



# CORPORATE RESPONSIBILITY REPORT

# 2019



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## COMMITTED TO THE CUSTOMER

### PROFESSIONALISM, SERVICE AND INNOVATION

#### Committed to customers in crisis situation

Operating support teams for customers in financial crisis

#### Committed to innovation

Enlarging the fintech operations and the offering of new services and products for customers of Paybox, iCount, and Didi (the digital representative), side by side with new collaboration with nsKnox and the Hebrew University

#### Committed to service quality improvement

First place in the **Marketest** Index regarding customer experience in Israel

Intensification of the **dialogue with customers** on the social networks – Facebook, Instagram and Twitter

#### Committed to a personally customized service

Digital workshops and training sessions for third age customers

Development and offer of banking products intended to advance designated populations

#### Advancement of small and minute businesses

An increase of 9.6% in credit as compared to 2018

A personally customized service for **freelance customers**



**86%** satisfaction from the service experience at the branches (a marking of 9%-10%)



**94%** satisfaction from the service experience at the investment centers (a marking of 9%-10%)



High satisfaction of customers from use of the mobile applications

## THE DISCOUNT VALUES AND THEIR INTEGRATION INTO THE OPERATION OF THE BANK



## LEADING CHANGE

### IDENTIFYING CHANGE AS AN OPPORTUNITY, DARING, CURIOSITY AND OPENNESS FOR NEW IDEAS

#### Leading a social change



**NIS 16.9 million** investment in the community



Social **impact** investments by means of Discount Capital



**96** scholarships granted to students of the Arab society, within the framework of the "Sprint Discount" program, financed by MDB



Cooperation with Sprint Association developing and operating programs for the advancement of youth in risk situations in peripheral areas



**61.4%** increase in the number of volunteers

#### Leading to the reduction in gaps in the society

Continuing the advancement of measures intended to reduce wage gaps between men and women employees of the Bank

Continuing the enlargement of the operation of the TeleBank centers, comprising employment centers in peripheral areas

Joining the treaty against racism in Israeli society

#### Leading an environmental change

**NIS 890 million** of "green" credit to solar projects advancing green energies



## MAKING IT HAPPEN

### INITIATIVE AND DETERMINATION, ACCEPTING RESPONSIBILITY AND HONORING OBLIGATIONS

#### Causing the strengthening of ethical aspects and corporate governance

Integration and intensification of additional scenarios in the system monitoring employee embezzlement for fighting against corruption

Formation of a new plan for the integration of the code of ethics, while emphasizing the confrontation with dilemmas in the employment world

#### Accepting environmental responsibility

Installing power saving **LED** light bulbs at 23 Bank locations



**7.3%** decrease in electricity consumption



**12.2%** decrease in paper consumption

Continued replacement of the vehicle fleet with hybrid motor vehicles



**11.1%** decrease in the carbon footprint



**58%** decrease in the consumption of diesel oil for electric power generators

DURING 2018, THE BANK ACTED TOWARDS THE INTEGRATION OF THE VALUES OF THE ORGANIZATION, ON THE BASIS OF THE "DISCOUNT SPIRIT" FORMED IN 2017



## SUCCEEDING TOGETHER

### CREATION OF COOPERATION AND KNOWLEDGE SHARING, ESTABLISHING TRUST, CONCERN AND HONOR RELATIONS

#### Sharing knowledge and promoting financial education



Activity with respect to **financial education for customers of all banks**, with the aim of advancing financial skills in the society

#### Nurturing of the human capital



Integrating an advanced technological system for the improvement of operational efficiency in the processes of the individual, relations between employees and the flexible management of the human resource

Promotion of steps for the preparations regarding the transformation in traditional banking and the challenges of the future



The **I.Team** program for the improvement of initiative among team heads and project managers, and for the development of middle grade executives

Continuing the improvement of the **internal service** between the different units



## COMMITTED TO THE CUSTOMER IN THE CORONA DAYS

**SUPPORT OF CUSTOMERS IN THE SHADOW OF THE CORONA CRISIS**  
(SEE EXTENDED DISCUSSION IN THE CHAPTER "CUSTOMERS"), **INCLUDING:**

**Expanding online and digital banking operations and increasing their accessibility** in order to facilitate customer operations and reduce visits in person to the branches.

**Assistance loans and bridging loans** to households, including loans having a mechanism for deferral of principal and interest payments for up to six months.

**Loans to business customers** within the framework of the fund for small and medium businesses and the fund for large businesses, initiated by the Government.

**Deferral/stay of repayment of existing loans** to private and business customers, with no need for visiting the Branch.

**Deferral of mortgage loan repayment** with no need of visiting the Branch.

**The possibility of premature withdrawal of deposits** with no commission.

**Initiated issue of credit cards and charge cards** used for the cash withdrawal of National Insurance allowances.

Offer of **flexible mortgage** alternatives.

**Loans to household customers on unpaid leave from work**, including deferral of repayment of the loan and exemption from interest payment for a period of up to five months.

**Mobile Discount ATM** – a new service – a mobile ATM reaching retirement homes.

**First place in the Friendship Index** of banks for small and medium businesses during the Corona crisis.

## MAINTAINING THE DISCOUNT VALUES IN THE SHADOW OF THE CORONA CRISIS



## LEADING A CHANGE IN THE CORONA DAYS

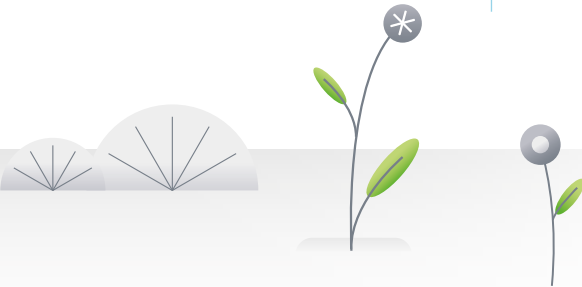
**ASSISTANCE TO THE COMMUNITY IN THE SHADOW OF THE CORONA CRISIS** (SEE EXTENDED DISCUSSION IN THE CHAPTER "DISCOUNT FOR THE COMMUNITY"), **INCLUDING:**

**Assistance in the acquisition of medical respirators and intensive care stations** for hospitals countrywide.

**Assistance in repatriating Israeli tourists** from South America in collaboration with El Al.

**Donations to associations** supporting Holocaust survivors, the elderly and needy families.

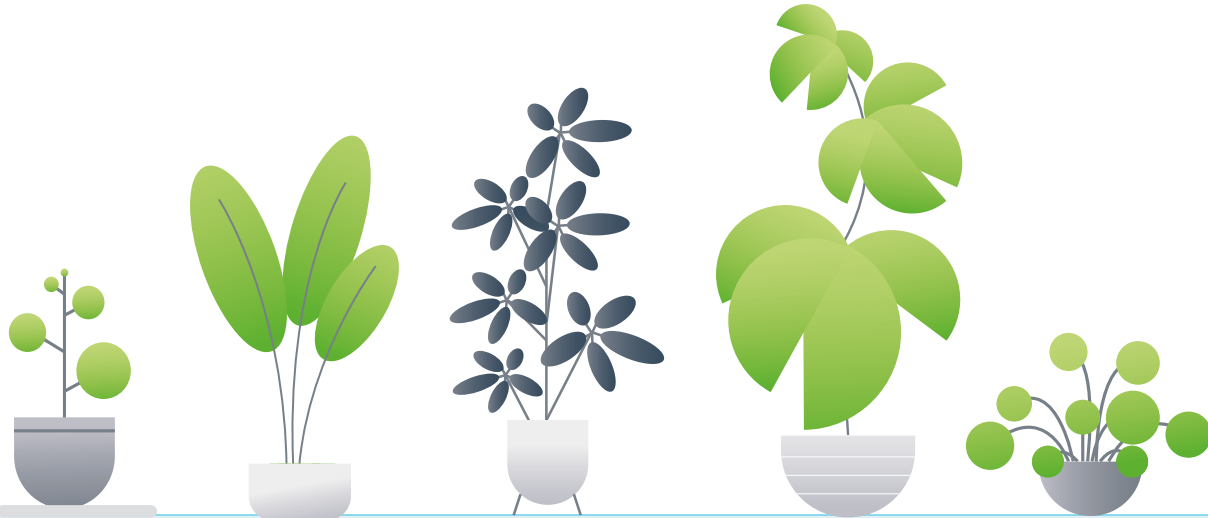
Discount Bank and ICC have introduced an **ambulance for transportation of the elderly and disabled** at no cost.



## MAKING IT HAPPEN IN THE CORONA DAYS

**SUPPORT OF SUPPLIERS IN THE SHADOW OF THE CORONA CRISIS**  
(SEE EXTENDED DISCUSSION IN THE CHAPTER "SUPPLIERS"), **INCLUDING:**

**Advancing payments to suppliers**, thus supporting the providers of services to the Bank.



**DURING THE CORONA CRISIS PERIOD, THE BANK CONTINUED TO OPERATE OUT OF A COMMITMENT TO ITS STAKEHOLDERS, IN ACCORDING WITH THE DISCOUNT VALUES**



## SUCCEEDING TOGETHER IN THE CORONA DAYS

**MANAGEMENT OF THE HUMAN RESOURCE IN THE SHADOW OF THE CORONA CRISIS** (SEE EXTENDED DISCUSSION IN THE CHAPTER "EMPLOYEES"), **INCLUDING:**

**Measures taken to protect employees and management of the workforce** in accordance with Government guidelines.

**Support of employees** who have contracted the disease and of quarantined employees, as well as employees caught up in a crisis.

Agreements with the representative committee of the employees regarding matters of **remuneration during the Corona crisis**.

**Maintaining a dialogue** with the employees through different means.

# DISCOUNT BANK SUMMARIZED SUSTAINABILITY PERFORMANCE TABLE

(Investors performance)



Field	Index	2019	2018	2017
Customers	Rate of justified complaints against the Bank	21.4%	15.1%	13.6%
	Justified complaints regarding customer privacy and data protection		6	4
	Complaints regarding product fairness	0	0	0
Employees <sup>1</sup>	Number of employees	5,282	5,343	5,502
	Ratio of unionized employees	86.6%	89.3%	91.7%
	Ratio of resigned employees <sup>2</sup>	12.2%	14.1%	13.0%
	Ratio of female employees of the Bank <sup>2</sup>	60.9%	60.3%	59.7%
	Ratio of female employees in executive positions <sup>2</sup>	51%	50%	49%
	Ratio of employees belonging to the under-represented population in the labor market (Discount Bank)	8.5%	<sup>4</sup> 8.0%	<sup>4</sup> 8.5%
	Ratio of employees belonging to the under-represented population in the labor market (Discount Bank and the principal subsidiaries in Israel)	13.0%	<sup>4</sup> 12.4%	<sup>4</sup> 12.2%
	Average instruction hours per employee	34	37	39
Suppliers	Ratio of domestic suppliers	92.4%	94.6%	95.3%
Community	Investment in the community (in NIS millions)	16.9	16.9	16.2
	Ratio of volunteers at the Bank	36.7%	22.5%	14.7%
	Commitment for investment in Impact funds (in thousands of US dollars) <sup>3</sup>	13.5	10.5	

**Notes:** 1 The data does not include employees on unpaid leave and on maternity leave.  
2 The data do not include 83 outsourced employees - for more information, see Chapter 10, Appendix Employees.  
3 Total commitments through Discount Capital within the framework of funds managing investments having a social impact alongside a financial return.  
4 The data has been corrected.



Field	Index	2019	2018	2017
Carbon footprint	Volume of emission (in tons of CO2e)	22,308	24,892	26,947
	Emission per square meter	0.15	0.17	0.18
Resources consumption	Electricity consumption (in Kw/h)	34,462,256	37,102,203	39,150,000
	Fuel consumption (in liters)	617,087	623,646	621,880
	Paper consumption <sup>1</sup> (in tons)	381	433	434
	Water consumption (cubic meters)	28,198	32,195	37,308
Green credit	Credit to solar projects (in NIS millions)	890	822	884

**Notes:** 1 Data improvement for the years 2017-2018 was performed.

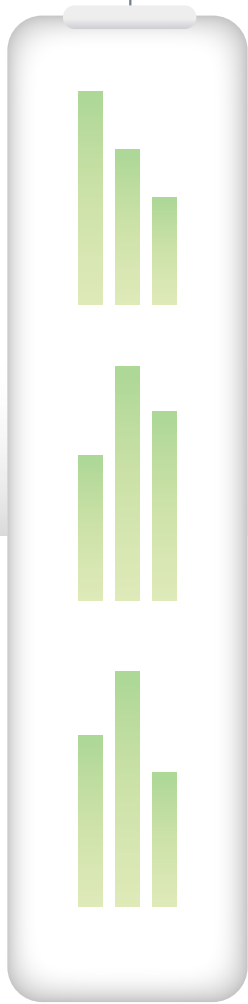
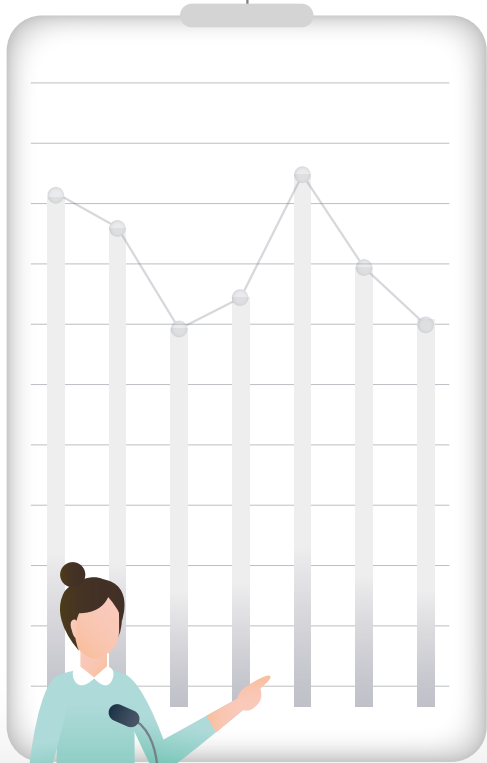


Field	Index	2019	2018	2017
Economic performance	Economic value to stakeholders (in NIS millions) <sup>1</sup>	7,486	7,055	6,441
Board of Directors	Independence of the Board of Directors (ratio of external Directors)	70%	69%	67%
	Ratio of female Board members	30%	23%	25%
	Average attendance rate at board meetings	96%	96%	96%
	Average tenure of Directors	2.69	2.46	4.24

**Notes:** 1 Operating and other expenses with the addition of provision for taxation and dividends.

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# GREETINGS FROM THE CHAIRMAN AND THE PRESIDENT & CEO

We are pleased to present the Corporate Responsibility Report of Discount Bank for the year 2019, which reflects, inter alia, the deep commitment of Discount Bank to the subjects of corporate responsibility. Publication of the Corporate Responsibility Report is being made alongside the reporting within other frameworks, including the report to "Maala" Organization, and reflects the commitment of the Bank and the Group to transparency and to the widening of activity in areas of corporate responsibility and the promise of the Bank for continuing the work with its stakeholders in fairness and decency.

Discount Bank continues to act in accordance with the Vision formulated by it in 2017 – to become the best Bank for its customers, enabling growth and financial stability over time by means of adapted, professional and fair banking. In compliance therewith, the Bank's strategic plan is based upon the establishment of a guiding goal – to become a leader in Bank customer satisfaction by means of customer adapted banking. The plan includes three main layers: continued growth and efficiency, transformation of traditional banking and development of innovative banking models.

This is the ninth Corporate Responsibility Report published by Discount Bank. The Report combines reference to the material subsidiaries in the Discount Group. The Group acts with determination and continuously towards the strengthening of corporate governance and Group management aspects, while fortifying Group synergies and supporting the integration of risk management processes in the current work.

This Report reviews the activity conducted in 2019, and is presented in the midst of the Corona (covid 19) crisis, which is emerging as the greatest global financial crisis since World War II. The crisis led to an unprecedented shrinking in the activity of the Israeli and global economy. Concern regarding the growing recession, expanding unemployment and decline in private consumption is continuing. We assume that the complex situation in the economy will continue, and that the implications of the crisis would be fully reflected later on in the year and even in the coming years.

The Discount Group is a solid and stable financial body, having solid infrastructure that enables it to confront the complex challenges presented by the Corona crisis. A considerable part of our customers are facing difficulties due to the crisis, and we are doing the utmost in order to operate in their respect with sensitivity and responsibility, supporting their economic activity in this complex period, while conducting rational risk management and maintaining the stability of the Group.



