once a month (or more frequently, as necessary), as well as at meetings of its committees.

During 2019, the Board of Directors held 28 plenary meetings, 6 seminars for Board members and 62 committee meetings. (27 meetings of the Audit Committee, 13 meetings of the Risk Management Committee, 8 meetings of the Credit Committee, 6 meetings of the Remuneration Committee and 7 meetings of the Technology Committee).

Various issues are brought for discussion by and reporting to the Board of Directors. The majority of matters presented at Board of Directors meetings have previously been discussed by the professional parties and control functions at the Bank, as well as by Bank management. Management recommendations are included, as applicable, in background material provided to Board members.

Operating procedures of the Board of Directors stipulate matters, with emphasis on risk management at the Bank, which must be reported to the Board of Directors; these procedures specify the frequency and form of such reports. These procedures also refer to immediate reports with regard to event types which require such reporting.

Once a month, the Bank President presents his report, an overview of all Bank operations and special event, including issues of corporate social responsibility.

Once a quarter, the Bank's management presents a comprehensive risk overview to the Board of Directors and to its Risk Management Committee, including discussion of all risks facing the

Bank, developments in risk management and control in the reported quarter and, occasionally, issues of corporate social responsibility.

If, during the reported year, exceptional critical events on economic, social or environmental issues were brought before the Board of Directors, these are listed in the periodic risk report issued with the financial statements. In 2019, no exceptional events on social or environmental issues were brought before the Board of Directors.

The right of Board members to obtain information and to consult with various entities in the course of discharging their duties is in conformity with provisions of the Corporate Act and provisions of Proper Conduct of Banking Business Directive 301 by the Supervisor of Banks with regard to "The Board of Directors" and is included in operating procedures of the Board of Directors.

In justifiable cases, the Board of Directors may be assisted by external advisors, as set forth in the Corporate Act and in Directive 301. Board members may also, in special cases, obtain professional advice at the Company's expense, if such expense reimbursement has been approved by the Board of Directors, all in conformity with and subject to provisions of the Corporate Act and in Directive 301.

In conformity with the Corporate Act, shareholders may propose issued for discussion prior to the General Meeting of shareholders. In addition to General Meetings of Bank shareholders, convened by the Bank as required by law, the Bank's management is in contact with various interested parties, and reports on such issues that arise, to the extent relevant, to the Board of Directors.



General Meetings of Shareholders

- General Meetings of Shareholders may be convened by the Board of Directors or by shareholders holding more than 50% of voting rights.
- One or more shareholders holding at least 1% of voting rights at the General Meeting, may require the Board of Directors to include a topic on the agenda for a future General Meeting, provided that such topic is suitable for discussion by the General Meeting.
- A resolution may be passed by the General Meeting and by the Continued General Meeting (such as confirmation of re-appointment of any Board member) by a simple majority of votes of shareholders present at the General Meeting, who are allowed to vote and who voted at the General Meeting, excluding any abstaining votes.

In conformity with the Corporate Act, shareholders may propose issued for discussion prior to the

General Meeting of shareholders. In addition to General Meetings of Bank shareholders, convened by the Bank as required by law, the Bank's management is in contact with various interested parties, and reports on such issues that arise, to the extent relevant, to the Board of Directors.



Internal Audit

In conformity with statutory and regulatory provisions, the Bank operates its Internal Audit function, reporting directly to the Chairman of the Bank Board of Directors. The authority and duties of the Internal Audit function are set forth in the appointment letter discussed and approved by the Bank Board of Directors, including the authority and right to initiate audit at any Bank unit or operation, and to demand and receive any document and information required for it to discharge its operations. Furthermore, employees of the Audit function have, for the purpose of discharging their role, direct access to required records and information related to the Audit topic. Internal Audit work is based on a risk-focused multi-annual work plan, from which an annual work plan is derived. Considerations in determining the multi-annual audit plan include the following: mapping of activities carried out by different Bank units, assignment of potential risk to each activity and setting audit frequency. The work plan, prepared by the Internal Audit Division, is brought annually for approval by the Board of Directors' Audit Committee and is approved by the Board of Directors plenum. The Internal Auditor compiles the audit reports based on generally accepted professional standards: Various statutory requirements, including the Internal Audit Act and directives of supervisory authorities, including directives of the Supervisor of Banks. Audit reports are regularly sent to the Chairman of the Board of Directors, the chairman of the Audit Committee, the Bank President & CEO and head of the audited unit. A copy of each report is also sent to the CRO, Compliance Officer and AML Supervisor, to the Manager, Risk Control Division and to the Manager, Financial Information and Reporting Division. Work processes at the Audit Division are carried out in conformity with procedures duly approved by the Board of Directors' Audit Committee.

Internal Audit

The Bank's internal audit operates in accordance to designated policy documents. This document determines the reporting process in case of exceptional or unusual events, and specifies the principles of the internal audit culture at the Bank. The Bank's risk management policy specifies the roles of the various corporate governance layers for handling internal audit (including: compliance, AML, legal, operations, fraud & embezzlement) and elaborates the roles of the Board of Directors, the bank's management and the three lines of defense at the Bank, responsible for implementing the internal audit framework and for review of the effectiveness of the Bank's internal audit system.

Commitment to accountable conduct

Independent Auditor

The Bank's Independent Auditor, from 1995 to date, have been Brightman Almagor Zohar & Co. In 2018, Brightman Almagor Zohar & Co. were re-appointed as the Bank's Independent Auditor. This appointment was passed by a simple majority at the General Meeting.



Compensation policy

Compensation of the Board of directors, including external Board members, excluded the terms of office and employment of the Chairman of the Board of Directors (as described below) is in compliance with Corporate Regulations (Rules for compensation and expense reimbursement for independent board members), 2000 ("Remuneration Regulations").

On December 18, 2019, the General Meeting of Bank shareholders approved, after approval by the Board of Directors and recommendation by the Compensation Committee, the updated officer compensation policy at the Bank (hereinafter "revised officer remuneration policy"), effective for three (3) years as from January 1, 2020. In addition, the terms of employment of the Bank President & CEO were also approved. In 2019, the officer compensation policy in effect was the policy approved, after recommendation from the Compensation Committee and approval by the Board of Directors, by the General Meeting of shareholders on February 14, 2017, and the compensation policy for all Bank employees other than officers, approved in March 2017 by the Bank Board of Directors, after approval by the Compensation Committee.

The updated officer compensation policy is in conformity with the Corporate Act, 1999, the Remuneration of Officers in Financial Corporations Act (Special Permission and Non-allowance of Expenses for Tax Purposes with Respect to Excessive Compensation), -2016 ("the Executive Remuneration Act") and Proper Conduct of Banking Business Directive A301 "Remuneration". The updated officer compensation policy is based on the general principles which the Bank's Board of Directors, after recommendations by the Compensation Committee, saw fit to adopt with regard to officer compensation at the Bank with due attention, inter alia, to the Bank's strategic plan and to current employment terms of officers at the Bank.

Terms of office and employment of the Chairman of the Board of Directors for the period as from December 1, 2015 were approved by the General Meeting of shareholders on March 8, 2016. On February 14, 2017, a revision of the compensation terms was approved, and they now include fixed compensation only.

In conformity with the updated officer compensation policy, the maximum compensation of the Chairman of the Board of Directors and of the Bank President & CEO, as defined in the Executive Compensation Act (i.e. excluding payments for severance pay and provident funds by law) would be less than 35 times the lowest salary of any full-time Bank employee, including contractors. The maximum compensation of other (non Board member) officers, as defined in the Executive Compensation Act, will not exceed the amount specified in section 2(a) of the Executive Compensation Act, which currently stands at NIS 2.5 million (plus linkage differentials to the Consumer Price Index, as set forth in the Executive Compensation Act).

In conformity with the updated officer compensation policy, the maximum variable compensation for officers shall not exceed 85% of the fixed compensation, except under unusual conditions, where the maximum variable compensation may not exceed 170% of the fixed compensation. The Bank's Board of Directors also stipulated that the maximum variable compensation for officers who are gatekeepers would not exceed 55% of fixed compensation and that such officers would be eligible for an additional fixed component equal to two months' salary. The compensation of officers, other than Board members, includes two major components: monthly salary (and associated components) and performance-based variable compensation (based on the Bank's performance targets, on individual performance benchmarks and including discretionary compensation, including objectives that promote goals related to corporate social responsibility), including a monetary bonus and which may include long-term equity-based compensation not to exceed one half of the performance-based variable compensation. In conformity with the updated officer compensation policy, eligibility of officers to receive options would be determined based on company-wide benchmarks, with a weighting of up to 43% for gatekeepers, and up to 55% for other officers, as well as on individual performance targets, with a weighting of up to 57% for gatekeepers and up to 45% for other officers. The compensation package may also include compensation related to retirement. The mid-term compensation (annual bonus) and the long-term compensation are designed to align the interests of officers with those of the Bank, to strengthen the link between overall Bank performance and to bolster the officer's contribution to achievement of such performance, in line with the Bank's risk profile. According to the updated officer compensation policy, once the conditions set forth in the policy have been fulfilled, part of the variable compensation payment would be divided into multiple installments. The policy further stipulates that the variable compensation may be subject to restitution, in whole or in part, under circumstances listed in the compensation policy.