In this respect, with the development of the crisis, the Bank has formed many initiatives for the support of our customers in this challenging period, including: expanding and making banking operations accessible on the online channels and the digital; assistance loans to businesses; deferral of repayment of existing loans; deferral of mortgage repayments and formulating flexible channels in the mortgage field; allowing the premature withdrawal of deposits with no charge of commission; introducing designated loans complementing wages of customers on unpaid leave; introduction of a social initiative for small businesses; as well as the initiated issue of debit and cash withdrawal cards assisting the withdrawal of National Insurance allowances.

Alongside these initiatives, the Bank has harnessed itself to help providing response to different approaches and appeals for support of the community, among which: assistance to hospitals in procuring respiratory machines and intensive care stations, and help to old persons and to the needy through distribution of food parcels. Furthermore, the Bank decided to advance the dates of payment to suppliers for delivered goods and services, in order to assist and support the providers of services to the Bank.

Notwithstanding the crisis, the Group activity in creating value for our customers continues, by means of the development and offer of banking products designed to promote designated populations, creation of innovative and advanced solutions for our customers, promotion of community support initiatives, increasing the donation budget and development and strengthening of the employees, as detailed in the Report presented to you.

On our behalf and on behalf of the Boards of Directors and Managements of the Discount Group, we stand by and support all volunteers among the Discount Group employees and all those involved in the social activities and projects being led by the Group.

30 November, 2020

**Shaul Kobrinsky**  
Chairman of the  
Board of Directors

**Uri Levin**  
President & CEO

# ABOUT THE REPORT

THE CSR REPORT IS AN EXPRESSION OF THE BANK'S COMMITMENT TO CORPORATE RESPONSIBILITY ISSUES AND OF THEIR IMPORTANCE AS PART OF THE DISCOUNT GROUP'S ORGANIZATIONAL CULTURE. THE REPORT IS INTENDED TO SERVE THE BANK'S STAKEHOLDERS AND TO ASSIST IN PROMOTING DIALOGUE, STRENGTHENING RELATIONSHIPS AND HEIGHTENING COOPERATION.



## DISCOUNT'S NINTH CORPORATE SOCIAL RESPONSIBILITY REPORT<sup>1</sup>

Against the background of developments regarding the issue of corporate responsibility reporting, and in view of the importance that the Supervisor of Banks attributes to the activity of banking corporations in this respect, the banking corporations heading the banking groups, in accordance with the Reporting to the Public Directives, are required to publish reports concerning corporate responsibility for a period of up to two years. In this respect, in 2005 (for 2003-2004), Discount Bank was the first bank in Israel to publish a CSR Report, and since 2014 the Bank has published a CSR Report annually, as an expression of its commitment to corporate responsibility issues, and it will continue to do so in the future.

This Report has been prepared in accordance with the GRI Standards: Comprehensive Option, and it reviews the Bank's processes in Israel. The report has successfully undergone the GRI Materiality Disclosure Service.

For the principal subsidiaries<sup>2</sup> in Israel – Mercantile Discount Bank Ltd. (hereinafter: "MDB") and Israel Credit Cards Ltd. (hereinafter: "ICC") – the reporting is at

<sup>1</sup> 102-48, 102-49.

<sup>2</sup> In order to reflect, to the stakeholders, the reporting position in these companies in a transparent and orderly manner, the Index contained in the Appendix to the Report assigned separate columns to MDB, ICC and IDB Bank. It should be noted that, in the sections that describe policy or work processes at Discount Bank, the description refers also to MDB and ICC, unless expressly stated otherwise. On the other hand, in view of the different environment in which IDB Bank operates, where the description refers to this subsidiary, this fact is expressly stated.

the "Core" reporting level, and as regards many topics, they are very near to the "Comprehensive" reporting level. Moreover and following on from the previous Report, we are continuing the process of including the subsidiary IDB Bank in the Report. This process is being implemented gradually in light of the differences in the regulatory, corporate and economic environment in which the companies in Israel operate, compared to the environment in which the New York subsidiary operates, and requires the exercise of considerable care in the inclusion of information about IDB Bank.

The CSR Report is not just a reporting framework, but a platform for ongoing dialogue between the corporation and its stakeholders and in the process of writing this Report, the Bank strives to describe with maximum transparency its activities in relation to topics that are of interest to its stakeholders.

The Report addresses, in the relevant contexts, the activities of the different divisions of the Bank, including the senior levels of management. The data presented in the Report were processed according to the reporting of the Discount Group's various units, striving to build a data base that will enable a comparison with data from the previous years. The calculation methods that are used have been noted in the places where the relevant data are presented. The Report does not contain any data that are in contradiction with the data presented in previous CSR Reports published by the Bank. In cases where previously published data had been changed or corrected, this fact is expressly stated.

The CSR Report complements the corporation's financial statements. Whereas one presents

the corporation's financial performance, the second presents the manner in which things are done, the degree of importance that the corporation attributes to the aspirations of its stakeholders, and its efforts to make progress in areas requiring improvement.

We at Discount believe that this Report will serve the variety of categories of our stakeholders (customers, employees, suppliers, shareholders, the community and environment), and will assist in promoting dialogue, intensifying relationships and heightening cooperation.

Compilation of the data and its validation were performed with the assistance of many functions at the Bank and at the principal subsidiaries. The final draft of the Report was examined and approved by members of the Bank's Management.

### PUBLICATION OF THE REPORT

The CSR Report in Hebrew may be viewed on the Bank's website<sup>3</sup> and in English on the Bank's Investor Relations page<sup>4</sup>, on the GRI's Sustainability Disclosure Database<sup>5</sup> and on the GC website<sup>6</sup>. In addition, Bank employees may view the Report also on the employees' portal.

In certain cases, the Report includes reference to details presented in the Bank's 2019 Annual Report and the 2020 interim reports. These are available for perusal at the Bank's website – see above) (a translation into English of these reports is to be found on the Investor Relations page, see above). The reports are available for perusal (in Hebrew) also on the "Magna"<sup>7</sup> website of the Israel Securities Authority and on the "Maya"<sup>8</sup> website of the Tel-Aviv Stock Exchange Ltd.

<sup>3</sup> [www.discountbank.co.il](http://www.discountbank.co.il)

<sup>4</sup> [www.discountbank.co.il/IR](http://www.discountbank.co.il/IR)

<sup>5</sup> <http://database.globalreporting.org>

<sup>6</sup> <https://www.unglobalcompact.org/>

<sup>7</sup> <https://www.magna.isa.gov.il/default.aspx>

<sup>8</sup> <https://maya.tase.co.il/>

In certain cases, the Report refers to the reports of MDB and of ICC. These reports in Hebrew are available on the website of MDB<sup>9</sup> and on the website of ICC<sup>10</sup> (in English - only ICC's annual reports).

# MANAGING CORPORATE SOCIAL RESPONSIBILITY AT DISCOUNT

→ The Bank has a social responsibility director appointed by the Bank's Management. The appointment is intended to strengthen the management of the social responsibility field at the Bank and reflects the importance attributed by the Bank to this subject. The director's task is to intensify the social responsibility awareness of Bank employees, as well as of its stakeholders, and to formulate plans of action to achieve the goals designated for this area. The director reports to the head of the Human



Resources Division, who is in charge of managing social responsibility at the Bank. The Bank's principal subsidiaries in Israel, MDB and ICC, have social responsibility directors who report to the Head of Human Resources and Administration Division and to the CEO of ICC, respectively. At IDB Bank, a Community Development Officer has been appointed for the purpose of handling matters relating to the Community Reinvestment Act (CRA). This officer is responsible for administering IDB Bank's community development program and for ensuring that this bank meets the procedural requirements of the CRA.

# DIALOGUE WITH STAKEHOLDERS<sup>11</sup>

→ Corporate social responsibility reporting rests on the approach that, in addition to its shareholders, the corporation must be accountable to the society and the environment in which it operates, and that it must broaden its dialogue and cooperation with all categories of its stakeholders. A "stakeholder" is anyone that Discount Group influences or is influenced by: customers, employees, shareholders, the community, the environment and suppliers, and even contracted workers (who are referred to in the "Responsible Procurement" Chapter).

Promoting an open discourse with the Bank's stakeholders, including involving them in the process of mapping the material topics, is done with the aim of creating a better understanding of the needs and wishes of all the stakeholders and to adapt the Bank's conduct and its policy in a way that will respond in an optimal manner to these needs. The dialogue platforms are numerous and varied, and include inter alia,

"round table" meetings, surveys, conferences and discussions in accordance with the character of each stakeholder.

# THE PROCESS OF IDENTIFYING THE MATERIAL TOPICS<sup>12</sup>

→ Material topics are defined as topics having economic, environmental and social aspects where the organization has a substantial impact on its stakeholders or where the organization itself is impacted by them. Within the framework of the preparations for the 2019 Corporate Social Responsibility Report, and in accordance with the requirements of the GRI Standards according to which this Report is being written, the Bank had conducted a process for validating and updating the material topics, which defines the material topics to be reported, their scope and the order of their importance.

The updating of the materiality matrix for this report was carried out based on the material topics that were identified in the 2018 Report and was performed in two stages with the assistance of the sustainability and corporate responsibility group at BDO Consulting.

Initially, the Bank focused the reviewed topics. This process was performed based on review of selected **analysis entities** (Bloomberg, RobecoSAM, FTSE, MSCI and Maala), **other banks** (TD Bank, Banco Santander and banks in Israel) and **international reporting initiatives** (GRI, SASB and the UN's sustainable development goals – SDGs). As part of the aforesaid focus, main points were identified in accordance with each of the entities reviewed and a list of 17 topics was



drawn up. While drawing up the list, which served as a basis for addressing stakeholders, a number of changes were made:

- > The topics "Regulatory compliance", "Prevention of corruption", and "Corporate governance" were unified under the topic "Business ethics";
- > The topics "Environmental and social risks management" and "Environmental and social products" were unified under the topic "Environmental and social considerations in the business activity";
- > The topics "Indirect economic impacts" and "Economic performance" were unified under the topic "Economic impacts and performance".

Subsequently, an active dialog took place with the Bank's various stakeholders: customers, employees, suppliers, and the professional community in the corporate responsibility area. The dialog was conducted by means of dedicated questionnaires, with each questionnaire including various statements from the world of corporate responsibility on topics that were identified as being material to the Bank's activity. The review participants were asked to rank each topic according to its level of importance to the reporting in the Bank's Report. The questions were rated on a scale of 1-5 (with 1 being the lowest rating, and 5 being the highest).

For the purpose of formulating a stakeholders' position, a weighting was given to responses

9 <https://www.mercantile.co.il/MB/private/>

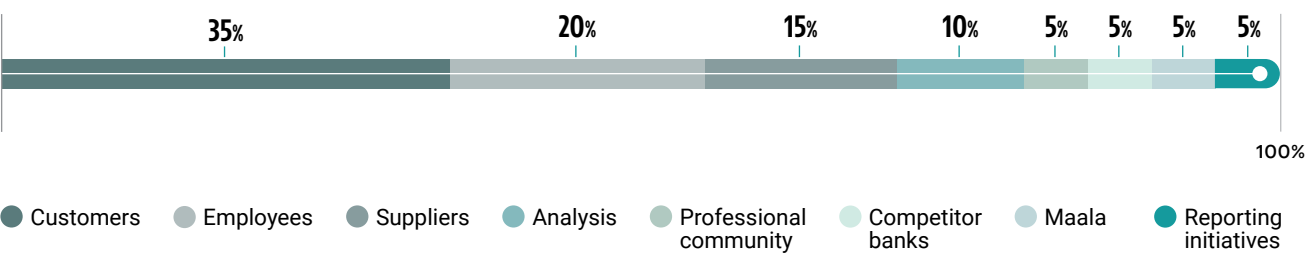
10 <https://www.cal-online.co.il/>

11 102-40, 102-42, 102-43, 102-44.

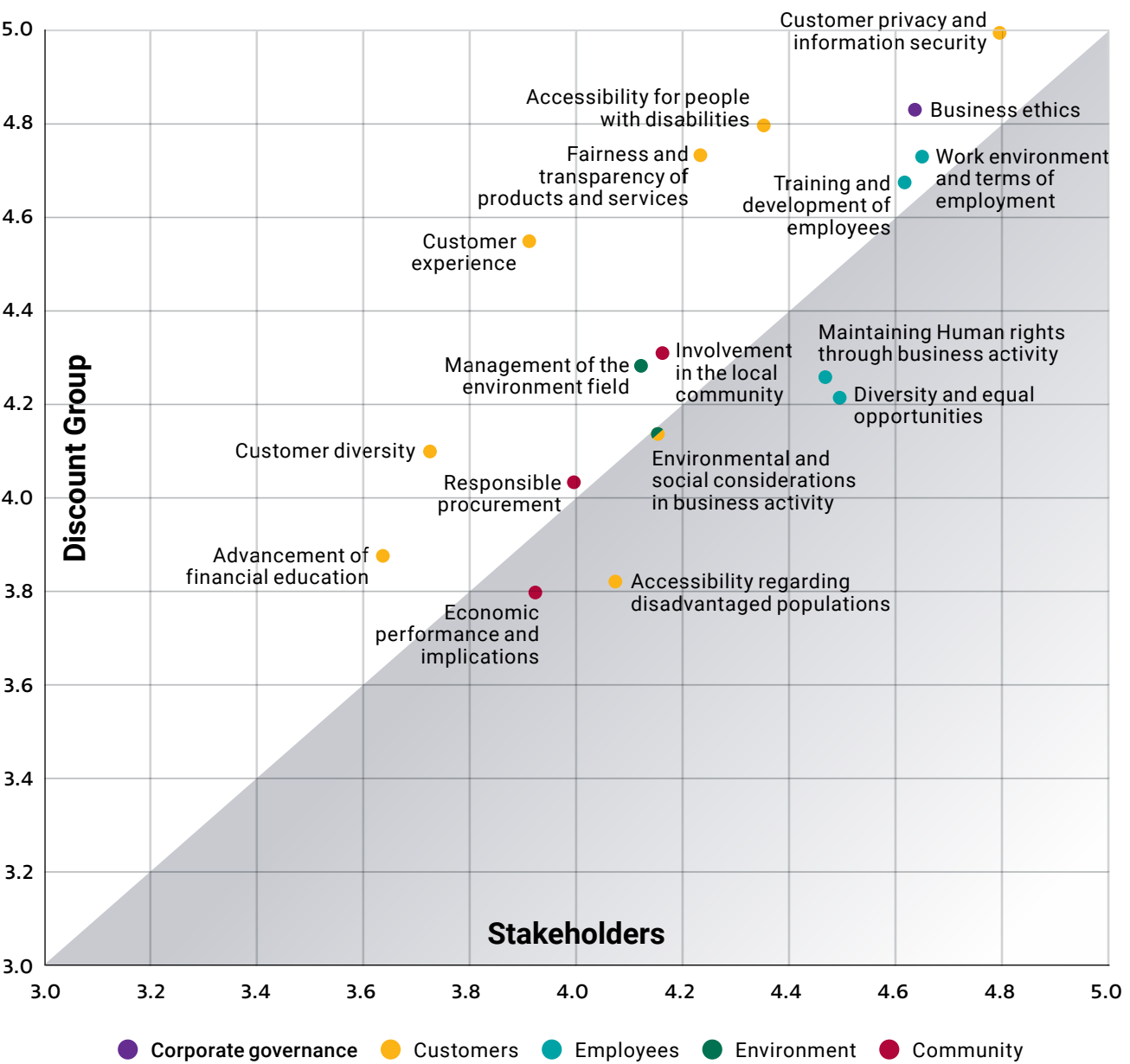
12 102-46.



BREAKDOWN OF THE WEIGHT ALLOTTED TO THE PARTICIPATING STAKEHOLDER GROUPS



THE MATERIAL TOPICS MATRIX



MATERIAL TOPICS – REPORTING BOUNDARIES<sup>13</sup>

A material topic in the Report	The GRI topic	Limit of the impact
Customer privacy and information security	Customer Privacy	Within the organization
Business ethics	Socio-Economic Compliance Anti-corruption Corporate Governance	Within the organization
Work environment and terms of employment	Employment Labor-Management Relations Occupational Health and Safety	Within the organization
Training and development of employees	Training and Education	Within the organization
Accessibility for persons with disabilities	Accessibility	Within the organization
Fairness and transparency of products and services	Marketing and Labeling	Within and outside the organization
Maintaining Human rights through business activity	Human Rights Assessment	Within and outside the organization
Diversity and equal opportunities	Non-discrimination Diversity and Equal Opportunity	Within the organization
Involvement in the local community	Local Communities	Within and outside the organization
Customer experience (customer service)	-	Within and outside the organization

to the questionnaires sent to the various stakeholders, as well as to the results of the review performed of the analysis entities, reporting initiatives and the rival banks that were reviewed.