Furthermore, on February 3, 2020, the Board of Directors resolved, after receiving the recommendation from the Compensation Committee, to approve an updated remuneration policy for 2017-2019 for all Bank employees, other than officers who are subject to the updated compensation policy for Bank officers, as noted above (hereinafter: "the updated compensation policy for all Bank employees"). The updated compensation policy for all Bank employees discusses compensation terms of key employees at the Bank and those of other managers at the Bank and of other Bank employees for 2020-2022. According to the updated compensation policy, the terms of office or employment of all Bank employees include fixed and variable compensation, as customary at the Bank, as well as retirement terms and any other benefit, payment or commitment to make a payment, provided with respect to the aforementioned office or employment. Provisions for return of variable compensation, as stipulated with regard

to officers, would also apply with regard to return of variable compensation by key employees at the Bank.

The pay for most Bank employees is based on collective bargaining agreements. For more information about compensation of Bank employees, see the Bank's 2019 financial statements (page 121, 157).

For more information about the updated officer compensation policy, see Immediate Report dated November 11, 2019 (reference no. 2019-01-096900, report dated December 18, 2019, reference no. 2019-01-111267, and report dated December 22, 2019, reference no. 2019-01-112224).



Preventing conflict of interest

The Bank operates in accordance with all statutory provisions regarding preventing conflict of interest among Board members. The Bank acts, in this matter, in conformity with provisions of the Corporate Act, 1999 and provisions of Proper Conduct of Banking Business Directive 312 "Banking Corporation's Business with Related Parties". The Bank's enforcement plan also includes detailed instructions on this matter.

Tax policy

The Bank operates in accordance with statutory provisions in Israel and in countries in which the Bank has affiliates or subsidiaries. The Bank operates in accordance with income tax provisions with regard to reporting and withholding with respect to Bank clients. For more information, see the Bank's 2019 financial statements (page 137).

Deployment of business ethics



The Code of Ethics includes the core values for Bank operations, including fairness, integrity, transparency and human dignity. The Bank's Code of Ethics is deployed across the organization by various training activities, and includes an Ethics Committee headed by the 'organizational Development and Training Department' Manager, which meets on a monthly basis to discuss ethical dilemmas that arise from the field, and to outline policies and actions for deployment of values of the Code of Ethics."

The Code of Ethics

The Bank's Board of Directors and management promote, throughout the organization, a high level of ethics and integrity. One of the key means for instilling ethics and integrity is the preparation of the Bank's Code of Ethics and its deployment among all Bank employees. The Code of Ethics reflects the Bank Spirit and its organizational culture, was first published in 2008, defines appropriate rules of conduct for all Group employees, based on analysis of events observed in the field and it is a tool for handling issues and dilemmas arising in the normal course of work.

The Bank's Code of Ethics has become an integral part of the Bank's organizational culture and is deployed across the organization by various training activities, including an Ethics Committee headed by the 'organizational Development and Training Department' Manager, which meets on a monthly basis to discuss ethical dilemmas that arise from the field, and to outline policies and actions for deployment of values of the Code of Ethics."

The Code of Ethics and the Bank strategy – The Bank's new strategic plan for 2017--2021 highlights the differentiation of Mizrahi-Tefahot as a bank that offers personal, human banking services along with advanced technology tools. **In accordance with this plan, which highlights the key position of the bankers, with more branches and service positions opened,** and due to changes at the Bank and in the business environment – in 2019 we revised the values in the Code of Ethics, **incorporating unique values that form the basis for business and interpersonal conduct at the Bank.** The revised Code of Ethics was presented to and approved by the Bank management and by the Board of Directors.

In the first quarter of 2019, **all Bank units conducted an activity with regard to revision of the Code of Ethics.** The units were asked to consider whether the proposed change to a specific value is warranted, or to add new values. Based on feedback from Bank units, surveys and focus groups, **the Ethics Committee made its recommendations on revision of the Code of Ethics.**

In December 2019, the Bank Board of Directors approved the revised Code of Ethics. The revised Code of Ethics provides further focus on values with a new value added – social and community responsibility – which is all about environmental and social issues.



In 2019 we delivered

18,000 training hours on the Code of Ethics and on ethical issues

The Bank Core Values:

Reliability

Client loyalty

Human dignity

Transparency

Commitment to the Bank

Fairness

Excellence, professional and service-oriented approach

Social and community responsibility



Deployment of the Code of Ethics

In 2019, the Bank units continued to deploy the Code of Ethics, using various tools, in accordance with their work plan:

- **Proper conduct on social networks** - The Ethics Committee formulated **recommendations on proper conduct on social networks** (based on understandings arising from the 2018 Ethics Day activity) and distributed to all Bank employees **guidelines for ethical conduct on social networks.**
- **Signing the Code of Ethics** - All employees have signed on to the Code of Ethics and every new hires who joins the Bank also signs on to the Code of Ethics.
- **Reporting to management and to the Board of Directors** – In accordance with the work plan for deployment of the Code of Ethics, once every quarter, the Management Forum receives a status report on ethics and semi-annually, the Chair of the Ethics Committee presents to the Board of Directors a report on deployment of the code and ethics-related events that took place.
- **Ethics training** – In 2019, we delivered 18,300 training hours on the Code of Ethics and on ethical issues. New hires at the Bank are required to take an E-learning kit with regard to the Bank's Code of Ethics and also receives face-to-face training as part of a training course. The E-learning kit on Ethics is monitored.

- **Proactive discussion of ethical dilemmas** – As part of the work plan, a proactive discussion of ethical dilemmas is conducted once per quarter, at Bank units in Israel and overseas. These are regularly reported to the Ethics Committee.
- **Deployment of ethical aspects in employee evaluation** – In the employee evaluation questionnaire, which is one of the sources used to make organizational decisions (such as promotion, remuneration etc.), ethical aspects of the employee's conduct are also addressed.
- **Management meeting concerning ethical issues** – A monthly meeting between the Bank management and managers (from Sector Manager and higher) is convened to discuss ethical issues.
- **Ethical dilemmas** – Presentation of ethical dilemmas on the Code of Ethics website.
- **Integration of Ethics matters in kernek courses** – Some banking courses in the bank incorporate training unit on Ethics.
- **Managers training** – Managers training includes discussions of ethical issues relevant for managers, based on values in the Code of Ethics.
- **Division-level activities** – Division-level activities are designed to describe ethical dilemmas and relevant processes for each division and to formulate an internal ethics program.
- **Reporting and Consultation channels** – The Bank allows employees to contact with regard to any issue, including ethics-related issues, in by various channels and at any time. This is done by means of contacting the Chair of the Ethics Committee by email, an email address dedicated to ethics-related issues, and an online form for anonymous inquiries. External parties may address ethics-related issues through the Public Call Center or through the Bank website. The Bank has a procedure in place which guarantees protection of the information provider and inquiries may also be sent anonymously. Information about ways to send inquiries is listed on the organizational portal, on the notice board at overseas affiliates and in the bank's branches. Moreover, in conformity with a new directive by the Bank of Israel, the Bank issued a public statement with regard to public complaints, worded as specified by the Supervisor of Banks. The Bank maintains constant contact with the person who filed the complaint, unless this is not feasible (as in the case of a complaint made anonymously).



Measuring the effectiveness of Code deployment

The Bank constantly reviews the implementation of the Code of Ethics through meetings, focus groups and diverse training. The revised of the Code of Ethics carried out through employees and managers dialog, that considered the different values, the way they were deployed and its relevancy. Also, the employees and managers were asked to recommend revisions and/or additional values for the Code of Ethics.

Commitment to regulatory compliance



The Bank strictly complies with statutory provisions and with corporate governance rules. The Legal Division advises on application of statutory provisions and implications for the Bank Group operations, and also assists in their deployment across operations of relevant Bank units. The Risk Control Division ensures that the Bank units comply with statutory provisions and with Bank procedures.

Compliance with regulations and ensuring proper conduct

The Bank has a compliance policy in place, approved by the Board of Directors. This policy refers to matters of compliance, AML, terror financing, cross-border risk, fairness, protection of privacy and internal enforcement. The Bank appointed a Compliance Officer, who operates in conformity with a letter of appointment, which guarantees their authority and independence, as part of proper corporate governance.

The Bank also maps the regulations and appointed persons responsible for ensuring compliance with these regulations in all areas. Each division is responsible for regulatory compliance in its own area. In order to ensure enforcement at the Bank, Compliance Trustees were appointed at branches – and Compliance Bankers were appointed at larger branches – as well as regional Compliance Controllers, who undergo training on this topic several times each year, and are responsible for applying controls, identifying compliance risk and taking appropriate action to reduce it and to correctly handle clients in conformity with procedures.

Furthermore, a detailed control program is in place to review various activities at the Bank at all levels, in conformity with a risk-based approach, and the Compliance Officer is involved in approval of new products and relevant transactions.

The Bank conducts operational risk surveys with reference to embezzlement and operates a current system for embezzlement monitoring.