For the purpose of formulating the position of the Bank and its principal subsidiaries, similarly to the dialogue held with stakeholders, a dialogue was held with the Managements and Boards of Directors of the Bank and its principal subsidiaries in Israel – Israel Credit Cards and Mercantile Discount Bank. Managements comprised 70% of the final weighting of the mark and Boards of Directors comprised 30% of the mark.

At the end of the process, the Bank updated the order of importance of the material topics as obtained from the weightings of the stakeholders' positions on the one

hand and the positions of the Managements and the Boards of Directors on the other. The outcome of the process is the identification of the ten most material topics for the reporting.

REPORTING TO THE GLOBAL COMPACT

The Bank joined the United Nation Global Compact initiative in September 2010 and since then report, as well as previous CSR Reports, constitutes an annual progress report in respect of each of the years in the period

13 102-47.

2013-2019 respectively. An Appendix to this Report includes an index comprising a cross-reference table between reportable items in accordance with the Global Compact initiative and their reference in this Report.

# ASSURANCE EXAMINATION

→ The Bank's CSR Report has undergone an assurance examination by an outside, objective body - The Center for Quality Assurance of CSR Reporting that operates within the framework of the CSR Institute at the College of Law and Business - which determined that Discount Bank meets the requirements In Accordance with the GRI Standards: Comprehensive option. The Report presents fairly Discount Bank's activities for the given period. Furthermore, the Report is balanced and properly presents Discount Bank's activities in the various material topics, both for activity in Israel's financial segment and also for the Bank itself.

## QUALITY ASSURANCE STATEMENT: DISCOUNT BANK – 2019 CORPORATE SOCIAL RESPONSIBILITY REPORT

The Corporate  
Social Responsibility Institute



**Introduction**  
The Corporate Social Responsibility Institute is an independent public body that works to promote the concept of the social responsibility of corporations (Corporate Social Responsibility). The Institute operates within the framework of the College of Law

and Business, which is a private college (recognized by the Council for Higher Education). The Institute's work includes, inter alia, the convening of professional meetings, the writing of reports, research and market surveys, the "conversion" into Hebrew of applied methodologies from the rest of the world, etc. In August 2020, Discount Bank applied to the Institute for the performance of a quality assurance process with respect to its 2019 corporate responsibility report.

It is hereby declared that the Institute receives a payment to cover the time it invests in this process. Furthermore, it should be noted that neither the Institute nor Dr. Liad Ortar (who performed the work) has any consultative business relationship with Discount Bank and that the quality assurance process was conducted independently and without bias. During the course of the quality assurance process, a draft of the report was examined, comments were made and this quality assurance statement was drafted.

**Work approach**  
→ The quality assurance process for the corporate responsibility reports is a process the object of which, first and foremost, is to improve the quality of the reporting product by means of providing professional feedback. As part of the process, it is examined whether the report adequately complies with three central principles:

- 1. **Inclusiveness** – relating fully to the topics reported as well as the inclusion of a wide range of stakeholders in the reporting.
- 2. **Materiality** – relating to the topics that are material to the Company's operations.
- 3. **Responsiveness** – reporting regarding topics raised by the stakeholders.

These principles are also the principles guiding the application of control in accordance with the global Standard

"AccountAbility AA1000", and the Report is found to be in compliance with its requirements

**Findings**  
This is the ninth report published by Discount Bank, which joins the trend of sustainability reporting adopted by the whole of the Israeli banking sector, with this being in conformity with the requirements of the Supervisor of Banks. The report adopts the latest reporting guidelines of the GRI and the SRS, while complying with the broad reporting framework known as "Comprehensive".

I hereby declare that Discount Bank is indeed in compliance with the scope of disclosure and reporting required at this level and that it demonstrated compliance with the three principles presented above. This report, the ninth in number, continues to show a trend of noteworthy professional development.

**Remarks regarding the report:**  
**Reporting level** – the report produced by Discount Bank itself is at the highest level (comprehensive), while the reports produced by the Bank's subsidiaries are at a core level. For the sake of uniformity of reporting, it would be beneficial if all the business units included in this reporting framework would fall in line with the higher reporting level. Moreover, new global frameworks exist that challenge the business sector in general and the banking sector specifically, in making new connections to the areas of sustainability and corporate responsibility. I particularly have in mind the principles for responsible banking of the United Nations Environment Programme, available at the following link - <https://www.unepfi.org/banking/bankingprinciples>.

**Impact investments** – The capital market worlds are looking for a way to increase their positive influence on social and environmental fields. This relationship is called "impact" and there is no doubt that today it comprises one of the growing and intensifying content worlds at the

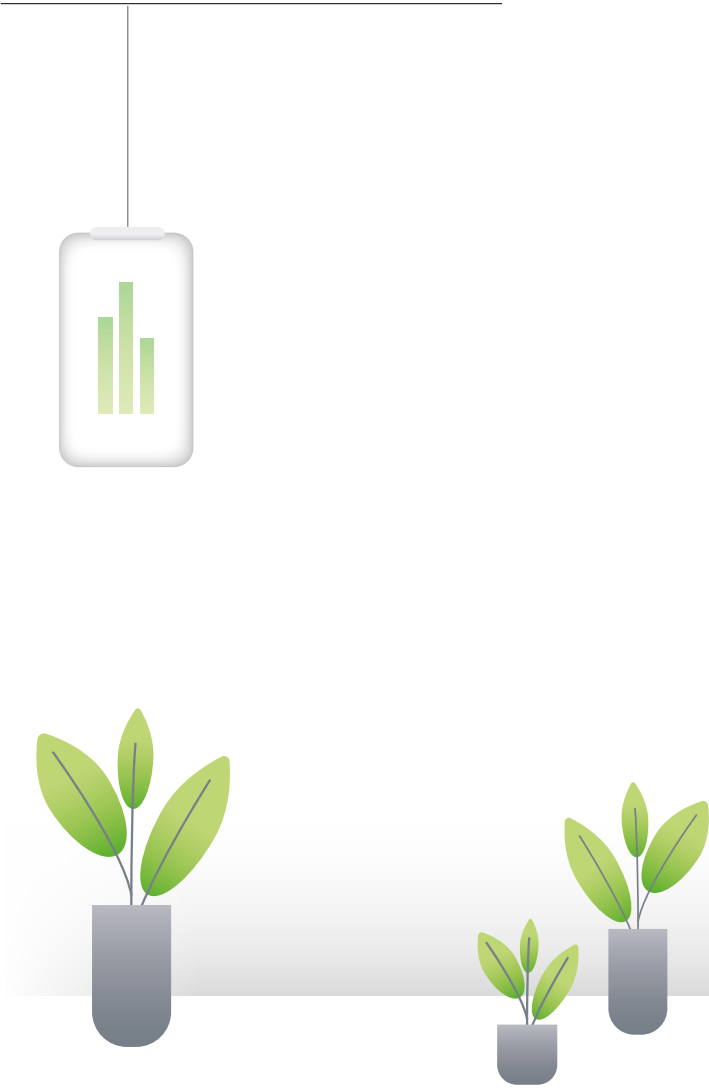
global and local levels. The relationship and investment of Discount Bank in the "Bridges Israel" and in the "Angels 12" Funds is a most significant and important first step.

Congratulations on your good work,

**Dr. Liad Ortar**  
Manager of the Corporate Social  
Responsibility Institute  
The College of Law and Business



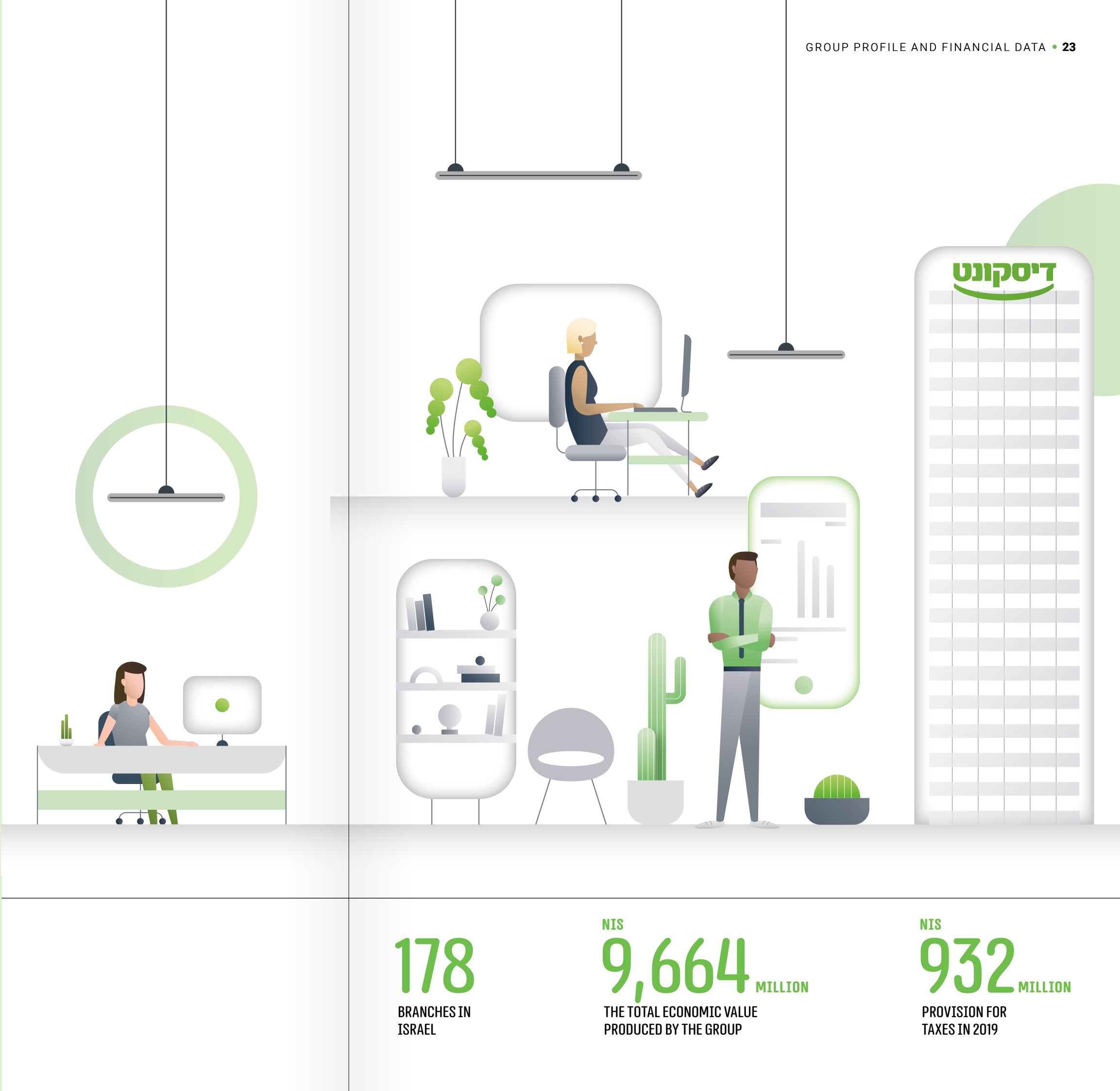
November 2020



# 02

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178

BRANCHES IN  
ISRAEL

NIS

9,664

MILLION

THE TOTAL ECONOMIC VALUE  
PRODUCED BY THE GROUP

NIS

932

MILLION

PROVISION FOR  
TAXES IN 2019

# GROUP PROFILE AND FINANCIAL DATA

THE ECONOMIC VALUE PRODUCED BY THE DISCOUNT GROUP RESULTS FROM ITS BEING A LARGE ECONOMIC ENTITY, ONE OF THE FIVE MAJOR BANKING GROUPS IN ISRAEL, WHICH OFFERS ITS CUSTOMERS COMPREHENSIVE BANKING SERVICES IN ALL AREAS OF FINANCIAL ACTIVITY

## DISCOUNT BANK

### GENERAL OVERVIEW

→ Israel Discount Bank Ltd. (hereinafter: "the Bank") was incorporated in Israel in 1935 as a public company under the Companies Ordinance. The Bank is a banking corporation having a banking license under the provisions of the Banking Law (Licensing), 1981.

The Bank was established by the late Mr. Leon Recanati in the name of "Eretz Yisrael Discount Bank Ltd.", in cooperation with the founders, the late Mr. Joseph Albo and the late Mr. Moise Carasso. The offices of the Bank and its first branch office were at first located at No. 39, Yehuda Halevi Street in Tel Aviv. In 1939 the offices of the Bank were relocated to No. 27, Yehuda Halevi Street and in the fullness of time were transferred to 23 Yehuda Halevi street, the site on which the Discount Tower is situated today, in which most of the Head Office units of the Bank are located.

During the years of its operation the Bank has developed a chain of branches and a wide variety of commercial banking activities in all banking spheres.

As from December 3, 2013, the Bank turned into a bank having no core controlling interest and is subject to the instructions applying to banking corporation having no core controlling interest, in accordance with the Banking Act (Legislation amendments), 2012.

### DOMESTIC OPERATIONS

→ The Discount Group grants its customers comprehensive banking services in all areas of financial activity, through 178<sup>14</sup> branches in Israel, (103 branches of the Bank and 75 branches of Mercantile Discount Bank Ltd.) direct banking and digital banking.

<sup>14</sup> The number of branches as of December 31, 2019.

The Bank offers services to different segments of customers: households, small and minute businesses, private banking customers, medium and large business (for details as to the definition of the segments see page 221 of the 2019 Annual Report; for details regarding the distribution of operations according to the main segments of operation see pages 224-239 of the 2019 Annual Report; for details regarding the distribution of operations according to geographical areas see page 236 of the 2019 Annual Report).

The Bank has a banking subsidiary in Israel - Mercantile Discount Bank Ltd. (hereinafter: "MDB") - a commercial bank serving customers in all fields of financial activity.

The activities in Israel include additional fields of operation, including:

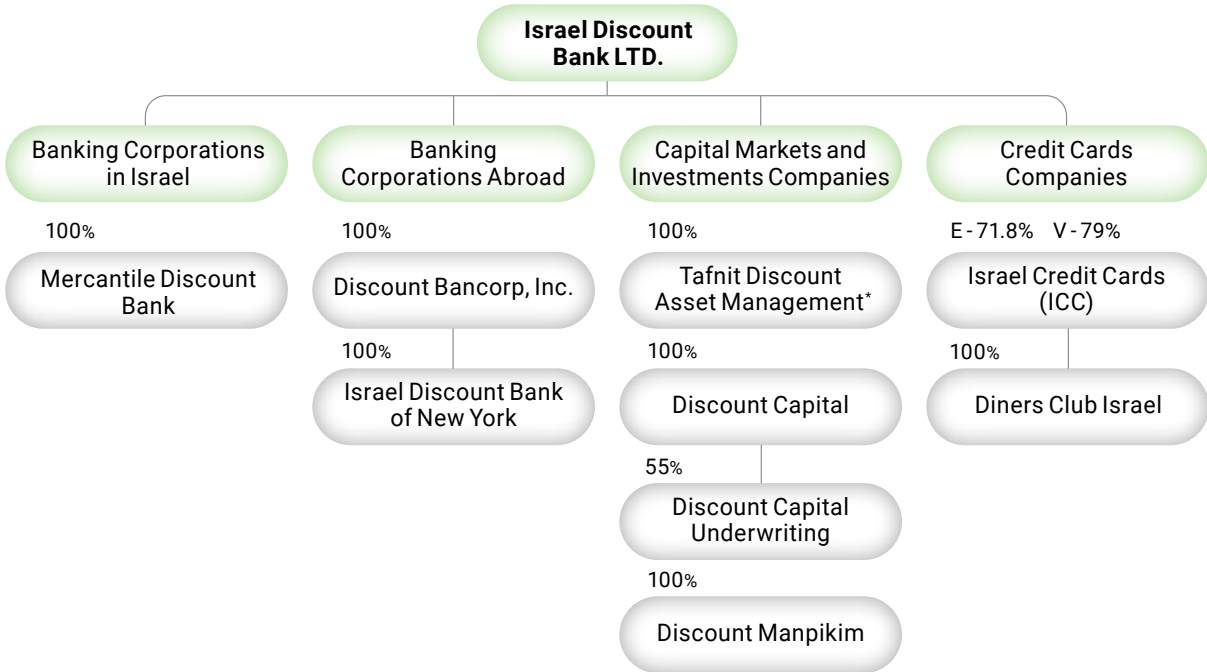
→ **Credit cards** - The Bank controls "Israel Credit Cards Ltd." (hereinafter: "ICC") and "Diners Club Israel Ltd." (hereinafter:

"Diners", a company wholly owned and controlled by ICC), which issue and market "VISA", "Diners" and "MasterCard" credit cards, both for domestic and overseas use, and clear transactions made through use of "IsraCard", "VISA", "Diners" and "MasterCard" credit cards valid in Israel and abroad;

→ **Securities portfolio management** - the subsidiary, Tafnit Discount Asset Management Ltd. (hereinafter: "Tafnit") which manages securities investment portfolios for private customers, corporations, not-for-profit organizations and institutional bodies;

→ **Non-financial investments, investment banking and underwriting** - the subsidiary "Discount Capital Ltd." (hereinafter: "Discount Capital") is engaged in investments in companies, in private equity funds, in venture capital funds, in the investment banking field, as well as in initiating and assisting public offerings and private company, through a subsidiary.