The Bank regularly maintains and updates the mapping of compliance risk and internal enforcement, maintains comprehensive control and enforcement programs and takes various actions to reduce such risk.

In 2016-2019, no significant fines and non-monetary sanctions were imposed on the Bank for non-compliance with laws and regulations. For payment by the Bank Group in conjunction with an agreement to conclude an investigation by the US Department of Justice, see chapter below on this matter.

The Compliance officer/department is involved in approval of new products and in handling relevant transactions.

The Internal Audit reviews, inter alia, compliance with statutory provisions, Bank of Israel directives and other regulations, Bank policy and procedures, in conjunction with a multi-annual risk-based work plan. Audit reports refer both to implementation of the directives in field units and to implementation control processes applied by the control units, including the Risk Control Division and the Compliance Department.

Implementation of compliance at the Bank

For implementation of compliance aspects at the Bank, Mizrahi-Tefahot Bank acts in multiple ways:

- **Organized deployment of operating procedures** – The Bank strictly complies with statutory provisions through an organized set of operating procedures regularly revised, working processes and IT systems. The process of implementing laws and statutory provisions or its updates are monitored, inter alia, by the Compliance Department of the Risk Management Division.
- **Implementation audit** – Monitoring the effectiveness of implementation of statutory provisions and procedures is applied, inter alia, by implementing controls over compliance with provisions in various areas. In conformity with corporate governance rules, audits are applied by employees of the business line, in conformity with the type and attributes of the transaction, and by employees of the second line, who apply audits on various compliance issues, and challenge the operations of the first line, focusing on risk-based activities.
- **Compliance risk identification and mapping** – Identify focal points of increased risk, potentially due to breach of statutory provisions, in order to focus the effort on mitigating such risk and on avoiding such breach.
- **Handling exceptions** – The Bank handles any exceptions identified by the audits, at both HQ and branches. This includes implementation of recommendations for improved processes and controls, verifying that faults are corrected, lessons learned and disciplinary action taken, if needed.
- **Anonymous hotline for employee inquiries to Internal Audit** – Internal Audit operates anonymous telephone and fax lines for employee inquiries in cases of irregularities or events suspected of not being appropriate, severe deviation from statutory provisions, Bank of Israel directives or Bank procedures, inappropriate conduct, criminal action and so forth. The Bank has specified protection for whistle blowers.
- **Anonymous hotline for employee inquiries to Compliance Department** – The Bank operates an anonymous phone and fax hot line for employee reporting, as needed, with regard to fraud and manipulation of securities, FATCA and other compliance issues.
- **Internal Audit** – The Bank conducts independent Internal Audit of units and material processes at the Bank, including with regard to compliance with statutory provisions, Bank of Israel directives and other regulations, Bank policy and procedures, both at business units and at audit units. This is achieved by an Internal Audit function, headed by the Chief Internal Auditor, appointed in June 2011 by the Audit Committee and by the Board of Directors, based on the experience and education of the Auditor (for more information see financial statements under "Disclosure concerning the Internal Auditor", page 265).
- **Fair competition** – The Bank conducts its business fairly. The Bank strictly adheres to statutory and regulatory provisions applicable to the Bank, including the Economic Competition Act. The Bank does not promote any public agenda and does not apply any lobbying.
- **Fairness** – The Bank maintains a fair relationship with all stakeholders, in particular with clients, including sales of products and services which match the client and their needs.

- **Training and employee publications** – As part of deployment of a compliance culture, the Group provides its employees with training on the following subjects: Compliance, AML and terror financing, bribery and corruption risk, internal enforcement, cross-border risk, compliance with international sanctions, the Economic Competition Act, fairness to clients, proper disclosure and the Code of Ethics. The Group also acts with regard to non-discrimination against various populations, including operations involving minorities. Such training is provided as part of banking training delivered as part of training of the Bank employees, and in more focused training, based on role and department. Bank employees are required to go through E-learning kits and knowledge tests on various compliance issues at regular intervals, and these E-learning kits are revised as required. Moreover, soon after new hires start their work at the Bank, or upon changing their role, employees attend training on compliance issues. Furthermore, the Compliance Department issues from time to time brochures and notices, which include highlights on compliance with statutory provisions and offers seminars on compliance issues to managers and officers.
- **Compliance forum** – The Bank operates a forum, headed by the Chief Risk Officer and attended by heads of business divisions or representatives thereof, representative of the Legal Division, the Chief Compliance Officer and representative of the Internal Audit Division, designed to present and discuss events and cases related to compliance, to discuss material compliance risks and to describe material regulatory changes and preparations for the implementation thereof.

Compliance risk management

The Bank has designated policy documents in various areas of risk management and control, in support of implementation of statutory and regulatory provisions. In these documents, the Bank's Board of Directors set guidelines for risk management, in line with the Bank's strategic plan, as well as the principles for risk monitoring and control – Policy which, inter alia, specifies the risk appetite and has determined that the Bank has zero tolerance to improper implementation of statutory and regulatory provisions.

Compliance risk, including AML risk, cross-border risk, banking confidentiality and economic competition, is managed by identification, documentation and assessment of compliance risk associated with business operations of the Bank, including developments related to new products, business conduct, lines of business or new clients, or to material changes to any of the above.

Moreover, the Bank regularly maintains and updates the mapping of compliance risk and internal enforcement, maintains comprehensive control and enforcement programs and takes various actions to reduce such risk. The Bank conducts operational risk surveys with reference to embezzlement and operates a current system for embezzlement monitoring.

The Bank deals fairly with all stakeholders, including Bank clients. The value of fairness is enterprise-wide and is based on application of basic values: integrity, fairness and transparency. The Bank maintains extensive control over its lines of business and acts to maintain effective enforcement programs with regard to securities laws and economic competition laws adapted for the Bank and its unique circumstances, as part of overall risk management at the Bank. This is so as to ensure complete compliance with directives applicable to the Bank.

In 2019, similar to previous years, no significant fines or non-monetary sanctions were imposed on the Bank for non-compliance with laws and regulations. For payment by the Bank Group in conjunction with an agreement to conclude an investigation by the US Department of Justice, see details in chapter below on this matter.

Political donations

As part of proper management, the Bank does not promote any public agenda nor does it apply any lobbying. The Bank makes no contributions to any political parties, politicians or official institutions. Such contributions are prohibited in Israel and the Bank complies with the law. The Bank only operates in the public arena as required and only in the context of Bank business.

Investigation concerning Bank Group business with its US clients

In 2011, authorities in the USA and in Switzerland have been negotiating the tax treaty between these countries. As requested by Swiss authorities, as from September 2011, several Swiss banks, including Mizrahi Bank Switzerland, have provided to Swiss authorities quantitative data as requested about their business with US clients, to be provided to US authorities.

In June 2014, the Bank was first informed of expansion of the US DOJ investigation, which would apply to all inter-state activities of the Bank Group with its US clients. This was further to an investigation with regard to activities of Bank Mizrahi Switzerland with their US clients, which was reported to Bank Mizrahi Switzerland back in August 2013.

The parties negotiated an agreed settlement outline for the Bank Group.

On March 12, 2019, a Deferred Prosecution Agreement ("DPA") was signed by the Bank and by subsidiaries thereof (hereinafter jointly: "the **Bank Group**") and by the US Department of Justice, to conclude the investigation concerning Bank Group business with its US clients ("the **Agreement**").

On March 27, 2019, the Bank Board of Directors appointed, upon demand from the Supervisor of Banks inter alia, an independent committee ("the **Committee**") to advise the Bank on whether legal proceedings should be brought against current and past officers of the Bank or anyone else. The Committee was also asked to review and make recommendations to the Bank Board of Directors with regard to management and control processes that had allowed in 2002-2012 ("the **Relevant Period**") certain former employees of the Bank Group (private bankers, relationship managers and other employees with similar levels of responsibility) to act in contravention of Bank Group policy and procedures, which allowed US clients to avoid their tax liabilities in the USA. The Committee was asked to do so with reference to aspects of corporate governance and conduct of senior management and of the Board of Directors, and to determine, based on their findings, any general and personal conclusions and recommendations, as required, including with regard to pay benefits awarded to officers in the Relevant Period.

On March 31, 2020, the Bank Board of Directors resolved to adopt the conclusions made by the Committee not to take legal proceedings against Board members and other officers with respect to breach of fiduciary duty or breach of their duty of care, and not to require them to reimburse remuneration they had received, in conjunction with their office at the Bank in the relevant period, and not to take any legal action in this regard. The Bank Board of Directors also adopted the recommendation made by the Committee to sign a settlement agreement, amounting to USD 23 million, with insurers that have issued a Board member and officer liability insurance policy, subject to approval by the Court where derivative proceedings are being conducted, and has directed Bank management to act to reach such agreement.

Moreover, on May 18, 2020, the Board of Directors discussed an additional report provided by the Committee to the Board of Directors, concerning review of managerial processes and controls, including with regard to aspects of corporate governance, related to the events covered by the Agreement. This report stipulated that in most areas and processes reviewed by the Committee with regard to the Relevant Period, the Bank has made significant improvements

Commitment to accountable conduct

and the Committee made no comments with regard to said improvements. For some of these, the Committee saw fit to recommend that the Bank apply additional processes, beyond the existing ones, and the Board of Directors has adopted most of these recommendations with slight changes required for its proper operation.

Commitment to preventing corruption



The Bank is committed to business conduct in conformity with applicable laws to its operating segments, and to maintaining the highest standards of ethics, integrity, fairness and professional attitude. The Bank believes that not only achieving results and business success is importance, but also how they are achieved.

The Bank constantly strives to prevent occurrence of corruption events – by employees, clients and and third parties. Corruption cases include, inter alia, offering bribes, money laundering, forgery of accounts and documents, fraud and embezzlement, use of insider information, breach of sanctions or terror financing. Corruption prevention is managed at the Bank on several fronts, due to the nature of bank operations and in conformity with Section 38 of Proper Conduct of Banking Business Directive 350. In this regard, the Bank identifies areas with potential for conflict of interest and acts to minimize these. In this regard, the Bank specified a policy on addressing aspects of operational risk and internal control and created control and continuous monitoring processes.

This matter is handled by several units at the Bank. In any case of suspected breach of integrity, the Internal Audit Division conducts a review of such event. The Bank reviews these cases with debriefs and lessons learned from relevant cases, in order to avoid their recurrence. Moreover, where required, a complaint is filed with the Israeli Police and/or reports are sent to the relevant authorities.

Prevention of corruption at the Bank

Mizrahi-Tefahot Bank pays great attention to this area and has a structured policy in place with regard to this matter. The Bank constantly monitors activity at all branches, to identify any risk of corruption and to prevent any cases of bribery, fraud and embezzlement. In 2019, too, 100% of Bank branches were reviewed in order to identifying such risk.

This matter is handled by several units at the Bank:

- **Fraud and embezzlement by employees** – Unusual cases are monitored by the Risk Control Division and referred as needed for handling by the Internal Audit Division.
- **Cases of fraud by Bank clients** – The Risk Control Division, including the Information Security and Cyber Departments of the Risk Control Division and the Technology Division, monitor events and any cases of fraud are handled by Mizrahi-Tefahot Security Services in the Human Capital, Resources and Operations Division and by the Retail Division.
- **Activities of Bank clients, suspected of being connected to bribery and corruption** – are monitored and handled by the Compliance Department.
- **Cases of theft and robbery** are monitored and handled by Mizrahi-Tefahot Security Services, the Information and Cyber Security Department.
- **Cases related to information and cyber security** – are monitored and handled by the Information Security and Cyber Departments of the Risk Control Division and the Technology Division.
- **Ethics-related cases** – are handled by the Chair of the Ethics Committee.

In any case of suspected breach of integrity, the Internal Audit Division conducts a review of such event. The Bank reviews these cases with debriefs and lessons learned from relevant cases, in order to avoid their recurrence. Moreover, where required, a complaint is filed with the Israeli Police and/or reports are sent to the relevant authorities.

The Bank operates three identification and control circles for early identification of cases of corruption, if possible, preventing these, deterrence and handling of such cases: The first circle is control at branches and business units; the second circle is at the Human Capital, Resources and Operations Division, the Financial Information and Reporting Division, the Legal Division and the Risk Control Division; the third circle is at the Internal Audit Division. The Bank also operates multiple systems for management and control of corruption events – the Bank operates the **Operational Risks Portal (PSTL)**. This portal is used to collate all relevant events, in conformity with Bank of Israel directives, and to classify any unusual / material events for the Bank to analyze, report internally and investigate as required. **AML system** – The MEA system flags exceptional events, based on criteria, for review by the branches (first line) and by the Compliance Department (second line) and then reported, as required, to the AML Authority, in compliance with statutory provisions.

The Bank also conducts an on-going effort to conduct risk surveys for operating processes across all Bank units, in coordination with unit managers, designed to identify operating risk associated with their operations, to assess the severity thereof and to specify the required reinforcement processes in order to mitigate such risk.

Operational risk steering committee – Headed by the Chief Risk Officer, convenes regularly at least once every quarter, to receive an overview of events that took place, action taken and recommendations to be implemented, as well as recommendations on revision of operating processes, with emphasis on processes to improve client service, with appropriate monitoring

Commitment to accountable conduct

and risk mitigation. This year we conducted multiple processes in this context, to reduce the impact of credit card fraud events (forgery / copying), including hot alerts to clients in case of suspected inappropriate activity using their credit card. Moreover, the information and cyber security risk steering committee – Headed by the Chief Risk Officer, convenes regularly at least once every quarter, to discuss information and cyber security issues, including an overview of events and recommendations to be implemented. The Bank also maintains an internal audit forum – a periodic forum responsible for the integration of internal audit areas at the Bank, which discusses, inter alia, significant cross-organization events.

Responsible conduct by Mizrahi-Tefahot employees

Prevention of corruption and/or receipt of benefits – Group employees are required to refrain from receiving any benefits in conjunction with their work with clients or suppliers. The Group has clear procedures on this matter and employees are required to act according to these procedures. Gifts, benefits or special terms may only be extended to clients in accordance with the relevant procedure, according to a clear authorization ranking and in conformity with Bank of Israel directives. In order to avoid deviation from these procedures, the Group communicates and provides training to employees on this matter.

Preventing fraud and embezzlement – The Bank has policy documents and procedures for handling embezzlement, fraud and breach of laws and procedures, in which the Bank specified the guidelines and rules for identification, management, monitoring, reporting and control of exposure to risk of embezzlement, fraud and breach of statute. The Bank also specified the organizational structure to implement role separation, work processes, IT systems and other tools designed to mitigate such risk. These activities are incorporated in multiple policy documents with regard to risk management, such as: human resource management, rotation, contiguous leave, management of operating risk and so forth.

The Bank regularly monitors operations of all branches, designed to identify unusual transactions in client accounts or to identify unusual activity by employees. In case of suspected embezzlement or irregularities, there is mandatory reporting to Internal Audit, who conducts a review of the case. Furthermore, Bank policy for addressing fraud and embezzlement is applied, stipulating ways and required reporting for handling such suspicion, including reporting to the Bank President & CEO, to the Chair of the Audit Committee and to the Chair of the Board of Directors. If any breach is discovered of statutory provisions, regulatory provisions or Bank procedures, the Bank takes disciplinary measures against such employee, in line with the severity of the breach and in line with the values included in the Bank's Code of Ethics. Findings of such investigation are reported to the Bank President and to management – and based on the circumstances, also to organs of the Board of Directors. In addition, a debrief takes place and lessons are learned to avoid similar occurrences in future. In cases of suspected embezzlement, a complaint is filed with the Police and the event is reported to the Bank of Israel in conformity with regulation and with Bank procedures.

In 2019, we conducted reviews based on a structured work plan across the Group, including with regard to corruption aspects.



In 2019, we delivered

34,500 hours of training
on preventing corruption to
Bank employees

AML – The Bank adopts a risk-based approach that contributes to effectiveness of control lines and to properly addressing AML and terror financing risk for mitigating such risk. AML and terror financing risk management is part and parcel of all levels of Bank activity with clients. In order to manage this risk, Bank policy includes guidelines in this area. The guidelines relate to conditions for accepting clients for providing service and for conducting transactions, to the required knowledge of the client and their business, to classifying Bank clients by risk level, to risk unique to clients with public exposure, to bribery and corruption risk, to illegal gambling activities, to preventing terror financing and trade with enemy entities, to compliance with international sanctions, to rules regarding the activity of correspondent banks and for monitoring unusual activity. As part of its operations in this area, the Bank operates various computer systems to help employees identify, report and act in conformity with statutory provisions and procedure in this area.

As part of Bank operations to prevent bribery and corruption, and to ensure ethical conduct by employees and managers, the Bank has issued a Code of Ethics and procedure that govern, inter alia, gifts, charitable donations, air travel and limits on per diem and accommodation expenses. The Bank has no agents in its overseas operations and is assisted by suppliers, advisors or business partners to represent the Bank in front of clients and Government authorities in commercial aspects. Moreover, in order to reduce and prevent cases of corruption among Bank employees, and in order to provide appropriate tools for addressing such cases, the Bank takes diverse actions:



Prevention and training:

- **Regular dissemination of operating procedures to employees** – The Bank specifies rules of conduct for employees, disseminating them to all employees based on the nature of their banking role.
- **E-learning kits for employee training** – The Bank disseminates E-learning kits for employees on diverse topics, including: Fairness, preventing fraud and embezzlement, bribery and corruption risk, information security, Code of Ethics, economic competition and insider information. In 2019, some of these E-learning kits were revised and external Bank employees were added to the population required to study it.
- **Advice and ongoing training** – The Compliance Expert Center is the one address at the Bank for providing answers on any compliance-related matters. The Compliance Department accompanies ongoing activity in all aspects of risk compliance, by providing ongoing

advice and guidance and by delivering in-person training to all branch and headquarters employees, from initial training of the employee through advanced stages and change of roles. Employees and managers of the Compliance Department deliver extensive training to many groups at the Bank.