## DISCOUNT GROUP HOLDINGS STRUCTURE<sup>15</sup>



\* Directly and Indirectly.

<sup>15</sup> 102-45.





## INTERNATIONAL ACTIVITY

→ The international activity of the Discount Group is conducted by a subsidiary company in the United States, IDB Bank, which is the largest of the Israeli banks operating abroad, and at the present time operates branches in the New York area, Florida and in California. This bank has representative offices in Latin America and in Israel. The international activity is characterized by business-commercial banking and private banking.

## GOALS AND BUSINESS STRATEGY

### The updated strategic plan

→ The Bank is engaged in realizing its vision in accordance with its multiannual strategic plan that was approved in 2014 and updated in the years 2016 and 2018 in accordance with market developments. The strict implementation in recent years of the strategic plan led the Bank to a consistent and continuous track of improvements in profitability and in return on equity, with a significant growth in the credit portfolio and a current distribution of dividends, starting with the first quarter of 2018<sup>16</sup>, and all this while maintaining and even improving capital adequacy. At the same time, the Bank has achieved a quantum leap in the service provided to customers, including its digital capabilities, which positions it in the forefront of technology and user experience in the banking sector.

The strategic plan is based on a leading goal - **leading in the Bank's customer satisfaction by means of customer adapted banking**, comprising three principal layers:

- > Continuing growth and efficiency;
- > Transformation in traditional banking;
- > Development of Innovative Banking Models.

These layers are expected to continue and lead the strategic thinking of the Bank,

and acceleration of certain of the moves included therein is even expected, in view of the Corona crisis.

## REFRESHING THE FOCAL POINTS IN THE STRATEGIC PLAN

→ In view of the significant progress made in the past five years in the implementation of the multi-annual strategic plan, and on the background of the changes occurring in the banking and financial world and in market conditions, the Bank continues the strategic refreshment and the formation of a multi-annual financial plan. This plan would express the challenges arising from market conditions, on the one hand, and the opportunities for a continuing accelerated growth, for improved processes and efficiency for the leading of innovation and increasing synergy within the Group, on the other hand.

For additional details see the 2019 Annual Report (pp. 15-16).

## DIALOGUE WITH THE INVESTORS

→ The first and principal layer of communication with investors in securities of the Bank is the layer of regulatory reports - reports in accordance with instructions and guidelines of the Supervisor of Banks and in accordance with the provisions of the Securities Act and the Regulations under it. These reports include annual, quarterly and immediate reports.

The Bank maintains an additional layer of communication with investors in securities of the Bank (existing and potential), as well as with other parties (such as: analysts and research agencies) in Israel and abroad, by means of the investor relations unit of the Planning, Strategy and Finance Division. This communication is bi-directional - from the Bank outwards, through conference calls, presentations and other materials assisting in the understanding of the Bank's results

and its operations, maintaining meetings and conferences of the Bank's Management with such stakeholders, distribution of updates regarding events and more; and in the other direction - from stakeholders inwards, through the reflecting of opinion and analysis of the relevant stakeholders and providing Management and the Chairman of the Board (and alongside the decision making process on relevant matters, also before the Board of Directors) with feedback on the results of the Bank and its activities, as well as the integration of such contents in the decision making process at the Bank.

The activity of the Bank's investor relations unit is based on the concept that transparency, cooperation and a fruitful dialogue create value for both sides and enable stakeholders to make long-term educated investment decisions. The Bank's Management believes in strengthening and preserving relations with investors in securities of the Bank, and has even defined this field as part of its strategic focusing for the coming years.

## PRINCIPAL OPERATIONS AND CENTRAL EVENTS DURING 2019

→ 2019 was the fifth year of operation implementing the strategic plan announced by the Discount Group in August 2014. In 2019, the Group continued to implement its multiannual strategic plan, while emphasizing continued growth and efficiency; transformation in traditional banking; and development of innovative banking models and continuing establishing the capital, technological and human infrastructure that will enable future growth.

The data for the year 2019 indicates the continuing growth momentum and the significant improvement in the performance of the Bank and the Group, even exceeding the outline of the multiannual strategic plan. The credit portfolio continued to grow, inter alia, in the light of the growth in the retail segment, with a focus on the mortgages segment, in the small and minute businesses

segment, in the middle market banking segment, and the large businesses segment.

The activity of the Group during 2019 comprised a direct continuation of its activity in 2018, this in accordance with the strategic plan of the Group and within the framework of the implementation thereof. The management of the capital of the Group is strict. The Group's financial base is strict and continues to be solid. The Common Equity Tier 1 ratio amounted on December 31, 2019, to 10.31% and the liquidity coverage ratio amounted to 121.2%. This is the capital infrastructure that allows the Group to continue growing.

The challenges and central issues in 2019 were:

**Issuance** - in October 2019, the Bank, through its subsidiary Discount Manpikim Ltd. (hereinafter: "Manpikim"), completed the process of issuing subordinate debt notes (Series "F"), which include a capital loss absorption mechanism (COCO), in a total amount of approx. NIS 1,231 million. In January 2020, the Bank (through Manpikim) issued, by private placement to a classified investor, additional subordinate debt notes (Series "F") in the amount of NIS 100 million par value.

In December 2019, the Bank (through Manpikim) completed the process of issuing bonds in two series bearing a fixed non-linked shekel interest rate, in a total amount of approx. NIS 2,668 million. The move of raising this debt capital was part of the multiannual financing strategy intended to expand and diversify the Bank's financing sources mix.



<sup>16</sup> On the background of the Corona crisis and in order to support the credit requirements of its customers, the Bank's Board of Directors decided on April 2, 2020 that the Bank will discontinue the distribution of dividends, at this stage.

## THE GROWTH MOMENTUM AND THE IMPROVEMENT IN PERFORMANCE OF THE BANK AND OF THE GROUP CONTINUES, AND THE BANK CONTINUES THE TRANSFORMATION IN TRADITIONAL BANKING, ALONGSIDE THE DEVELOPMENT OF NEW BANKING MODELS, AND THE ADVANCEMENT IN THE INNOVATION AND FINTECH FIELD

### Continuation of the uncompromising implementation of the strategic plan -

in 2019, the strategic teams at the Bank and at the subsidiary companies acted vigorously in the strict implementation of the projects emanating from the strategic plan, including the business focusing on growth, on the change in the organizational culture, on improvement of the infrastructure, on improvement of customer experience and on advancement of innovation aspects. In view of the significant progress made in the implementation of the multi-annual strategic plan in the past five year, and on the background of the changes occurring in the banking and financial world and in market conditions, the Bank's Board of Directors and Management decided on a strategic refreshment and the formation of a multi-annual financial plan.

**Fintech and Innovation** - See "Innovation" in the Chapter "Customers" hereunder.

**Preparation for transformation in traditional banking and for future challenges** - Within the framework of the preparations made by the Bank for the changing labor world following the acceleration of the digital implementation in the organization, the Bank introduced, since the beginning of 2019, several moves relating to the development of managers for leading and leadership in the digital world. For additional details, see "Investing more in employees" in the Chapter "Employees" hereunder.

### Additional Issues

> **Rating** - S&P Ma'alot has raised the local

rating of the Bank and of MDB to "AAA" with a stable outlook. Furthermore, S&P raised the outlook of the international rating of the Bank and of IDB Bank of "BBB+" to positive outlook. Midrug has raised the rating of the long-term deposits and the rating of the senior debt of the Bank to "Aaa.il". For additional details, see the Bank's 2019 Annual Report (pp. 322-323).

> **"Discount Campus"** - construction work for the establishment of the Discount Campus began in the reported period. For additional details, see the 2019 Annual Report (pp. 210 and 307-308), and the Chapter "Green Discount" below.

## MERCANTILE DISCOUNT BANK

### GENERAL OVERVIEW

**MERCANTILE** The financial activity in Israel of the banking institutions that served as the basis for the foundation of MDB began in 1918, with the conquest of Palestine by the British, when the Anglo-Egyptian Bank, operating at the time in Egypt, established three branches in Israel: in Jerusalem, in Jaffa and in Haifa. Later on, in 1921, a fourth branch was opened in Nazareth. In 1925, "Barclays Bank DCO" (a bank owned by the British Bank "Barclays Bank" which provided financial services to the authorities all over the British Empire) acquired the shares of the Anglo-Egyptian Bank, thus turning it into a part of the Barclays Bank Group. In 1971, "Barclays Bank DCO" changed its name into "Barclays Bank International".

Mercantile Discount Bank (MDB) was incorporated in October 1971, by Barclays Bank International of England (hereinafter: "Barclays Bank") and by the Discount Group, under the name of: "Barclays Discount Bank Ltd."

Soon after its incorporation on December 7, 1971, MDB acquired all the assets and liabilities of the Barclays Bank branches in Israel (by that time some 40 Barclays Bank branches had been in operation in the State of Israel).

On February 28, 1993, following the acquisition by Discount Bank of all the interests of Barclays Bank in MDB, the Bank changed its name into "Mercantile Discount". The Bank is defined as a "banking corporation" under the Banking Act (Licensing), 1981, and it holds a banking license under the said Act. MDB is a private company that is wholly owned and controlled by Discount Bank. The larger part of the Head Office of MDB is located in the "Yovel" Tower in Tel Aviv while another part is located at the Azrieli Business Center in the city of Holon.

MDB is engaged in financial commercial activity and provides services to all operating segments, including: diverse credit activity and foreign trade and currency and foreign currency services. In the mortgage loan field, MDB offers its customers services through mortgage centers operating within the branches. The bank specializes in business, from small and minute businesses to commercial businesses, in all sectors of the economy, and in providing services to the Arab population and to the ultra-orthodox Jewish population (for additional details, see pp. 49-50 of the Hebrew version of this company). In the course of the last decade, the bank, in cooperation with relevant governmental agencies, developed expertise in the granting of credit to small and middle market businesses by means of governmental funds supporting businesses. The bank provides to its customers, among other things, divers services regarding their securities operations through a wide layout of consultants located at the bank branches and markets credit cards offered by ICC and Diners companies.

Furthermore, MDB has international relations with brokers, enabling customers to transact business also on foreign securities markets. The Bank offers its customers an array of online banking services by means of the telephone, mobile phone and the interactive internet website.

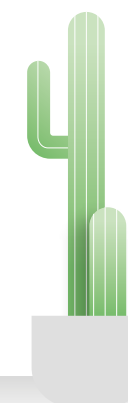
This comprehensive framework of operation enables MDB to offer to its customers the full range of banking and financial solutions and provide them professional service of the highest level, through diverse communication lines for all banking products prevailing in the market, adapted to the specific needs of the customers. The said services are provided through a countrywide network of branches, numbering 75<sup>17</sup> branches.

### THE STRATEGIC PLAN OF MERCANTILE DISCOUNT BANK

→ The Board of Directors of MDB approved in 2015 a strategic plan for the years 2016-2020 which contains two main lines of action. The one, expansion of retail operations (households and small businesses), within the framework of which, MDB is intended to focus on designated sections of the population, in respect of which this bank has many years of experience in the granting of banking services matching their unique needs. The second, streamlining operations by means of strict management of operating expenses and improvement in income structure.

**2016 plan** - The Board of Directors of MDB approved in the second half of 2016, a strategic plan, prepared by Management of MDB with the assistance of external consultants. The plan is intended to intensify the activity in the retail segment, including the focusing on designated segments of population, in respect of which the bank has acquired over many years specialization in providing banking services.

17 The number of branches as of December 31, 2019.



PRINCIPAL ACTIVITIES AND  
EVENTS AT MERCANTILE DISCOUNT  
BANK IN 2019

→ The year 2019 was the fifth work year for the implementation of the strategic plan of MDB.

One noteworthy central development took place in 2019:

**Acquisition of Municipal Bank** - On November 13, 2018, MDB signed a merger agreement with Municipal Bank (formerly - Dexia Bank). The merger was completed on December 1, 2019, following the fulfillment of all conditions precedent for the merger. Following the merger Municipal Bank ceased to exist. The merger is expected to expand the growth centers of MDB to additional fields of operation and would comprise an important layer in the future growth of MDB. Consummation of the merger opens opportunities for business growth and the offering of countrywide diverse services to the local authorities segment in general.

ISRAEL CREDIT  
CARDS LTD. ("ICC")

GENERAL OVERVIEW

**Cal.** ICC was incorporated in 1979 as a private company under the Companies Act. The company is engaged in credit card operations and in the development of payment solutions and financial products. ICC is considered an "auxiliary corporation" under the Banking

Act (Licensing), 1981. Discount Bank holds 71.8% of the equity rights and 79% of the voting rights in ICC. The First International Bank of Israel Ltd. holds the rest of the rights in ICC. The Head Office of the company is located in Givataim.

The main two lines of business of ICC are the issue of credit cards and the clearing of transactions made by credit cards (for additional details, see pp. 38-42 of the 2019 Annual Report of this company).

The income of ICC is composed mostly of commission fees on the operation of credit cards and on the providing of payment solutions, as well as from credit financing income paid by its customers: credit card holders and trading houses. ICC has several subsidiary companies and one affiliate, through which it provides to customers a part of its services, including: Diners Club Israel Ltd. (franchise holder of the global Diners Club chain, which is engaged in the issue, marketing and operation of "Diners" credit cards, valid in Israel and abroad), C.A.L. (financing) Ltd. (operates as the financial arm of the company for the purpose of providing credit to holders of the company's credit cards), Diners Finance Ltd. (engaged in financing the credit for a part of Diners credit cards), Iatzil Finance Ltd. (engaged in providing financing services to trading houses through the discounting of "VISA", "MasterCard", "Diners", "American Express" and "IsraCard" credit card vouchers) and ICC Deposits Ltd. - all of which are wholly owned subsidiaries of ICC.

In addition, ICC has a 20% stake in the share capital of Shlomo C.A.L. Ltd. (a company providing credit to private individuals interested in purchasing new vehicles by leasing transactions), and a 10% stake in the share capital of Casponet Ltd. (which is engaged in installing and operating of cash withdrawal machines at trading houses).

ICC issues, markets and operates directly "VISA", "Diners" and "MasterCard" credit

cards, valid in Israel and abroad, and is also engaged in joint issue agreements with banks participating in the arrangement. ICC is also engaged in the clearing of transactions made by "VISA", "Diners" and "MasterCard" credit cards, valid in Israel and abroad, as well as by the "IsraCard" brand (in Israel only).

THE STRATEGIC PLAN OF ICC

→ In August 2019, the Board of Directors of ICC approved a multi-annual plan (2019-2023), comprising a continuation of the strategic plan approved on May 23, 2017 (2017-2021). The multi-annual plan was formed taking into consideration the changes that had taken place in the credit card market in the world generally and in Israel in particular, following the enactment of the Increase in Competition and the Reduction in Centralization and in the Conflict of Interests in the Banking Market in Israel Act, 2016, and additional regulatory initiatives.

The plan focuses on actions designed for the continuation of the positioning of ICC as a leading factor in payment operations and in off-banking credit.

The strategic focal points of ICC are:

- > Use to the utmost of the income potential of the wide customer base of the company;
- > Continuation of growth in credit activity;
- > Expansion of the use of information and the leverage thereof in decision making processes;
- > Promoting advanced payment solutions, both on the part of the payer and on the part of the beneficiary (trading houses);
- > Operational excellence with improvement of customer experience alongside organizational effectiveness;
- > Continuation of the upgrading of the digital infrastructure relating to its principal operations, and the offering of optimal experience to customers using the digital platforms.

ICC studies and validates from time to time

the strategic focal points and the strategic moves derived there from, as a result of the changes and trends in its operations and in the business and regulatory environment in which it operates.