- **First-line and second-line controls** – The lines of business and the Compliance Department maintain control circles for operations, designed to ensure full compliance with regulation. The Compliance Department applies controls in accordance with annual work plans.
- **Event debriefing** – The Bank has a methodology in place to learn lessons and to take action as required to avoid their recurrence in Israel or overseas.
- **Deployment of the Code of Ethics** – The Bank deploys the Code of Ethics at its different units through various means, based on a well-organized plan.
- **Anonymous hot line for employee inquiries to Internal Audit Division** – The Bank operates an anonymous phone and fax lines for employee to contact Internal Audit as needed.

In 2019, we delivered 34,491 hours of training on preventing corruption to Bank employees. Furthermore, Board members receive training from time to time on preventing corruption, fraud and embezzlement.

In 2019, the Bank received reports of three cases of fraud or embezzlement, concerning embezzlement by employees. This report was handled in conformity with Group procedures; and the employees in question are no longer employed by the Bank. This matter was reported to the Bank of Israel, in conformity with the Supervisor of Banks' directives, and a complaint was filed with the police, in conformity with Bank policy. Bank clients did not incur any damage and the Bank did not incur any material damage.

Prevention of corruption by clients – The Bank monitors activity of Bank clients suspected of links to bribery and corruption, and they are handled by the Compliance Department.

Reporting corruption and protecting Whistle-blowers

Each employee is required to report any suspicion of embezzlement, fraud and breach of statute. This report may be made anonymously. A dedicated operating procedure specifies protection for whistle-blowers in order to encourage Bank employees to fulfill their reporting duty without any concern about being impacted by such reporting. Reporting can be done in various ways.

Bank policy and procedures specified the required reporting chain in case of a suspected event or should a material event take place. The reporting chain ensures that the event is being managed and that all relevant parties at the Bank are involved, including the Human Capital, Resources and Operations Division, Risk Control Division (including compliance), Financial Information and Reporting Division, Legal Division and the Internal Audit Division. Any material fraud or embezzlement events are to be immediately reported to the Chairman of the Board of Directors and to the Bank President & CEO. In case of any significant event, the investigation report is sent to the Chairman of the Board of Directors' Audit Committee, to the Audit Committee, to the Chairman of the Board of Directors and to the Bank President.

In order to reinforce the reporting culture among employees, the Bank conducts special conferences and training, debriefing of various events and dissemination of conclusions to the field in order to avoid recurrence of such events.

There are several ways to report to the Audit Division, including anonymously by phone at any time, by email or by fax – as listed on the Bank portal. The Internal Audit Division annually reports to the Board of Director's Audit Committee the number of anonymous reports received and whether any reporting employees require protection. The report for 2019 indicated that no employees required protection in this regard.

Review of effectiveness of processes for prevention of corruption at the Bank

The Bank's Internal Audit Division reviews, in accordance with a multi-annual work plan, the material work processes, units and systems used by the Bank. This review includes, inter alia, how this risk is managed by business units and how the Risk Control Division monitors risk. If any findings are discovered, they are included in audit reports and are assigned a handling process, which is monitored by the Audit Division through elimination of such findings – this process is supported by a custom computer system used by the Audit Division.

Moreover, in conformity with Bank procedures, in any case of a material event regarding fraud and embezzlement, at the discretion of the responsible party, a comprehensive debrief should take place to identify deficiencies in processes and systems, to rectify these and to prevent recurrence of similar cases in future. The debrief report shall be provided to the Bank President & CEO, to the Chair, Audit Committee and to the Audit Committee for discussion. The debrief report shall stipulate, inter alia, recommendations on action to be taken to improve controls as required, as well as disciplinary procedures

Risk management and control



Mizrahi-Tefahot Bank has a structured system in place for control and management of risk associated with Bank operations. Such management is covered by a framework document on risk control, which specifies the Bank's risk appetite, guidelines for risk management and corporate governance ("Master Document") and policy documents on management and control of specific risk in various areas.

With regard to risk management and control, the Bank operates in conformity with directives by the Supervisor of Banks, and all policy documents on risk management and control at the Bank are based on principles of risk management and control in the banking system. These policy documents are approved at least once per year by Bank management, the Risk Management Committee of the Board of Directors and by the Board of Directors and govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations. In 2018, a new policy was approved with regard to management of overseas affiliate risk.

Risk management at Mizrahi-Tefahot

Bank operations with regard to risk management are in conformity with Proper Conduct of Banking Business Directive 310 concerning "Risk Management", issued by the Supervisor of Banks in 2012. The regulation includes a corporate-wide risk management concept, listing principles for setting up a framework for risk and capital management and control. The regulation also clarifies the processes required of the Board of Directors in order to duly discharge its duties pursuant to Proper Conduct of Banking Business Directive 310, including a requirement to appoint a Risk Management Committee of the Board of Directors. According to the regulation, senior management is responsible for regular risk management, and is required to create a Risk Management function, and to appoint a Chief Risk Officer to head this function. The regulation lists the responsibilities and position of the Risk Management function and the Bank fully implements this regulation.

The Bank has an organized system in place for risk management and control including, inter

alia, a framework document on risk control, which specifies the Bank's risk appetite, guidelines for risk management and corporate governance ("Master Document") and policy documents on management and control of specific risk in various areas. These policy documents are approved at least once per year by Bank management and the Board, by the Risk Management Committee of the Board of Directors (or by the Technology and Innovation Committee of the Board of Directors, as the case may be) and by the Board of Directors plenum and govern, inter alia, how the Bank addresses any risk identified as material risk to Bank operations. These risks include: strategic and reputation risk, credit risk, including environmental risk, financial risk, operational risk including information security and cyber risk, human resources and legal risk, compliance risk, risk associated with management of online banking, policy with regard to the Bank's branch strategy, including principles for opening new branches and managing branch closure and management of overseas affiliate risk (in conformity with Bank of Israel Directive no. 306 "Supervision of overseas affiliates", issued in 2018 and effective as from January 1, 2019). Group international operations include business operations and limited, focused private banking services via subsidiaries and branches in Israel and in a few countries overseas. The policy document is a key document for setting the framework for risk management and control for affiliate operations.

The Bank's investment policy calls for maintaining a low risk profile by holding a loan portfolio which consists mostly of diversified, retail loans. In addition, the Bank's nostro operations are primarily focused on investing in liquid, high-quality assets carrying minimum credit risk, mostly debentures of the State of Israel. Therefore, the risk level of the Bank's investment portfolio is low. This policy is designed, inter alia, to ensure that deposits from the public are not invested by the Bank in high-risk assets, but maintain a relatively low risk level compared to the banking system.

The Risk Control Division regularly reviews and reinforces the risk management and control culture at the Bank. These processes include, inter alia, the following: comprehensive annual mapping of the three lines of defense against various risks, to ensure that appropriate lines of defense are fully maintained for all material risks; in-depth processes to review the effectiveness of control in risky areas; holding conferences with all representatives at branches and at headquarters to reinforce the management culture, including reporting on operating risk; involvement in all material projects at the Bank, with emphasis on adhering to the Bank's risk appetite in all aspects; review of new products / services at the Bank from risk aspects, with emphasis on compliance and regulation / fairness and so forth; annual review and approval of all policy documents regarding risk management and in conformity with changes in regulation and global practice; challenging material processes / investments at the Bank, as part of the approval process by management and by the Board of Directors; challenging the Bank's annual work plans and aligning these with the strategic plan; challenging the remuneration policy; debriefing internal and external events including from aspects of ethics, fairness, compliance, reputation and so forth.

In 2019, updates were made to various policy documents, including the following: Regular updates to restrictions, guidelines and credit authorization, in line with business activity, while maintaining principles of overall risk appetite; updates to and expansion of qualitative and quantitative risk appetite for operating risk, including cyber risk and technology risk; specification of methodology for assessment of the specific model risk and adding restrictions to management of liquidity risk, in conformity with business activity and emerging practice in this area, or revision of such limitations.

Risk management is conducted at Group level; specifically, appropriate forums and procedures have been created to ensure that risk management and control processes at Bank Yahav and overseas affiliates of the Bank, too, are in line with Group policy.



Involvement of management and the Board of Directors in risk management at Mizrahi-Tefahot

The Bank Board of Directors operates with regard to risk management through Board committees. The Risk Management Committee is the major committee handling this area.

The Manager, Risk Control Division, reporting directly to the Bank President & CEO, serves as the Bank's Chief Risks Officer (CRO) and is responsible for the risk management and control function and for the risk management framework. The CRO operates through the Risk Control Division. The Risks Control Division operates independently of the risk-taking units and has direct access to information. The Division Manager has direct access to the Bank Board of Directors. As part of corporate governance for risk management, the Bank has other forums for risk and capital management and for risk monitoring. The CRO is responsible for multiple forums designed to ensure an appropriate internal control framework. These forums include specific forums for compliance, steering committees on operating risk, including information security and cyber, and regular forums with business units in the first line.

Once a year, Bank Management presents the Bank's annual ICAAP (Internal Capital Adequacy Assessment Process) document to the Risk Management Committee of the Board of Directors, to the Board Audit Committee and to the Board of Directors plenum. This document reviews corporate governance operations in the area of risk management, risk evolution during the reported year, and in particular the resilience of Bank capital and its stability in the face of stress events and the outcome of self-assessment carried out by the organization as to the risk level, in conformity with the Bank's risk appetite and policy and the quality of risk management. This process involves presentation of the risk map (heat map) of the Bank and the independent review of assessment of the effectiveness of risk management, by the Internal Audit. Board members also receive training from time to time on the subject of risk management.

The Bank's work plans, which are submitted for approval by Management and by the Board of Directors, include a challenge document prepared by the Risk Control Division, which reviews, inter alia, the compatibility between the business plans and the Bank's overall risk appetite.

In 2018, the employee mapping process was added to the lines of defense. This mapping was conducted for various units based on material risk factors managed by the Bank. This process emphasized the defensive functions for risk management and control, which have been expanded in recent years. Furthermore, a current mechanism for periodic assessment of the effectiveness of the organizational structure of the lines of defense was incorporated in the policy document on risks management framework.

The annual mapping of the lines of defense, conducted in 2019, was approved by Bank management and was also discussed and approved by the Board of Director's Risk Management Committee, included further improvement of the mapping conducted in the previous year to more accurately identify the employees involved in control as part of the first line, including mapping of employees in overseas branches. Furthermore, all control entities in the lines of defense were fully quantified in terms of composition by various risks. The mapping results show that the Bank has a logical risk management structure, including multiple lines of defense which are separated from each other. Each material risk to the Bank is managed by appropriate corporate governance, including the required lines of control, including specific lines of control in the first line, in accordance with the risk essence and nature. The mapping results further show that lines of defense were stronger compared to the previous year.

The defense functions in the first line were expanded in recent years and include specific employees or units with regard to risk management and control, as well as control and management processes applied by employees in addition to their role. Comparison with the previous year shows that the Bank continues to reinforce its control structures.

Furthermore, as from the end of 2015, the Bank issues, in conformity with Bank of Israel directives, a quarterly risk report online. The report contains a similar overview with regard to development of risk management and control at the Bank, corporate governance activity with regard to risk management etc. The Bank's CRO is responsible for this report.

In addition to the first line of control (business entities) and the second line (control entities), the Internal Audit Division, which constitutes the third line of control, conducts audits of risk management

processes at the Bank. This is achieved based on a risk-adjusted multi-annual work plan. Audit reports are submitted to the Audit Committee and to Bank management. Moreover, the Audit Division conducts annually an independent review of the ICAAP document issued by the Risk Control Division. In this document, the Audit Division expresses its opinion on the appropriateness of the ICAAP process and document, and the degree of effectiveness it attributes to the control environment for each risk.

Moreover, once every six months the Audit Division presents to the Board of Director's Audit Committee a semi-annual and annual summary including, inter alia, its comments on management of various risks, as indicated by audit reports compiled in the reviewed period. The Audit Division also presents to Bank management its quarterly report of material audit findings in the reported quarter.

Review of effectiveness of risk management processes

Once a year, the Bank conducts a self-assessment process (RAS) to review the effectiveness of its risk management. This processes uses structured questionnaires which review the positions of various Risk Owners and risk controllers at the Bank, as to the level of risk inherent in activities

Commitment to accountable conduct

which they manage or control, as well as their position on the quality of risk management and control and assessment of the risk trend going forward.

In 2019, further steps were taken to reinforce the circle of assessors, in order to obtain a more complete picture of all aspects from the different lines of defense.

The outcome of these annual surveys are also compared to previous results to identify any gaps in risk management and control and to identify evolving trends in opinions of managers with regard to the specific risk level and to the quality of risk management and control. As part of this process, a dialogue takes place between risk owners and risk controllers, including discussion of annual work plans and their impact on the quality of risk management, with the aim of ensuring that weaknesses identified would be addressed during the year .

As part of the review of risk management quality and throughout the RAS process, meetings were held with risk managers, to discuss and elaborate the outcomes and to identify the challenges and risk facing the Bank. In addition, a general "heat map" was created for the material risk factors facing the Bank. The "heat map" presents data on a chart of risk intensity vs. likelihood of realization over a one-year horizon. The risk intensity includes the Bank's current exposure and management quality (including controls), and the likelihood of realization takes into account the historical behavior, assessment and knowledge of expected developments over the coming year. Note that the heat map includes reference to cyber risk (global risk), compliance and regulatory risk, fairness, fraud and embezzlement, Bank preparations for providing client services during an emergency (business continuity) and so forth.

The results of the overall qualitative assessment, including developments during the year and expectations for the coming year and the risk heat map, are discussed by Bank management, by the Risk Management Committee of the Board of Directors, by the Board Audit Committee and by the Board plenum, and are submitted for review by the Bank of Israel.

Furthermore, the Internal Audit Division annually provides an independent review of the RAS process outcome, providing its assessment to the Risk Control Division, to Bank management and to organs of the Board of Directors. The results of this process showed no material gaps between how Internal Audit assessed the effectiveness of the control environment and how the Risk Control Division assessed the quality of risk management.

In 2019, we delivered 8,938 training hours on risk management (risk trustees and risk controllers forum) to Group employees.



In 2019, we delivered

8,938 training hours

on risk management (risk trustees and risk controllers forum) to Group employees.



Management of environmental and social risk



Mizrahi-Tefahot Bank regards environmental issues as an integral value that is part of its corporate responsibility. The Bank also recognizes that environmental issues may impact its financial success, unless such risks are properly managed. Therefore, the objective of the environmental risks management framework is to identify, measure, assess and manage environmental risks in conjunction with lending and to supervise and report such risks.

Environmental risks

Environmental risk to the Bank is the risk of loss due to deterioration in the financial state of a borrower due to high environmental costs, i.e. as a result of environmental hazards (such as air pollution, soil pollution, climate change, hazardous materials and so forth), due to non-compliance with environmental protection regulation, impairment of collateral exposed to environmental risk, or due to the Bank being indirectly liable for environmental hazard caused by a project financed by the Bank. Environmental risk also includes other risk factors derived from this risk: reputation, third party liability etc.

In recent years, global awareness of the potential financial exposure arising from regulations related to environmental protection has grown. In conformity with directives of the Supervisor of Banks, banks are required to act to incorporate management of exposure to environmental risk within all risks at the Bank, including specification of work processes for identification of significant risk when granting credit and inclusion of risk assessment, if any, within periodic assessment of quality of credit extended.

As part of its credit risk management policy, the Bank has set policy on environmental risk management in lending. This policy, as part of the Bank's risk management and control process, accounts for considerations based on client quality, repayment capacity, financial robustness, liquidity, reliability, seniority with the Bank, account management and collateral quality – as well as environmental considerations. This is based on the understanding that client operations may have environmental impact. Based on this concept, the Bank strives to find a balance between the various considerations, including environmental considerations, when providing products and services to its clients. The Bank's policy documents include dedicated environmental risks policies, including methodology for identification, assessment and handling of environmental risk. The environmental risk policy is approved annually by the Bank Board of Directors, as part of the policy documents.

The Bank is preparing for deployment of management of exposure to environmental risk at various units:

Commitment to accountable conduct

- **Approval of material lending** – As part of approval of material lending, also associated with material environmental risk, reference is made to such risk.
- **Training** – A major component for including environmental risk in overall lending considerations is ensuring awareness of this matter, among those involved in extending loans. The Business Division headquarters annually delivers training in this area, assisted by external professional advisors from the environmental protection and legal fields, to relevant officers within the Division. Such training includes identification of warning signs with regard to environmental protection risk, implications of such risk for business aspects, regulatory updates, information sources which contain disclosure of environmental risk issues, how they are managed by the corporations (investments and expenses in this regard, lawsuits and so forth) and environmental risk aspects in insolvency proceedings. These specific training sessions are adapted for operating features of the business units, with a review of work processes related to environmental protection, whether in the normal course of business for corporations, in project assistance, in assets pledged in favor of the Bank and in legal documents. The training emphasizes warning signs which, if present, require more in-depth review of environmental aspects.
- **Databases** – With assistance from the Bank's environmental advisors, an extensive list was compiled of various databases with regard to environmental protection, which business entities may use as required. These databases include information related to planning and construction, legal databases, licenses and permits, ratings and reports, maps and so forth.





Social risk

Bank reputation may be impacted by realization of social risk, which may be reflected in matters of social sensitivity, advertising that may disparage certain demographics and so forth. Social risk involved in banking (such as regulation and money laundering) are included as part of overall risk management at the Bank. In line with Group policy, the Bank reviews all risk and client information before extending credit. This is a comprehensive process which includes review of all aspects indicating the client quality, financial robustness, repayment capacity and conduct.

Changes to the product mix based on macro-economic changes – The Bank regularly reviews and maps the risk and opportunity in the Bank's main business lines, inter alia in accordance with macro-economic changes. As needed, the Bank modifies the product mix accordingly, and reports branch performance to management in conformity with guidance and the recommended product mix.