PRINCIPAL OPERATIONS AND  
EVENTS AT ICC IN 2019

→ In 2019, ICC focused on maintaining and expanding its customer base by creating and intensifying cooperation, investing resources in consumer clubs and providing a singular and significant benefit coverage to its customers. As part thereof, considerable attention and resources have been devoted to the continued strengthening of the foundations of the Supersol ICC Club and to the introduction of the renewed FlyCard Club, as well as to expanding the cooperation with aggregators in the clearing worlds. Moreover, and as part of the implementation of the "Strum legislation", ICC successfully began issuance operations with Bank Leumi and Hapoalim Bank, thus completing the Full and varied list of banks in the industry.

In the course of the year, the growth trend in credit granted to the private and business sectors continued, while establishing an infrastructure for the expansion in credit products for existing customers of the company and for new customers adapted to their needs, and while strictly maintaining educated risk management.

Also carried out was a line of long-term technological and infrastructure projects, principally, the upgrading of the core systems, and instituting processes simplifying and improving procedures and experiences from the point of view of customers.


An additional important milestone was the signing of a new collective labor agreement for the next four years, which had been formed with responsibility and commitment both to the employees and to the company. For additional details, see the Chapter "Employees".





# IDB BANK

## GENERAL OVERVIEW

 Israel Discount Bank of New York also known by its registered service mark, “IDB Bank”, is a full service commercial bank licensed by the State of New York and a member of the Federal Deposit Insurance Corporation (FDIC). IDB Bank’s liquidity and capital ratios are strong and it is ranked by Crain’s New York Business as one of the largest commercial banks in the New York area.

IDB Bank is a wholly owned subsidiary of Israel Discount Bank Limited (IDB Ltd.).

IDB Ltd. began its operations in New York City in 1949, when it established a representative office. At that time there were only a few employees and limited contact with the public. In 1962, IDB Ltd. became one of the first foreign banks to open a branch in New York when the New York State banking law was changed to allow foreign banks to operate branches in the city. In 1967, Israel Discount Bank Ltd. acquired the Hias Immigrant Bank and changed the name to IDB Trust Company, an FDIC-insured banking institution. Ultimately, in 1980, the branch’s assets were transferred to the renamed, wholly-owned IDB Ltd. subsidiary, Israel Discount Bank of New York (“IDBNY”). IDBNY also took over a major portion of the western hemisphere banking operations of its Tel-Aviv parent company. Subsequently, the Bank took on more contemporary nomenclature with the registered service mark “IDB Bank.” In March 2000, IDB Bank became a wholly-owned subsidiary of Discount Bancorp, Inc., a Delaware holding company formed to hold its shares.

IDB Bank provides domestic and international, personal and commercial banking services to its U.S. and foreign


clientele through its main office in Manhattan, branches in Staten Island, Brooklyn, and Short Hills, NJ, in addition to branches in Beverly Hills and Downtown Los Angeles, California; and Aventura, Florida. IDB Bank also maintains an International Banking Facility at its main office; and representative offices in Chile, Israel, Mexico, Peru and Uruguay. IDB Capital Corp. is the Bank’s broker-dealer, and a wholly owned subsidiary of IDB Bank.

IDB Bank specializes in the following areas: U.S. Private Banking, International Private Banking, Middle Market Lending, Asset Based Lending, Commercial Real Estate Lending, Trademark Financing, Factoring, Trade and Finance (Import, Export and Standby Letters of Credit, Documentary Collections, Bankers’ Acceptances).

IDB Bank’s broad range of banking services include Personal and Business accounts, Cash Management, Checking Accounts, Money Market Savings Accounts, U.S. Dollar and Foreign Currency Time Deposits, Credit Cards, ATM/Debit Cards (for personal accounts), Safe Deposit Boxes (New York main office only), Online Banking, Money Transfers, Lockbox Facilities, Safekeeping and Custody of Securities, Money Orders and Direct Deposit of Social Security and other recurring payments.

Through its broker-dealer subsidiary, IDB Capital Corp, IDB Bank is able to offer investment products such as U.S. Government and Agency Securities, Corporate Stocks & Bonds, Offshore and Domestic Mutual Funds and Capital Market Instruments. Furthermore, IDB Capital Corp can customize a bond portfolio to the customer’s specifications (subject to availability and prevailing rates), starting with an investment of 500,000 US\$.

## THE STRATEGIC PLAN OF IDB BANK

 IDB Bank’s 5-year transformational plan, approved in 2017, focus on building bonds, both inside and outside of

the Bank. It evolves around building lasting, deep personal relationships, through three pillars: focused growth through expertise, client focused infrastructure and change enabling culture. In 2019, the Bank continued executing its strategy through several strategic projects.


This included building sales tools and capabilities for bankers to grow the business, launching new products for clients, establishment of IDB-Tech line of business and making a substantial progress towards upcoming wealth management platform for private banking clients.

A tremendous progress was made in 2019 also in the infrastructure part by planning IDB headquarter move to modern offices in 2021, selection of new core system and ample of operational efficiencies and systems enhancements.

To support the change, IDB Bank continued enhancing its culture built embracing performance principles, execution focus, and change-enablement capabilities.

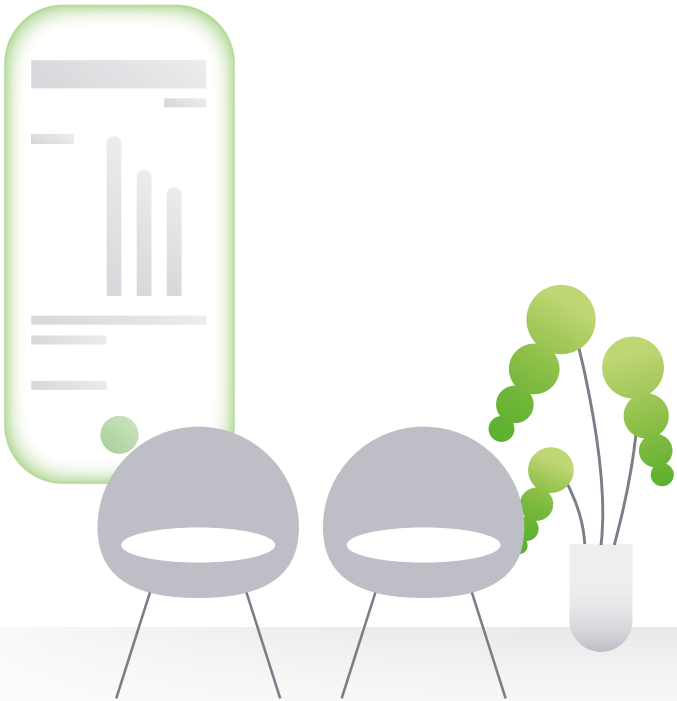
2019 proved that IDB is a very strong and very stable bank, which will help enable its future growth in the years to come.

## PRINCIPAL ACTIVITIES OF IDB BANK IN 2019

 2019 was a record year in the history of IDB Bank. IDB Bank’s financials included \$100 million in net income, almost \$10 billion in total assets and a 10% return on equity. IDB Bank’s strategic plan, in the third year, has been fueling these impressive results. Dedicated teams from across the Bank were carrying out specific projects, from introducing new products and services to upgrading IT infrastructure, security systems and mobile banking capabilities. IDB Bank’s “Vision & Values” were unveiled as well in 2019, instilling a Bank-wide sense of pride, purpose and professionalism that extends to clients and colleagues alike.

# MEMBERSHIP OF ORGANIZATIONS AND EXTERNAL INITIATIVES

 The Bank is a member of various organizations. Among the prominent organizations in which the Bank takes an active role on a current basis, may be mentioned **Maala Organization** - an umbrella organization of the leading companies operating in the Israeli market, which promotes corporate responsibility issues and develops standards for responsible management in Israel, the **Union of Banks** – an umbrella organization for banks operating in Israel, the aim of which is to maintain an effective dialogue regarding systemic issues with governmental agencies, as well as with the public and private environment, and the **Israeli Marketing Union** – a union of companies that market and advertise in all lines of industry,



services and other sectors. In addition, the Bank joined the **Global Compact** initiative of the United Nations (see below). MDB is also a member of the Union of Banks and of the Israeli Marketing Union. ICC is a member of the Maala Organization, of the Israeli Marketing Union and of the Forum of Credit Card Companies in the Union of Chambers of Commerce. The Bank is also a member of the **"Israel Human Resources" Association** (formerly: "The Human Resource Management Association").

**The treaty against racism in the Israeli society.** The Treaty is the outcome of an initiative the aim of which is to fight all racism phenomena in the Israeli society. The vision is to lead a deep change in positions that would assist in turning the Israeli society into a more open-minded and tolerant society that allows for higher social mobility. This initiative has been introduced at the residence of the President of the State of Israel, in the presence of senior representatives from all over the spectrum of the Israeli society – the public sector, local authorities, the business sector, representatives of the sports world, higher education institutions, youth movements and workers and community organizations.

On behalf of the Bank, the Treaty was signed by Mr. Kobrinsky, Chairman of the Board. In addition, corporate responsibility issues are reported by the Bank to the following entities and initiatives:

#### Reporting to investors by means of Bloomberg and "FTSE4Good"

A analysis for investors in ESG issues, which examine corporate responsibility performance. In June 2019, FTS4Good informed of the ratification of Discount Bank as a participant in its indices series. In June 2019, the Bank conducted an active dialogue with Bloomberg with a view of enlarging transparency and reporting, improving its mark to 61.84 points in respect of the 2018 performance (compared with 42).



#### Reporting to the Ministry of Environmental Protection regarding emission of greenhouse gases

A comprehensive annual report, which at the present time is submitted voluntarily, reviewing the emission of greenhouse gases by the Bank and measures taken to reduce it. A report in respect of 2018 was submitted in September, 2019.



#### UN Global Compact

A strategic policy initiative by corporations which have committed to accept, support and apply within the framework of their area of influence, a series of basic values regarding human rights, standards for work and environment conditions and combating corruption. The social responsibility reports published since the year 2013 comprise progress reports for the relevant years.

## CORPORATE RESPONSIBILITY RATINGS

**"Maala" rating for 2019** - In July 2020, "Maala" published its rating for 2019. The Bank has been rated in the Platinum Plus category (awarded to companies with an absolute score of over 90). The rating is based on criteria detailed in a number of central areas of corporate responsibility. The rating allows the rated companies to be included in the Maala Index on the Tel Aviv Stock Exchange.

In 2019, ICC was rated for the fourth consecutive year in platinum rating.

**BDI rating - the best companies to work for** - The rating examines what is important for employees, what are their expectations from the work place and what are the most desirable places to work for. In 2019, the Bank is positioned in the 24th place in the rating and ICC is positioned in the 42nd place.

**BDI Code** - A business leadership index rating approximately 500 companies in the market. In 2019, the Bank was awarded the 20th place in the rating; MDB was positioned in the 127th place in the rating and ICC in the 101st place.

**Dun's 100 rating** - A business leadership index rating approximately 100 leading companies in the market. In 2019, the Bank is positioned in 7th place in the rating; ICC in the 62nd and MDB in the 63rd place.

**IDB New York** - Currently, the overall Community Reinvestment Act ("CRA") ratings for IDB New York, are as follows:

> **"Outstanding"** by the Federal Deposit Insurance Corporation ("FDIC") - the CRA

Performance Evaluation was performed on April 27, 2020, and the report was issued on July 10, 2020;

> **"Outstanding"** by the New York State Department of Financial Services ("NYSDFS") - CRA Performance Evaluation was performed as of December 31, 2016, and the report was issued on April 5, 2018.

The above ratings are the same as the prior 2014 FDIC and 2013 NYDFS CRA examination ratings.

**Mercantile Discount Bank** – The banks' friendliness to small and middle market businesses Index – The Small and Middle Market Businesses Agency at the Ministry of Economy and Industry publishes this Index. The rating weighs four parameters: volume of credit, cost of credit, commission charged and review by financial consultants. The Index published in respect of the 2019 reports, placed MDB in second place in the banking system (with a mark identical to that of the Bank, which was rated at first place).

## COMMENDATIONS AND PRIZES

### DISCOUNT BANK

**Esteem award by the AIFL** - On November 11, 2019, towards the end of her period of office, Ms. Lilach Asher-Topilsky, the former President & CEO, was awarded an esteem and appreciation award by the America-Israel Friendship League ("AIFL") for promoting the business activity between Israel and the United States and for promoting the Israeli economy.

**Esteem award by the "Israel Human Resources" Association** - The Bank has been awarded a commendation by the



Association in the excellence competition for 2019, in the category "Development of human capital". The esteem award was awarded for a unique training program, I.Team, developed jointly by the Human Resources Division and by the Technologies Division. The aim of the program is the nurturing of the team leaders population and of project managers, strengthening and maintaining their bond with the Bank. The program develops also initiative within this level of employees and intensifies the implementation of the values of the Bank within the Division. In view of the success of this program, two additional sessions have been opened for additional Wings.

The rationale of the competition committee for the commendation to the Bank: "A project having a singular innovation, pioneering, instructing, significant and valuable to the human resources community".

**The computer excellence competition for 2019** - In 2019, the Bank won thirteen awards in the 2019 IT Awards Competition, granted by "People and Computers" for technological projects implemented during the year:

- > Open API for banking operations;
- > Hyper Converge Veritas Backup Solutions;
- > Modernization of the core systems;
- > Adaptive Asset Management;
- > Identification and crediting of checks by means of AI;
- > Foreign trade website;
- > OTP identification component in container infrastructure of Open Shift of Red Hat;
- > Private customers website;
- > Cloud website for connected+ for business;
- > Proactive money management - ACT;
- > ODS operation – savings in central computer resources;
- > Classification and prioritization of

e-mails from Bank customers by means of ML-Python and Waston based on ML solutions;

- > Business application.

**The application reached first place in customer satisfaction, according to a survey conducted by the Supervisor of Banks.**

**Winning the PMI competition** – with the Agile IT project.

**Financial Innovation Awards Competition** – Winning two outstanding awards in a competition of the British Bank Union (BBA-IFS):

- > The best innovation award for 2019 in the payments category, in respect of the success of the PayBox application as a payments and money transfer platform on a social basis;
- > The best innovative service award for a retail bank, in respect of innovation in the development of payments and voice based banking.

**Retail Banking European Awards – RBI** – In the all-European competition of the Retail Banker International magazine – Europe Awards 2019 - the Bank has won awards for two projects – NSKNOX and Smart Save – for best use of AI. In this competition, in which well known and large banks from all over Europe participated, Discount Bank reached the final round in the four categories in which it competed. Following an averaging process of the votes of a professional cadre of referees and the choice by the public, the Bank won awards in two categories. The managers of the competition stated that Discount Bank was the only bank out of all contesters which had won awards in more than one category.

This winning is added to a line of awards won in an array of international

competitions, indicating again the digital leadership of Discount Bank not only in the domestic arena but also in the global arena.

**Discount Bank was named in 2019 as a superbrand in Israel** - for the seventh consecutive year. The aim of the International Superbrands Organization is to identify and name in each country the brands that have demonstrated brand and marketing excellence in the local market. The Organization is active in some seventy countries around the world, and since 2009, the Organization is also active in Israel.

**Product of the year** - Discount Bank has won the 2020 product of the year award for innovative products and services, in the category "benefits by banks and credit cards in Israel", in respect of the VIP Discount Key benefit at Ben Gurion Airport. The concept "Product of the year" was introduced 31 years ago in France, and today these awards are distributed in 37 countries. This is the 15th consecutive year in which the awards are being distributed in Israel.

**In September 2019, Discount Bank won first place in the "unskipped" competition** - conducted jointly by YouTube and Ynet - with the advertising clip promoting the VIP Discount Key benefit at Ben Gurion Airport: "Nerri dissolves the lines".

## ICC

**Superbrand in Israel** - ICC was also nominated in 2019 as a "Superbrand" in Israel, for the tenth year in a row.

**Excellence in computers competition** - ICC won this year fourteen awards and the title "Champion of Champions" in the "People and Computers" 2019 IT Awards competition for excellence in computers, in respect of the highest cumulative marking out of the winning projects. ICC was awarded two cups in appreciation of

winning awards regarding the following fourteen projects:

- > EDA – Event-driven architecture – received the highest marking of all winning projects in the competition;
- > Online banks services persist;
- > Open API;
- > ODS;
- > Issue of cards by banks;
- > Travel insurance at a click;
- > Micro-services;
- > New application;
- > WhatsApp First;
- > Credit underwriting system;
- > Pumma;
- > Data platform;
- > Data as a service;
- > Chain of supply protection.

**Product of the year** - ICC won the 2019 Innovation Award in the "Product of the year – Consumer choice" competition, for the website "CalCashBack+".





# DISCOUNT BANK AND THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

→ 193 member states of the United Nations adopted in September 2015 the new agenda for the sustainable development towards the year 2030, by means of determination of the global goals for sustainable development – (the Sustainable Development Goals (SDS's).

THE DEVELOPMENT GOALS INCLUDE 17 GOALS COVERING A WIDE RANGE OF SUSTAINABILITY ISSUES. AN ANALYSIS OF THE CORPORATE SOCIAL RESPONSIBILITY ASPECTS ACTIVITY OF DISCOUNT BANK, FOUND FIVE GOALS BEING MOST RELEVANT TO THE OPERATIONS OF THE BANK

An analysis of the corporate social responsibility aspects activity of Discount Bank found five goals being most relevant to the operations of the Bank, which are set out below accordance with their relevancy to the Bank's activities. The Bank's efforts for the advancement of these goals are extensively described in the relevant parts of this report.



## GOAL NO. 8: EMPLOYMENT FAIRNESS AND ECONOMIC GROWTH

**Commitment of Discount:**  
Discount Bank aspires to provide to its customers the best service with the aid of adapting the service to the needs of the customer and providing a professional and fair service. Within the framework of its business activity, the Bank contributes to the growth of the economy and the society in Israel, enabling financial stability over a long period of time.

**Targets:**  
8.2, 8.3, 8.6.

**Activity of the Bank in the field of:**  
**Promotion of small and minute businesses** - one of the strategic focal points of the Bank is the small and minute businesses segment. The Bank assists these businesses in various ways, among which, promoting convenient solutions for management of business (such as - iCount) and development of a designated and adapted service for freelancers;

**"Family program"** - the program enhances the financial power of customers having family ties who hold different accounts with the Bank, by focusing on the needs of the customer and his family, turning them into a single financial group enjoying a variety of singular services and benefits, in accordance with the combined data of the participants in the program;

**Financial education** - the Bank acts to make the financial language accessible to all age ranges at no cost, inter alia, by increasing the awareness and importance of long-term savings, sensible financial conduct, investment channels in the pension savings field and more;

**"Impact investments"** – investments creating an impact, social impact in the ultra-orthodox (Haredi) sector by means of the subsidiary Discount Capital.

MDB focuses on the granting of unique banking services and on the creation of value for customer populations with specific needs, including the non-Jewish population and the ultra-orthodox population.

For a more extended description of the above described activities for the promotion of "employment fairness and economic growth", including the Bank's policy, operational activities and annual goals, see the Chapter "Customers".

## IMPACT ON GROUPS OF STAKEHOLDERS: CUSTOMERS, COMMUNITY, ENVIRONMENT, SUPPLIERS

Goal 8 - Performance over the years	
2019	NIS 36,837 million, outstanding credit balance for small businesses
2018	NIS 33,595 million, outstanding credit balance for small businesses
2017	NIS 30,825 million, outstanding credit balance for small businesses
2012-2019	720 financial education activities since 2012 and until the end of 2019
2019	US\$3.9 million, investments in impact funds
2019	MDB operates 12 branches in the ultra-orthodox (Haredi) society and 34 branches in the Arab society
2018	MDB operates 11 branches in the ultra-orthodox (Haredi) society and 36 branches in the Arab society
2017	MDB operates 11 branches in the ultra-orthodox (Haredi) society and 36 branches in the Arab society



## GOAL NO. 10: REDUCING INEQUALITY

**Commitment of Discount:**  
The Bank views with importance the diversification in employment, while offering employment opportunities to populations in the community which are under-represented in the labor market.

**Targets:**  
10.1, 10.2, 10.3.

**Activity of the Bank in the field of:**  
**Customers in a financial crisis** – measures for the rehabilitation of customers in financial crisis, in relevant cases, with the aim of assisting them to revert to normal activity; promotion of a pilot project for mediation regarding debtor portfolios financed by the Bank;

**Prevention of discrimination** – opposition to discrimination of any kind whatsoever, and application of this principle when hiring employees, promoting them and determining their employment terms;

**Employment of persons belonging to populations under-represented in the labor market** – in order to reduce gaps in the Israeli society and to integrate in the economy the populations under-represented in the labor market, the Bank and its principal subsidiaries in Israel promote the employment of workers of Ethiopian origin, workers from the Arab society and female workers from the ultra-orthodox society, as well as absorption of employees with special needs and employment during the summer months of young persons having vision deficiencies. Moreover, the Bank and ICC are active in expanding their operations in peripheral areas, by enlarging the operations of the TeleBank centers, which comprise employment centers for the



different populations in peripheral areas, including populations under-represented in the labor market. ICC operates a service and sales center in Ashdod;

**Employment of persons belonging to minority population groups** – MDB is one of the largest employers of persons belonging to minority population groups;

**“Sprint Discount”** – cooperation with the “Sprint for the Future” Association, which develops and operates programs for the advancement of youth at risk in peripheral areas, with a view of reducing social gaps and increasing social mobility by means of education and knowledge;

**Granting donations and sponsorships** – in order to leverage personal and social success of children and youth in risk and distress situations, the Bank invests human and financial resources in activities in aid of the said target populations, mainly in the education and knowledge fields;

**Increasing competition** – ICC has conducted “competition raising” moves, both by engagements regarding the joint issuance with Bank Leumi and with Bank Hapoalim, and by engagements in the field of customer clubs (Shufersal and FlyCard).

For a more extended description of the above described activities for the promotion of “reduction of inequality”, including the Bank’s policy, operational activities and annual goals, see the Chapters “Customers”, “Employees” and “The community”.

IMPACT ON GROUPS OF STAKEHOLDERS:  
CUSTOMERS, EMPLOYEES, COMMUNITY,  
ENVIRONMENT, SUPPLIERS

Goal 10 - Performance over the years	
2019	2 complaints by employees regarding discrimination
2018	0 complaints by employees regarding discrimination
2017	0 complaints by employees regarding discrimination
2019	11.6% of Discount’s employees come from a population under-represented in the labor market
2018	9.1% of Discount’s employees come from a population under-represented in the labor market
2017	12.4% of Discount’s employees come from a population under-represented in the labor market
2019	NIS 16.9 million, scope of investment in the community
2018	NIS 16.9 million, scope of investment in the community
2017	NIS 16.2 million, scope of investment in the community



GOAL NO. 9:  
INDUSTRY, INNOVATION AND  
INFRASTRUCTURE

**Commitment of Discount:**  
Within the framework of its strategic plan, the Bank aims at implementing technological means which will intensify customer experience, and aspires to lead the personal and humane service experience, based on listening to and understanding the customers’ needs, while creating innovative and clear solutions.

**Targets:**  
9.3, 9.4, 9.5.

**Activity of the Bank in the field of:**  
**“Fintech and innovation”** – The creation of innovative banking models intended to provide customers with advanced services adapted to their needs. In doing so the Bank invests in several innovative initiatives in the fintech and innovation fields, such as iCount, PayBox, and “Didi” the digital representative while creating in 2019 new cooperation with nsKnox and the Hebrew University;

**Promotion of environmental credit** – extending credit to the solar energy field;

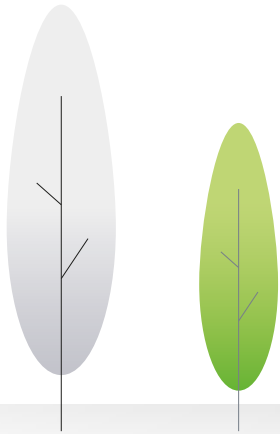
**Preparations for the changing labor world** – in this framework and as a result of the accelerated implementation of the digital in the organization, the Bank conducted as from the beginning of 2019, several moves relating to the development of managers for leadership in the digital world, among which were conventions, training sessions and a simulation chamber.

Sponsorships in the environment field.

For a more extended description of the above described activities for the promotion of “industry, innovation and infrastructure”, including the Bank’s policy, operational activities and annual goals, see the Chapters “Customers”, “Employees” and “Environment”.

IMPACT ON GROUPS OF STAKEHOLDERS:  
CUSTOMERS, EMPLOYEES, COMMUNITY,  
ENVIRONMENT, SUPPLIERS

Goal 9 - Performance over the years	
2019	Approx. 482 thousand active subscribers on the direct channels at Discount Bank and approx. 270 thousand at MDB
2018	Approx. 482 thousand active subscribers on the direct channels at Discount Bank and approx. 270 thousand at MDB
2017	Approx. 432 thousand active subscribers on the direct channels at Discount Bank and approx. 236 thousand at MDB
2019	NIS 6.75 million of investments in energetic efficiency projects
2018	NIS 10.3 million of investments in energetic efficiency projects
2017	NIS 11 million of investments in energetic efficiency projects





GOAL NO. 4:  
QUALITY EDUCATION

Commitment of Discount:

The Bank sees in the education field a generator for personal and social success of the individual, and, therefore, encourages activity for promoting quality education and learning opportunities.

Targets:

4.1, 4.3, 4.5.

Activity of the Bank in the field of:

**"Sprint Discount" program** – the flagship program of the Bank for the advancement of education and knowledge in geographical and social peripheral areas, in cooperation with "Sprint for the Future" Association, which develops and operates programs for the advancement of youth in risk situations in peripheral areas;

**Assistance to students** – the Bank and MDB offer students a variety of finance solutions designed to respond to their special needs. MDB operates a unique program for the promotion of higher education in the minority population groups.

The Group invests in associations and initiatives promoting education and knowledge with the aspiration of strengthening weak populations and advancement of the future generation. For a more extended description of the above described activities for the promotion of "quality education", including the Bank's policy, operational activities and annual goals, see the Chapters "Customers" and "The Community".

IMPACT ON GROUPS OF STAKEHOLDERS:  
CUSTOMERS, COMMUNITY,  
ENVIRONMENT, SUPPLIERS

Goal 4 - Performance over the years

2019	Participation of 11,954 youngsters in 315 activity centers of "Sprint" project
2018	Participation of 11,760 youngsters in 268 activity centers of "Sprint" project
2017	Participation of 8,500 youngsters in 100 activity centers of "Sprint" project
2019	Approx. NIS 4.8 million of scholarships to students granted within the framework of "Sprint" project
2018	Approx. NIS 4.3 million of scholarships to students granted within the framework of "Sprint" project
2017	Approx. NIS 4.8 million of scholarships to students granted within the framework of "Sprint" project
2019	Approx. NIS 5.4 million scope of investment of the Group in education and schooling
2018	Approx. NIS 6.2 million scope of investment of the Group in education and schooling
2017	Approx. NIS 4.2 million scope of investment of the Group in education and schooling



GOAL NO. 16:  
PEACE, JUSTICE AND STRONG  
INSTITUTIONS

Commitment of Discount:

The Bank holds the funds and financial assets of its customers. In such operations, the most basic condition for conducting business is the confidence that the customers show towards the Bank.

Accordingly, Discount Bank diligently maintains the rules of ethics and conducts its business in a legal and fair manner, abiding by the provisions of the law and regulations in its operations, and acts to combat bribery and corruption.

Targets:

16.5.

Activity of the Bank in the field of:

**Corporate governance code** - application of the "best practice" policy with respect to corporate governance, the code is based upon the provisions of the law and regulations applying to the Bank in this field; the principal subsidiaries have also adopted a corporate governance code;

**Avoiding conflict of interests within the Board of Directors** - in addition to abiding by proper conduct of banking business directives, the corporate governance code of the Discount Group states that the Board of Directors shall determine a policy and rules for the treatment of conflict of interests designed to protect the Bank from improper or illegal operations;

The Bank has joined the initiative against racism in the Israeli society.

For a more extended description of the above described activities for the promotion of "peace, justice and strong institutions", including the Bank's policy, operational activities and annual goals, see the Chapter "Corporate governance".

IMPACT ON GROUPS OF STAKEHOLDERS:  
CUSTOMERS, EMPLOYEES, COMMUNITY,  
SUPPLIERS

Goal 16 - Performance over the years

2019	The Bank has a code of ethics based upon the Bank's vision and values, which comprises a compass for the employees that directs them towards proper, ethical and appropriate conduct; the principal subsidiaries have their own ethical codes.
2018	
2017	
2019	The Bank has a "whistle blowing" mechanism – a "hot-line" was installed at the Internal Audit Division handling anonymous calls regarding suspicion of fraud and embezzlement, improper accounting treatment, noncompliance with the law or material deviations from procedures of the Bank. A circular in this matter was also distributed to the employees, which clarified that the Bank's Management would not allow any action against employees who had submitted bona fide complaints. A similar mechanism is in operation at the principal subsidiaries.
2018	
2017	



# CONTRIBUTING TO THE ECONOMY

→ The Bank maintains daily relations with the local business community and its members. The Bank is also positioned in the meeting point of those wishing to save or deposit funds and those who wish to draw money for investment and development of their business. The Bank constantly provides a variety of financial and investment solutions to business entities

and to various sectors of customers.

The economic value produced by the Discount Group results from its being a large economic entity, one of the five major banking groups in Israel. The Bank's operations and its business results create value for its shareholders. The Group pays taxes to the authorities as prescribed by law, employs a large staff and thus contributes to the livelihood of many families. The Group purchases services and products in a substantial volume, most of which in the local market.

## THE ECONOMIC VALUE CREATED BY THE DISCOUNT GROUP

		2019	2018	2017
		In NIS million		
Economic values	The total economic value produced by the Group <sup>1</sup>	9,664	9,020	8,325
	Total economic value distributed by the Group to its stakeholders <sup>2</sup>	7,486	7,055	6,441
	Total retained economic value <sup>3</sup>	2,178	1,965	1,884
	Provision for taxes on income from ordinary operations	932	789	747
Employees	Number of Group employees <sup>6</sup>	9,472	9,488	9,374
	Salaries and related expenses	3,343	3,385	3,204
Customers	Number of branches in Israel <sup>4,6</sup>	178	182	188
	Credit to the public <sup>6</sup>	182,991	167,078	150,868
	Of which: housing loans <sup>6</sup>	37,159	32,924	28,893
	Credit to small and minute businesses <sup>6</sup>	36,837	33,595	30,825
	Commitment for investment in impact funds <sup>7</sup>	13.5	10.5	-
Suppliers and community	Payment to suppliers	1,239	1,389	1,457
	Purchase in Israel	92.4%	94.6%	95.3%
	Contributions and investments in the community <sup>5</sup>	16.9	16.9	16.2

Notes:

1 Interest income, net (interest income less interest expenses) together with non-interest income (non-interest financing income, commissions and other income).

2 Operating and other expenses (including among other: salaries and related expenses, municipal tax, donations and community investments) with the addition of provisions for taxes and dividends.

3 The difference between the economic value produced by the Group and the economic value distributed by the Group.

4 Branches of Discount Bank and branches of MDB.

5 The volume of monetary donations and indirect investments having a monetary value.

6 Data as of December 31, of each of the years.

7 Total liabilities by means of Discount Capital, within the framework of investments having a social impact alongside financial return.

Financial data of MDB and of ICC are presented in their annual reports for 2019, available on their respective Internet websites. Financial data of the Discount Group is presented in the 2019 Annual Report of Discount Bank, which is available on the Bank's website.

Data regarding the activity of the Discount Group by operating segments are presented in the 2019 Annual Report (pp. 221-239). Data regarding the activity of the Discount Group by geographical areas are presented in the 2019 Annual Report (p. 236). Data regarding the distribution of the overall credit risk of the Discount Group according to economic sectors are presented in the 2019 Annual Report (pp. 62-63).

## INDIRECT ECONOMIC IMPACTS

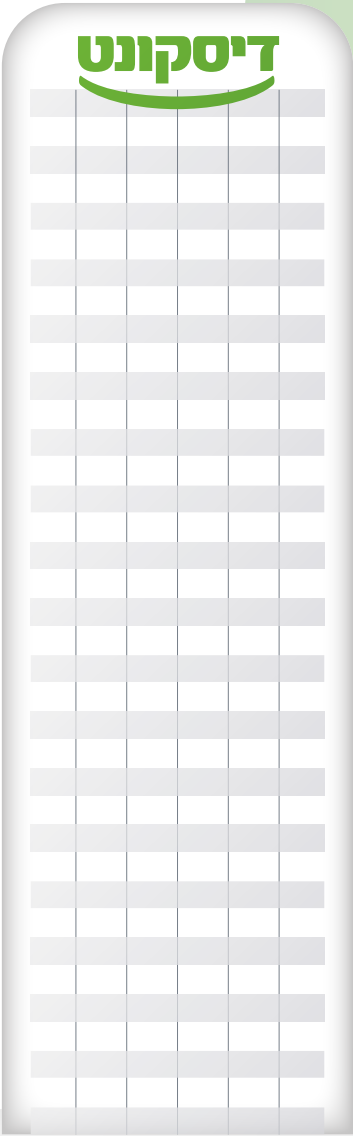
→ The Discount Group is acting towards promoting various benefits in favor of the public. Among the services in favor of the public may be mentioned the extensive activity with regard to financial education (see chapter "Customers" below).