Looking forward

Achievement of 2019 goals

Specified goal	Response to SDGs	Status
Further impart the topic of environmental risk to other relevant departments and employees, through custom training		Done
Improve the IT capabilities of the Compliance Department to monitor the implementation of regulatory provisions		Done
Continued monitoring of Bank of Israel directives and current regulation, including review of their potential impact on Bank operations and clients, and preparation to properly and fairly handle clients in compliance with the content of new legislation. Of the legislation reviewed this year, we should note the Insolvency Act, which became effective in September 2019		Done
Preparation for comprehensive review of handling of outsourcing providers, as part of a new Bank of Israel directive that became effective in March 2020		Done
Continued deployment of the values in the Bank's Code of Ethics, in conformity with the annual work plan, using diverse tools: <ul style="list-style-type: none"> • Conduct division-level activities designed to describe ethical dilemmas and relevant processes for each division and to formulate an internal ethics program and continue activity at all levels of the Bank: Branches, headquarters units and subsidiaries • Analysis of insights from Ethics Week, with regard to ethics in social media and formulation of recommendations with regard to proper conduct rules in social media • Validation of recommendations made to revise the Code of Ethics formed the basis for Ethics Week 2019 activities 		Partially done – The Ethics Week activity to deploy the revised Code of Ethics was delayed

Commitment to accountable conduct

Goals for 2020

Specified goal	Response to SDGs
Implement findings of 2019 Fairness Survey	
Reinforcing privacy protection	
Deploying proactive lending at branches	
Deploy the revised Code of Ethics	
Conducting activities in units or branches to deploy the Code of Ethics	

COMBINED INDEX

2019 Quality assurance certification

Corporate Social Responsibility Institute – This is an independent public entity which promotes the concept of corporate social responsibility. The Institute operates as part of the **Academic Law and Business Center**, which is a private college (recognized by the Higher Education Council) for law and business administration. The Institute operates, inter alia, by conducting professional meetings, compiling reports, studies and market overviews, translating global applied methodologies into Hebrew etc. In May 2020, Mizrahi-Tefahot Group contacted the Institute, in order to conduct a quality assurance process for its 2019 Corporate Social Responsibility Report.

It is noted that the Institute is paid to cover its time spent on this process. Furthermore, note that the Institute nor Mr. Liad Ortar (who authored this work) are in any business advisory contact with Mizrahi-Tefahot Group and the quality assurance process was independent. During the Quality Assurance process, the draft report was reviewed, comments were made and a statement to ensure the aforementioned quality was worded.

Work methodology - The process of ensuring the quality of corporate social responsibility reports is primarily designed to improve the quality of reporting output, by providing professional feedback. This process reviews whether the report is compliant with three major principles:

1. **Inclusiveness** – Complete reference to issues of the reporting process itself and to reported matters and inclusion of a wide range of stakeholders in the report.
2. **Materiality** – Reference to matters which are material for company operations.
3. **Responsiveness** – Reporting of matters raised by stakeholders.

Findings - This report by Mizrahi-Tefahot Group is the seventh report being published, joining the trend of adoption of sustainability reporting by the entire banking system in Israel, in conformity with the requirement by the Supervisor of Banks. The report adopts the current GRI Standards – SRS – in compliance with the Comprehensive reporting framework. I hereby certify that Mizrahi-Tefahot Group is in compliance with the scope of disclosure and reporting required for this level and is compliant with the three aforementioned principles. This seventh report continues to show a notable trend of professional improvement.

Comments on the report: Expansion of materiality analysis through systematic analysis of disclosure requirements by global rating agencies – Mizrahi-Tefahot, similar to major corporations world-wide, regularly provides data to global ESG rating agencies. The findings of such ratings allow investors around the world in their decision-making process, in conjunction with a policy of socially responsible investment. As part of preparation of this report and in conjunction with enhancing and expanding of the materiality analysis, the Bank conducted a comparative study of various disclosure requirements, identified the material issues and incorporated these insights in the report.

Finally, this report continues to reflect a deep organizational commitment to values of corporate social responsibility, sustainability and transparency. There is no doubt that adding this value to the Bank's Code of Ethics makes for important progress in the organizational deployment process.

Congratulations to all involved,

Dr. Liad Ortar, Manager, The Corporate Social Responsibility Institute, The Academic Law and Business Center

Foundation 2016 :GRI 101					
GRI standards	Disclosure	Page	UNCG	SDGs	
GRI 102: General Disclosures 2016	102-1 Name of the organization	12	No specific CoP requirement		
	102-2 Activities, brands, products, and services	12-14			
	102-3 Location of headquarters	21			
	102-4 Location of operations	13			
	102-5 Ownership and legal form	18			
	102-6 Markets served	12-13			
	102-7 Scale of the organization	17			
	102-8 Information on employees and other workers	110-111, 113	6		
	102-9 Supply chain	100-101			
	102-10 Significant changes to the organization and its supply chain	19-21			
	102-11 Precautionary Principle or approach	144, 183-187	7		
	102-12 External initiatives	27-28	1-10		
	102-13 Membership of associations	21	1-10		
	Strategy				
	102-14 Statement from senior decision-maker	4-5	No specific CoP requirement		
102-15 Key impacts, risks, and opportunities	6-9, 19-21, 69-72	No specific CoP requirement			
Ethics and Integrity					
102-16 Values, principles, standards, and norms of behavior	170-172	10	16.3		
102-17 Mechanisms for advice and concerns about ethics	172, 174, 181				
Governance					
102-18 Governance structure	160-164	No specific CoP requirement			
102-19 Delegating authority	25				
102-20 Executive-level responsibility for economic, environmental, and social topics	25				

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

GRI standards	Disclosure	Page	UNCG	SDGs
GRI 102: General Disclosures 2016	102-21 Consulting stakeholders on economic, environmental, and social topics	164-165	No specific CoP requirement	16.7
	102-22 Composition of the highest governance body and its committees	160-164		5.5 16.7
	102-23 Chair of the highest governance body	161		16.6
	102-24 Nominating and selecting the highest governance body	162		5.5 16.7
	102-25 Conflicts of interest	168		16.6
	102-26 Role of highest governance body in setting purpose, values, and strategy	25, 164-165		
	102-27 Collective knowledge of highest governance body	164-165		
	102-28 Evaluating the highest governance body's performance	162		
	102-29 Identifying and managing economic, environmental, and social impacts	164-165		16.7
	102-30 Effectiveness of risk management processes	162		
	102-31 Review of economic, environmental, and social topics	164		
	102-32 Highest governance body's role in sustainability reporting	25		
	102-33 Communicating critical concerns	25-26, 165		
	102-34 Nature and total number of critical concerns	165		
	102-35 Remuneration policies	167-169		
102-36 Process for determining remuneration	167			
102-37 Stakeholders' involvement in remuneration	167	16.7		
102-38 Annual total compensation ratio	168			
102-39 Percentage increase in annual total compensation ratio	168			
Stakeholder Engagement				
102-40 List of stakeholder groups	6	No specific CoP requirement		
102-41 Collective bargaining agreements	116		8.8	
102-42 Identifying and selecting stakeholders	31			
102-43 Approach to stakeholder engagement	56, 96, 100, 137, 155			
102-44 Key topics and concerns raised	31			

GRI standards	Disclosure	Page	UNCG	SDGs	
GRI 102: General Disclosures 2016	Reporting Practice				
	102-45	Entities included in the consolidated financial statements	18	No specific CoP requirement	
	102-46	Defining report content and topic Boundaries	30		
	102-47	List of material topics	33		
	102-48	Restatements of information	30,70, 149, 152		
	102-49	Changes in reporting	30		
	102-50	Reporting period	30		
	102-51	Date of most recent report	30		
	102-52	Reporting cycle	30		
	102-53	Contact point for questions regarding the report	9		
	102-54	Claims of reporting in accordance with the GRI Standards	28		No specific CoP requirement
	102-55	GRI content index	194		
	102-56	External assurance	193		
GRI 201: Economic Performance 2016	GRI 103: Management approach 2016				
	103-1	Explanation of the material topic and its Boundary	12	No specific CoP requirement	
	103-2	The management approach and its components	12		
	103-3	Evaluation of the management approach	12		
	GRI 201: Economic Performance 2016				
	201-1	Direct economic value generated and distributed	16-17	No specific CoP requirement	8.1 8.2 9.a 9.1 9.4 9.5
	201-2	Financial implications and other risks and opportunities due to climate change	188		13.1
	201-3	Defined benefit plan obligations and other retirement plans	118, 119, 130		
	201-4	Financial assistance received from government	17		

GRI standards	Disclosure	Page	UNCG	SDGs	
GRI 202: Market Presence 2016	GRI 103: Management approach 2016				
	103-1	Explanation of the material topic and its Boundary	115	6	
	103-2	The management approach and its components	115		
	103-3	Evaluation of the management approach	115		
	GRI 202: Market Presence 2016				
	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	118	6	1.2 5.1 8.5
	202-2	Proportion of senior management hired from the local community	112		8.5
	GRI 203: Indirect Economic Impacts 2016	GRI 103: Management approach 2016			
103-1		Explanation of the material topic and its Boundary	78	No specific CoP requirement	
103-2		The management approach and its components	78		
103-3		Evaluation of the management approach	97		
GRI 203: Indirect Economic Impacts 2016					
203-1		Infrastructure investments and services supported	69-72	No specific CoP requirement	5.4 9.a 9.1 9.4 11.2
203-2		Significant indirect economic impacts	79-98		1.2 8.2 8.3 8.5 10.b
GRI 204: Procurement Practices 2016		GRI 103: Management approach 2016			
	103-1	Explanation of the material topic and its Boundary	99	No specific CoP requirement	
	103-2	The management approach and its components	99		
	103-3	Evaluation of the management approach	102-103		