Moreover, some of the Group's measures in the field of employee recruitment are intended for the empowerment of certain populations and to increase their participation in the labor market. The Group acts to promote employment in peripheral areas and promote the employment of women from the ultra-orthodox sector (see Chapter "Employees" below), as well as employment of special needs personnel (see chapter "Discount for the Community" below). MDB is one of the largest employers in the Arab sector.

The Discount Group offers services to customers by means of a widespread branch network in the various regions of the country. This branch network contributes both to the availability of financial services in peripheral areas in the country (alongside a variety of online banking services) and to employment in these areas. The Group specializes in providing services to the

non-Jewish population and to the ultra-orthodox Jewish population by means of Mercantile Discount Bank. (See Chapter "Customers" below, in the Section "A wide disposition of branches - servicing a wide variety of customers").

An additional indirect impact worth mentioning is the Bank's investment in its flag ship project in the field of contribution to the community - "Sprint Discount". The project focuses on the advancement of youth at risk in peripheral areas with a view of reducing social gaps and increasing social economic mobility by means of education and knowledge.





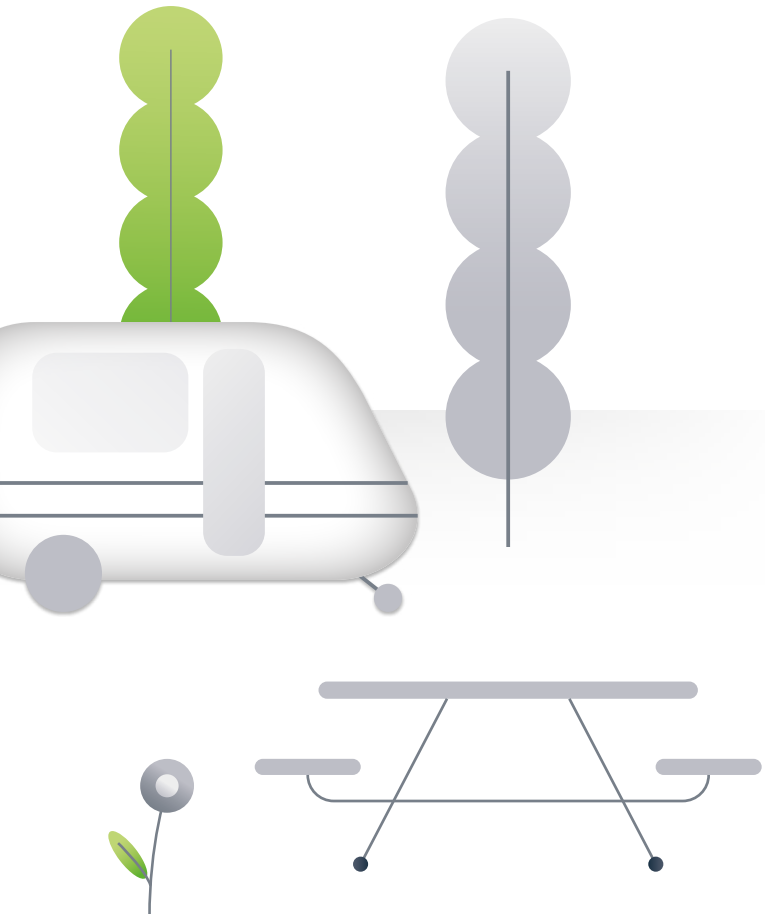
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# DISCOUNT SPIRIT

THE DISCOUNT SPIRIT INCORPORATES THE VISION, VALUES, RULES OF CONDUCT AND THE CODE OF ETHICS, WHICH GUIDE THE OPERATIONS OF DISCOUNT BANK ON ITS WAY TO BECOME THE BEST BANK FOR ITS CUSTOMERS.



## FORMATION AND INTEGRATION OF THE "DISCOUNT SPIRIT"

→ The integration of the vision into the Bank included four main lines of action:

- > **Management** - determining policies and making value directed decisions, providing "role models", monitoring and control;
- > **Managers** - responsible for the integration in the field, in the branches and in the Head Office units;
- > **Core processes and strategic projects** - tuning all processes and projects in order to reflect the new values;
- > **Internal communication** - creation of an activity for the delivery of messages encouraging integration all over the Bank, mainly by means of two communication platforms: "FaceBank" the organizational portal and "Morning Magazine" issue, which includes different articles from all units of the Bank.

Measures continued during 2019 for the integration and implementation of the "Discount Spirit" in the strategic projects that the Bank is leading, in organizational development processes, including performance evaluation, training programs, and the way in which outstanding employees are selected. Furthermore, a separate plan was formed for integrating the Code of Ethics, the aim of which is to raise awareness regarding the Bank's new Code and to make employees familiar with it so as to form a basis and platform for resolving the ethical dilemmas that arise in the workplace.

The integration of the "Discount Spirit" was carried out through additional organizational measures, such as: new employee absorption, position-orientated training, and so forth, all in order to create an organizational culture supportive of change, that aligns with the Discount Group's strategy and its business goals.

## VISION, VALUES AND EVERYTHING IN BETWEEN

### OUR VISION

→ **We at Discount believe** that it is up to us to make our customers choose us anew every day. We understand that, in order for this to happen, we need to create added value and shape our customers' experience at every point of contact with the Bank.

We are eager to provide service and committed to do so at the highest professional standards, from a sincere and true desire to work in our customers' best interests.

It is important to us that we create value over time for all our stakeholders. The way we treat our customers, colleagues, partners and suppliers is how we would have them treat us: with fairness and integrity, consideration and respect.

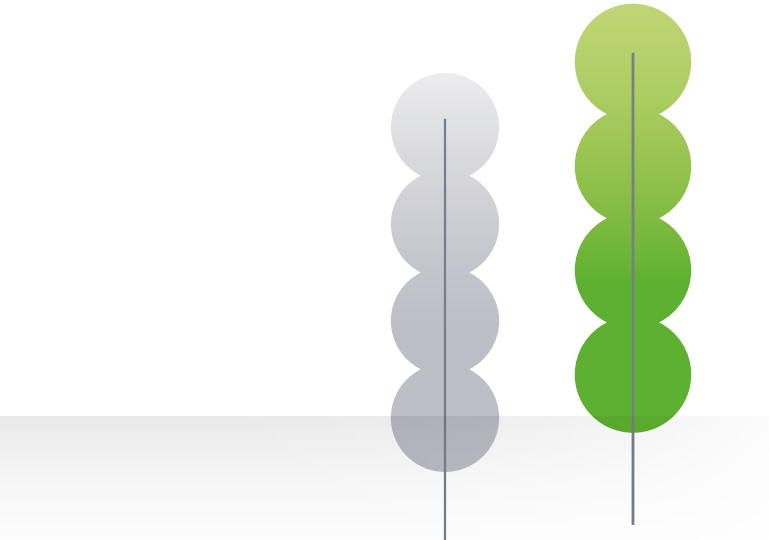
As a financial organization, we are committed to work diligently in order to be deserving of the public's trust. Beyond compliance with all laws and binding procedures, all our deeds and actions are conducted transparently and fairly so as to fulfill the Bank's commitment to create and encourage economic and social growth.

It is important to us to feel proud of our workplace and to this end we encourage a challenging, supportive and pleasant work environment. We believe in the people who work with us and invest in strengthening them.

All of us together – the Bank's Management, the managers and the staff – are committed to continuing to promote the Bank's momentum of change, and the continued future growth and success of the Discount Group is the goal we constantly see before us.

**We at Discount are committed to our customers, to leading change, to making it happen and to succeeding together.**

**WE SHALL ENDEAVOR TO BECOME THE BEST BANK FOR ITS CUSTOMERS, PERMITTING, OVER A PERIOD OF TIME, GROWTH AND FINANCIAL SOLIDITY BY MEANS OF ADAPTED, PROFESSIONAL AND FAIR BANKING.**



OUR VALUES

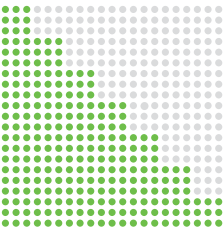
Commitment to our customers



- > We guarantee a professional and speedy response
- > We customize innovative solutions
- > We provide a convenient, available and transparent service
- > We confer an exceptional service experience

We are aware of our customers' changing needs and think from their perspective in order to provide them with a professional and speedy response with explicit added value. We endeavor on tailoring innovative solutions to the customer's needs and provide them an exceptional service experience, with emphasis on availability, simplicity, convenience and transparency.

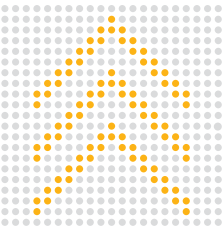
Succeeding together



- > We cooperate and share knowledge
- > We establish a trust relationship
- > We are considerate and respectful

We cooperate, share knowledge, consult and think together, thereby creating a multiplier effect. We establish a trust relationship and relate to each and every person eye to eye, with consideration and with respect, in order to create a work environment that is supportive, positive and challenging and an atmosphere that encourages personal and professional development.

Leading change



- > We see change as an opportunity
- > We are curious and daring
- > We are open to new ideas

We identify change as a growth opportunity and display a constant curiosity for learning and self-development. We dare to go beyond our comfort zone, to break out of known boundaries and to adopt new ideas. We display flexibility and act speedily and diligently in order to adapt our operations to the changing world.

Making it happen



- > We are proactive and determined
- > We take overall responsibility
- > We stand by our commitments

We work with enthusiasm and determination to achieve added value and results to the highest standards. We take responsibility for our work from A to Z and display diligence, initiative and resourcefulness in order to achieve our objectives. We stand by our commitments and strive to surpass expectations.

VISION AND VALUES AT THE PRINCIPAL SUBSIDIARIES

The principal subsidiaries have adopted the vision and values appropriate to each such company's character and activity<sup>18</sup>

THE VALUES OF MERCANTILE DISCOUNT BANK

MDB operates in accordance with values incorporated in three layers: human, organizational and inter-personal.

THE ICC VISION

ICC aspires to realize the dreams, needs and wishes of its customers with gratification and responsibility, at any time and at any place. ICC's guiding principles in realizing its vision require it to act in mutual responsibly, fairness, reliability and flexibly, and in accordance with ever-changing conditions of a dynamic world. As a leading company in its field, ICC aspires to provide each and every

customer with the solution most suitable for him from a range of sophisticated financial products and is working to develop the data world as a platform that will enable it to better understand the needs of its customers and their desires. ICC is leading an ongoing process of digital transformation that emphasizes the provision of added value and a user experience that serves as part of making the services more accessible to the cardholders and to the trading houses. Due to it being based on a customer-orientated organizational infrastructure, ICC makes diverse communication channels available so as to provide a professional and qualitative solution that facilitates a direct and speedy dialog between the company and its customers.

IDB BANK – OUR VISION

It's not **what** we offer; it's **how** we offer it. With us, it's **personal**.

We dedicate ourselves to providing quality service, personalized attention and innovative products that further the success of our clients. We merge time-honored tradition with cutting-edge technology to create a secure, productive environment where long-term, multigenerational relationships can grow.



<sup>18</sup> For further details about the values of the principal subsidiaries in Israel, see the Corporate Social Responsibility Report for 2017, p. 49.

# THE CODE OF ETHICS

At the beginning of 2018 a new Code of Ethics was approved at Discount Bank. The new Code of Ethics was drawn up as part of the process of forming the “Discount Spirit”, which is the organization’s ethical and behavioral basis in building the desired organizational culture. The Code of Ethics relates to moral and ethical behavior and primarily to values of fairness, honesty, respect and transparency in its ongoing conduct vis-à-vis various categories of stakeholders, the principal of which are employees, customers, the business environment and the community.

The Code of Ethics was drawn up in a process that included examining the codes of ethics of other financial bodies in Israel and abroad, examining the Bank’s existing Code of Ethics and an in-depth

examination of the standards that have been developed in this field and that emphasize social and environmental responsibility, the prevention of bribery and corruption, the protection of workersmaking complaints on ethics issues, the existing regulation and the requirements coming from social bodies.

The Bank’s Board of Directors and Management see great importance in the absorption of the Code and in turning it into an integral part of the culture of the organization. Following the drafting of the Code, a plan for its methodical deployment was drawn up, so as to ensure that the Code would be deployed effectively within the organization.

The executive in charge of ethics at the Bank is a member of Management and – Ms. Orit Caspi, Executive Vice President, Head of the Human Resources Division.

Operating together with her is the Ethics Committee, whose responsibility is to form a policy in the matter of ethics, monitor the absorption processes and deal with dilemmas and ethical issues. Representatives of the Bank’s various units officiate in the Committee.

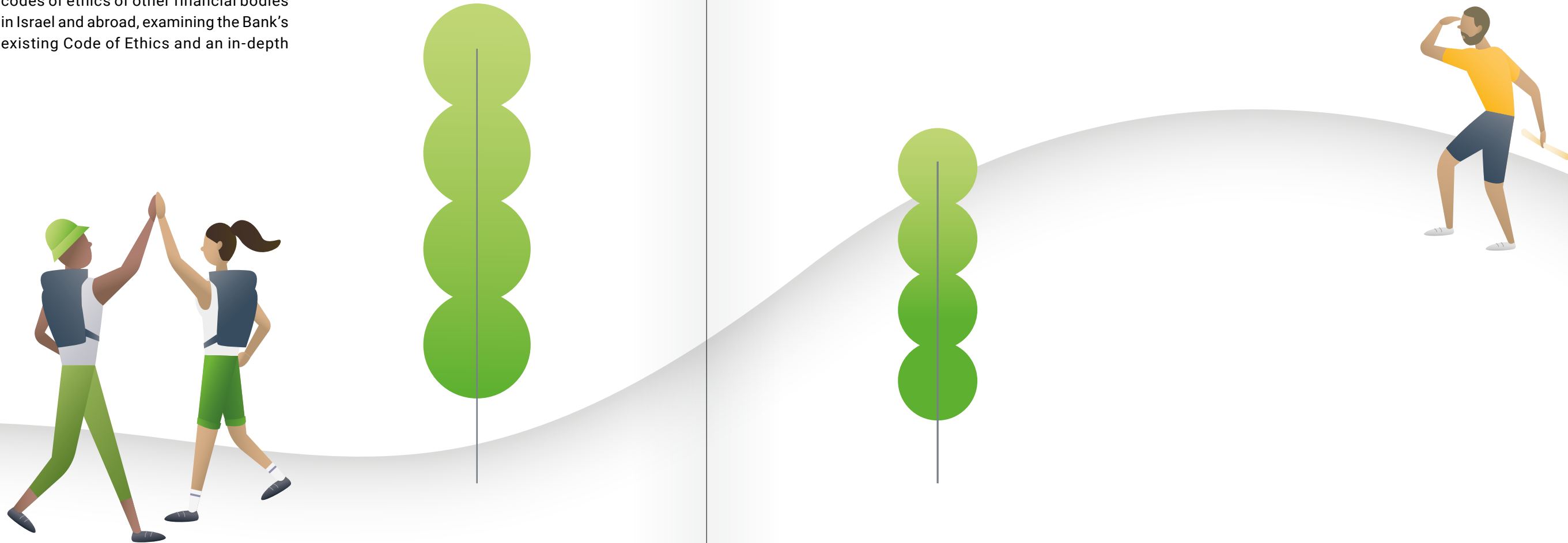
The absorption processes integrate courseware, the designated Intranet site, which contains a collection of dilemmas and extended information regarding organizational ethics, integration of ethical dilemmas with professional and managerial qualification processes, as well as examining and updating the core organizational processes in the fields of human resources, customer experience, supplier management, etc. – all in the spirit of the Code of Ethics.

In 2019, the process of assimilating the code of ethics included, inter alia, holding a professional workshop for

members of the Ethics Committee, providing tools for identifying and handling ethical dilemmas, distributing a “Read and Sign” document, learning through gamification – an investigation video aimed at giving the Bank’s employees practice in identifying ethical events that run counter to the assimilated Code of Ethics. Concurrently, the Ethics Committee, which is charged with handling ethical dilemmas, convened in order to draw-up an assimilation plan and monitor the plan’s actual implementation.