GRI standards	Disclosure	Page	UNCG	SDGs
GRI 204:	GRI 204: Procurement Practices 2016			
Procurement Practices 2016	204-1 Proportion of spending on local suppliers	100	No specific CoP requirement	8.3
GRI 103:	GRI 103: Management approach 2016			
GRI 205: Anti-corruption 2016	103-1 Explanation of the material topic and its Boundary	177	10	16.5
	103-2 The management approach and its components	177		
	103-3 Evaluation of the management approach	182		
GRI 205:	GRI 205: Anti-corruption 2016			
Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	178	10	16.5
	205-2 Communication and training about anti-corruption policies and procedures	179-181		
	205-3 Confirmed incidents of corruption and actions taken	181		
GRI 103:	GRI 103: Management approach 2016			
GRI 301: Materials 2016	103-1 Explanation of the material topic and its Boundary	144	7,8	12.2 8.4
	103-2 The management approach and its components	144		
	103-3 Evaluation of the management approach	144, 155		
GRI 301:	GRI 301: Materials 2016			
Materials 2016	301-1 Materials used by weight or volume	149-150	7	12.2 8.4
	301-2 Recycled input materials used	149	8	12.2 12.5 8.4
	301-3 Reclaimed products and their packaging materials	149-151		

GRI standards	Disclosure	Page	UNCG	SDGs
GRI 103:	GRI 103: Management approach 2016			
GRI 302: Energy 2016	103-1 Explanation of the material topic and its Boundary	144	7,8,9	
	103-2 The management approach and its components	144		
	103-3 Evaluation of the management approach	144,155		
GRI 302:	GRI 302: Energy 2016			
Energy 2016	302-1 Energy consumption within the organization	145-146	7,8	
	302-2 Energy consumption outside of the organization	Not material to the organization	8	
	302-3 Energy intensity	145-146	8	
	302-4 Reduction of energy consumption	145-146	8,9	
	302-5 Reductions in energy requirements of products and services	69-72	8,9	
GRI 103:	GRI 103: Management approach 2016			
GRI 305: Emissions 2016	103-1 Explanation of the material topic and its Boundary	144	7,8,9	
	103-2 The management approach and its components	144		
	103-3 Evaluation of the management approach	144,155		
GRI 305:	GRI 305: Emissions 2016			
Emissions 2016	305-1 Direct (Scope 1) GHG emissions	152-153	7,8	
	305-2 Energy indirect (Scope 2) GHG emissions	152-153	7,8	
	305-3 Other indirect (Scope 3) GHG emissions	152-153	7,8	
	305-4 GHG emissions intensity	152-153	8	
	305-5 Reduction of GHG emissions	152-153	8,9	
	305-6 Emissions of ozone-depleting substances (ODS)	Not material to the organization	7,8	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not material to the organization	7,8	

GRI standards	Disclosure	Page	UNCG	SDGs
GRI 103: Management approach 2016				
GRI 401: Employment 2016	103-1 Explanation of the material topic and its Boundary	108-109	1,2,6	
	103-2 The management approach and its components	108-109		
	103-3 Evaluation of the management approach	108-109		
GRI 401: Employment 2016				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	113	6	5.1 8.5 8.6 10.3
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	127	No specific CoP requirement	3.2 5.4 8.5
	401-3 Parental leave	119	1,2,6	5.1 5.4 8.5
GRI 103: Management approach 2016				
GRI 402: Labor / Management Relations 2016	103-1 Explanation of the material topic and its Boundary	108-109	No specific CoP requirement	
	103-2 The management approach and its components	108-109		
	103-3 Evaluation of the management approach	108-109		
GRI 402: Labor / Management Relations 2016				
GRI 402: Labor / Management Relations 2016	402-1 Minimum notice periods regarding operational changes	119	No specific CoP requirement	8.8
GRI 103: Management approach 2016				
GRI 404: Training and Education 2016	103-1 Explanation of the material topic and its Boundary	131	6	
	103-2 The management approach and its components	131		
	103-3 Evaluation of the management approach	134		

GRI standards	Disclosure	Page	UNCG	SDGs
GRI 404: Training and Education 2016				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	134	6	4.3 4.4 4.5 5.1 8.2 8.5 10.3
	404-2 Programs for upgrading employee skills and transition assistance programs	132-133, 136	No specific CoP requirement	8.2 8.5
	404-3 Percentage of employees receiving regular performance and career development reviews	139	6	5.1 8.5 10.3
GRI 103: Management approach 2016				
GRI 405: Diversity and Equal Opportunity 2016	103-1 Explanation of the material topic and its Boundary	121	6	
	103-2 The management approach and its components	121		
	103-3 Evaluation of the management approach	121		
GRI 405: Diversity and Equal Opportunity 2016				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	124		5.1 5.5 8.5
	405-2 Ratio of basic salary and remuneration of women to men	125		5.1 8.5 10.3
GRI 103: Management approach 2016				
GRI 406: Non-Discrimination 2016	103-1 Explanation of the material topic and its Boundary	121	1,2,6	
	103-2 The management approach and its components	121		
	103-3 Evaluation of the management approach	121		
GRI 406: Non-Discrimination 2016				
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	60, 124	6	5.1 8.8 16.b

GRI standards	Disclosure	Page	UNCG	SDGs		
GRI 103: Management approach 2016						
GRI 412:	103-1	Explanation of the material topic and its Boundary	136	1,2		
	103-2	The management approach and its components	136			
	103-3	Evaluation of the management approach	136			
Human Rights Assessment 2016	GRI 412: Human Rights Assessment 2016					
	412-1	Operations that have been subject to human rights reviews or impact assessments	100, 136	1		
	412-2	Employee training on human rights policies or procedures	136			
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	100	2		
GRI 103: Management approach 2016						
GRI 413:	103-1	Explanation of the material topic and its Boundary	78	1		
	103-2	The management approach and its components	78			
	103-3	Evaluation of the management approach	78, 97			
	Local Communities 2016	GRI 413: Local Communities 2016				
		413-1	Operations with local community engagement, impact assessments, and development programs	79-98	1	
		413-2	Operations with significant actual and potential negative impacts on local communities	145-153		1.4
		FS13	Access points in low-populated or economically disadvantaged areas by type	42, 50-55	No specific CoP requirement	
FS14	Initiatives to improve access to financial services for disadvantaged people	50-55, 73				

GRI standards	Disclosure	Page	UNCG	SDGs	
GRI 103: Management approach 2016					
GRI 417:	103-1	Explanation of the material topic and its Boundary	61	No specific CoP requirement	
	103-2	The management approach and its components	61		
	103-3	Evaluation of the management approach	61		
Marketing and Labeling 2016	GRI 417: Marketing and Labeling 2016				
	417-1	Requirements for product and service information and labeling	62-64		
	417-2	Incidents of non-compliance concerning product and service information and labeling	64		16.3
	417-3	Incidents of non-compliance concerning marketing communications	64	No specific CoP requirement	16.3
	FS15	Policies for the fair design and sale of financial products and services	52-53, 62-64		
	FS16	Description of initiatives designed to promote financial education for Bank customers and for the public at large	41, 52, 73, 86-88		
GRI 103: Management approach 2016					
GRI 418:	103-1	Explanation of the material topic and its Boundary	65	No specific CoP requirement	
	103-2	The management approach and its components	65		
	103-3	Evaluation of the management approach	65		
	Customer Privacy 2016	GRI 418: Customer Privacy 2016			
418-1		Substantiated complaints concerning breaches of customer privacy and losses of customer data	68		
GRI 103: Management approach 2016					
GRI 419:	GRI 103: Management approach 2016				
	103-1	Explanation of the material topic and its Boundary	173	No specific CoP requirement	
	103-2	The management approach and its components	173		
103-3	Evaluation of the management approach	173			

GRI standards	Disclosure	Page	UNCG	SDGs
GRI 419: Socio Economic Compliance 2016				
GRI 419: Socio Economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	175	No specific CoP requirement	16.3
GRI 103: Management approach 2016				
	103-1 Explanation of the material topic and its Boundary	69	No specific CoP requirement	
	103-2 The management approach and its components	69		
	103-3 Evaluation of the management approach	69		
(Sector supplement)	Product Profile (Sector supplement)			
Product Profile	FS6 Percentage of the portfolio for business lines by specific region, size and by sector	17, 70-72		9
	FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	72		
	FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	70		
GRI 103: Management approach 2016				
(Sector supplement)	103-1 Explanation of the material topic and its Boundary	183,188	No specific CoP requirement	
	103-2 The management approach and its components	183,188		
	103-3 Evaluation of the management approach	183,188		
Audit	Audit (Sector supplement)			
	FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	164-165		