The reporting mechanisms are an anonymous telephone line and forms addressed to the Ethics Committee also for consulting purposes. No approaches were made to the Committee in 2019.

The Code of Ethics is available for perusal on the Bank’s website.  
<https://www.discountbank.co.il/DB/private/discount-group/about/discount-spirit>







# REPORTING AND CONSULTATION CHANNELS




The direct manager




The human resources manager at the division




Members of the Ethics Committee



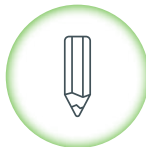
Hot line to the Ethics Committee (calls may be made anonymously): 076-8058258



Email to the Ethics Committee  
vaadatetika@dbank.co.il



Portal – Complaint and Report Centers



The Ethics Officer, Ms. Orit Caspi,  
tel.: 076-8058877, fax: 076-8890418,  
email: Orit.Caspi@dbank.co.il

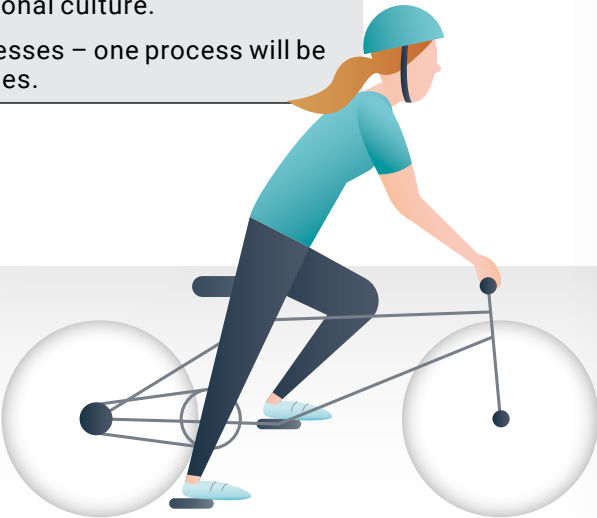
# GOALS

## GOALS PRESENTED IN THE PREVIOUS REPORT

Discount	✓ <b>Achieved</b>	As a goal for 2019, the Bank set itself the task of continuing to integrate the values of the “Discount Spirit” among the managers, with emphasis on leadership in a changing workplace and a digital environment.
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## FUTURE GOALS

Discount	<ul style="list-style-type: none"><li>➢ Conducting an ethics survey among the Bank’s employees.</li><li>➢ Re-examining the wording of the Code of Ethics and adapting it to the spirit of the times and the desired organizational culture.</li><li>➢ Integrating ethics aspects into the core processes – one process will be selected from the human resources processes.</li></ul>
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# THE CODE OF ETHICS OF THE PRINCIPAL SUBSIDIARIES

## MERCANTILE DISCOUNT BANK

MDB’s Code of Ethics reflects the leading values of the Bank. The officer in charge of ethics at MDB is a member of Management, Ms. Liat Friedman - VP Head of Human Resources and Administration Division. The Code of Ethics, which was launched at the end of 2016, continued to be integrated during 2019 along four routes:

**Training** - as part of their position training, new bankers receive training on the Code of Ethics and its importance. Furthermore, a discussion is held regarding ethical dilemmas. The branch managers hold discussions with their staff about dilemmas, assisted by recommended solutions published by the Committee. Training is being conducted for the new members of the Ethics Committee.

**Structure and processes** - the Ethics Committee held three meetings in 2019 at which it formulated solutions to four ethical dilemmas that had arisen in the field and discussed the deepening of the absorption. The Committee examined awareness of the Code and confirmed that it is up to date. Rotation of some of the Committee’s members has been implemented in order to refresh and expand awareness and the scope of the discussion on this topic.

**Channeling** - solutions formulated to ethical dilemmas by the Ethics Committee were published on the employees’ portal. In addition, a refresher circular was published regarding conduct before the elections.

**Control** - the Ethics Committee has monitored the conducting of the discussions at the branches with the assistance of the learning partners and has conducted an awareness

survey regarding the Code’s assimilation, to which there were some 600 respondents.

## ICC

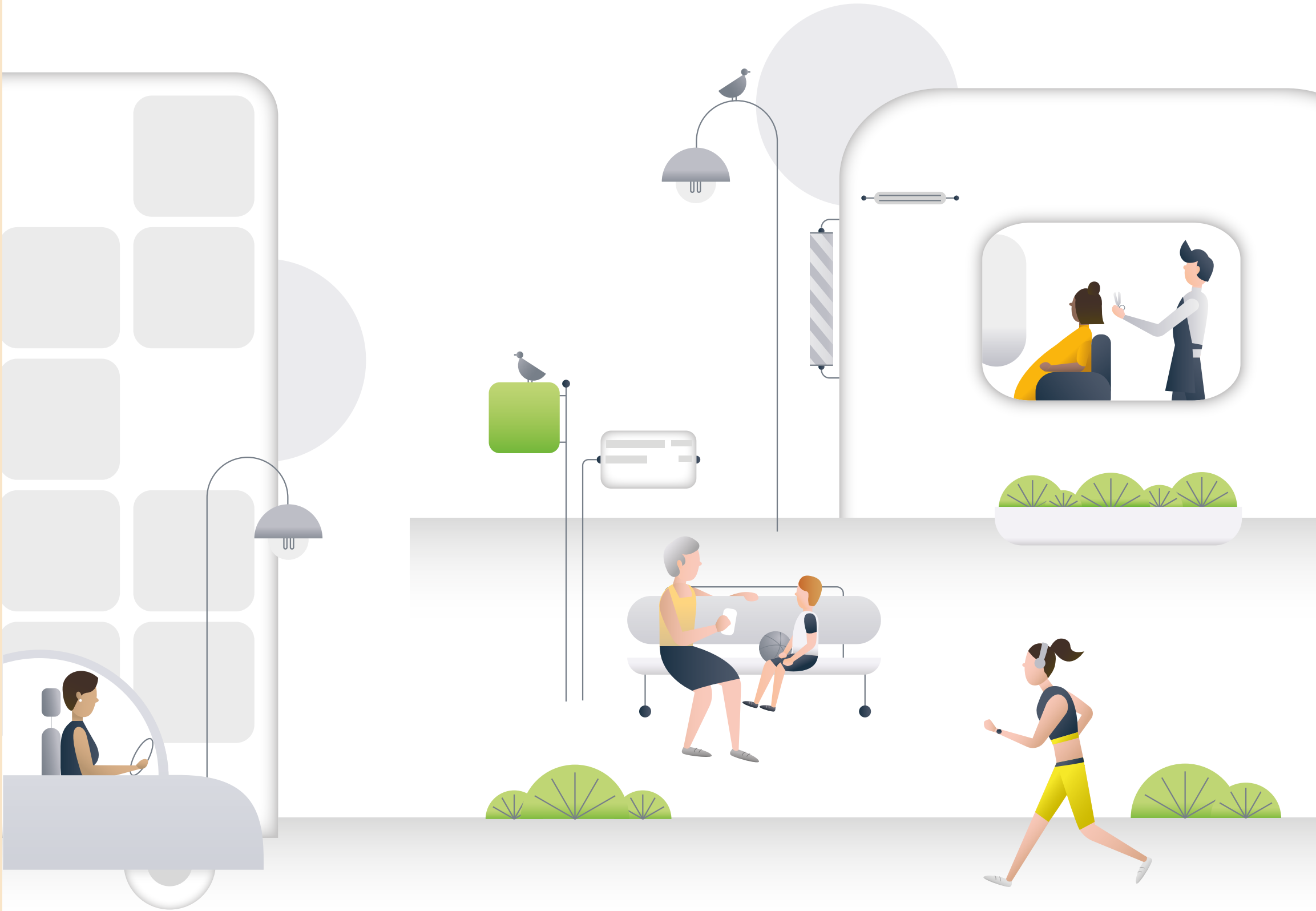
The officer in charge of Ethics at ICC is a member of Management, – Ms. Sarit Kafri, Vice President and Head of the Human Resources Division. The Code of Ethics of ICC was approved by the company’s board of directors in 2016, and since then it has served as the company’s code of business conduct. New employees engaged by ICC receive an information manual concerning the company’s Code of Ethics as part of the process of inducting new employees. With the aid of a learning program, they are required to study the rules and ways to act when facing dilemmas that arise in the organization; they also have to sign that they have read and understood the principles of the Code of Ethics. When managers take up their management duties, they are required to study the subject of ethics, within the framework of managers development courses that are held in the organization. Furthermore, once in every two years, all company employees must pass a compulsory interactive learning program on this topic. The Code of Ethics of ICC is available to the employees on the organizational portal of the company and the general public is able to view it on the Internet website of the company.

## IDB BANK

IDB Bank’s Code of Conduct undergoes each year a process of validation and approval by the Risk Committee of the Board of Directors and is subsequently ratified by the Board of Directors. It was last approved in March 2019. All employees and directors annually acknowledge that they have read and understood the standards and principles contained in the Code of Conduct. Every new employee is given a copy of the Code of Conduct. The Code of Conduct is administered by the Office of General Counsel in partnership with Human Resources, and is available on the Bank’s intranet for all employees to access.

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526  
THOUSAND ACTIVE  
SUBSCRIBERS TO THE  
ONLINE SERVICES

50,000  
CUSTOMER SURVEYS

86%  
CUSTOMERS SATISFIED WITH  
THE LAST SERVICE RECEIVED AT  
THE BRANCH (MARK OF 9-10)

84,900  
FOLLOWERS ON FACEBOOK

APPROX. US\$  
13.5  
MILLION COMMITMENT  
FOR IMPACT INVESTMENTS  
THROUGH DISCOUNT CAPITAL

NIS  
36,837  
MILLION NIS THE VOLUME OF  
CREDIT EXTENDED TO SMALL  
AND MINUTE BUSINESSES

# THE CUSTOMERS

THE BANK ASPIRES TO BE A LEADER IN THE EXPERIENCE OF PERSONAL AND PEOPLE-ORIENTED SERVICE, BASED ON LISTENING TO AND UNDERSTANDING CUSTOMER NEEDS, WHILE CREATING CLEAR AND INNOVATIVE SOLUTIONS AND STRIVES TO CREATE VALUE FOR ITS CUSTOMERS



## POLICY

**The vision of Discount Bank: "We shall endeavor to become the best Bank for its customers, permitting over a period of time, growth and financial solidity by means of adapted, professional and fair banking."**

➔ In view of the vision, the Bank aspires to be a leader in the experience of personal and people-oriented service, based on listening to and understanding customers needs, while creating clear and innovative solutions and strives to create value for its customers in the various banking fields of operation.

Within the framework of assimilating the vision, the Bank adjusts to the changing world and creates innovative banking models providing customers with an advanced service tailored to their needs. Inter alia in this respect, the Bank has invested in several innovative initiatives in the fintech and innovation fields. The Bank works to integrate banking excellence and culture of service, and insists on processes of learning lessons in connection with customer relations and dealing with customer inquiries.

The Bank is willing to open an account for customers, and provide them with service, subject to the provisions of the law and accepted banking considerations. From time to time, the Bank offers different population segments unique solutions and campaigns, on a purely economic basis, without involving irrelevant considerations of race, nationality, religion or gender.

Discount Bank works toward promoting fairness and decency in service - values that constitute an integral part of the ongoing business activity - inter alia, by promoting transparency and by providing full disclosure to customers, including the information that has to be provided to customers regarding the banking products and services offered to them.

Conduct of the service is based on the following principles:

- > **Focus on the customer** - specialization according to segments (customer arenas) instead of products - providing appropriate services and products in accordance with the characteristics and unique requirements of each segment;
- > **One stop shop** - a comprehensive service to customers at one service point;
- > **Team service** - provides a response for a more comprehensive service at one address at the branch;
- > **Multi-channel** - enables customers to perform banking operations everywhere, at any time, in every channel and individually customized;
- > **Expert banking** - provision of various professional services in the credit and investment sectors, including customizing the product to customers' needs and requirements;
- > **Service initiative** - forecasting customers' needs and adaptation of product and services;
- > **The integration of standards for handling customer inquiries** and the continued reduction in complaints;
- > **Easy and convenient communication with the Bank's customers** through emails to the banker.

A system supporting customer focused marketing was integrated at the Bank's service layouts. This system places the customers at the center and customizes the products according to their needs and preferences.

### THE BRANCH LAYOUT

➔ In view of the reduction in manpower and the transition of customers in recent years to the digital arena, within the strategic program of the Discount Group, it has been decided to reduce real estate areas serving the Bank and the Group (see

the 2019 Annual Report, pp. 307-308).

In accordance with the above, three branches and extensions were shutdown in 2019, as well as teller services at 21 branches, this following the shutdown of teller services at 13 branches in 2018. The branches and extensions that were shut down in 2019 are: the Shay Agnon Branch in Jerusalem; the Colony Branch in Jerusalem; the North Dizengoff Branch in Tel Aviv and at the same time, the Bank opened two new branches: the Pardess Channah Branch and the Bat-Yam Extension.

In 2019, MDB merged two branches in Jerusalem and in Tel Aviv, and at the same time opened a new branch in Beit Shemesh.

In order to reduce as much as possible the harm caused to customers due to the discontinuation of teller services and with a view of facilitating the customers, clear guidelines had been prepared. As part of the aforesaid, at branches where teller services had been discontinued, a banker was positioned for a period of three months, instructing customers having difficulty in using the online services, and also offered to customers was the possibility of reaching nearby branches where teller services are available.

As of the end of 2019, the branch layout of Discount Bank in Israel numbers 178 branches,<sup>19</sup> 14 branches in central areas of the ultra-orthodox (Haredi) society,<sup>20</sup> 36 branches in central areas of the Arab society,<sup>21</sup> and many branches in peripheral areas. Such disposition provides accessibility to services of the Bank for all sectors composing the population in Israel.



19 103 Discount Bank branches and 75 Mercantile Discount Bank branches.

20 2 Discount Bank branches and 12 Mercantile Discount Bank branches.

21 2 Discount Bank branches and 34 Mercantile Discount Bank branches.



GEOGRAPHIC DISTRIBUTION OF DISCOUNT BANK BRANCHES

Region	Number of branches	Percentage of all branches
Haifa and North	19	18.4
Sharon	11	10.7
Central	25	24.3
Tel Aviv	14	13.6
Lowland	7	6.8
Jerusalem	15	14.6
South	12	11.6
Total	103	100.0

GEOGRAPHIC DISTRIBUTION OF MERCANTILE DISCOUNT BANK BRANCHES

Region	Number of branches	Percentage of all branches
Haifa and North	14	18.7
Nazareth	14	18.7
Acre	16	21.3
Tel Aviv and Central	14	18.7
Jerusalem and South	17	22.6
Total	75	100.0

INNOVATION

The Bank adapts itself to the changing world and acts to create innovative banking models, which will provide its customers with a sophisticated service suited to their needs.

Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and intensifying the customer experience. Among the measures taken in this field may be noted the establishment of the Digital, Data and Innovation Division, within the framework of which operate the Digital Department, a Fintech and Innovation Unit,

a PayBox Application Management Unit and a CDO (Chief Digital Officer) Department.

The Digital wing leads the solutions concept in three principal content spheres - direct channels, the CRM and customer concept and current account. The Subdivision is responsible for charting the course through the world of content, for shaping the customer's future travels, for upgrading the bankers' work environment and aligning it with the changing reality, and for the deployment of innovative tools, services and solutions aimed at improving the customers' experience and customers' satisfaction.

The Fintech and Innovation Unit acts for the creation of cooperation with fintech companies and the integration thereof in value offers to customers, as part of the bankers' work environment and of the systems of the Bank.

The PayBox Unit is working to expand the Bank's payments activity by means of the application and the website.

**ADVANCED INITIATIVES IN THE FINTECH FIELD**  
**PayBox**  
A payments application allowing the easy transfer of funds to a contact person, or to a telephone number, and collectively collect funds.

The PayBox application allows the transfer of funds between private individuals, as well as the collective collection of funds for a defined purpose by means of establishing a closed group for this purpose. PayBox has features relating to the groups world, and the manager of the group would be able to decide whether it would be an open or group, and whether it would be possible to observe who are the payers, the amounts paid, etc.

In 2019, the Bank enlarged the applications offered by the Application. As part of enlarging the payments operation on the

PayBox application, the Bank signed in March 2019 an agreement with HopOn Mobility Ltd., a company that offers, inter alia, recharging services for the Rav-Kav Card used for payment on the public transport system, in participation with Dan Public Transport Company Ltd. During the second quarter, the Bank integrated into the PayBox application the solution of the company for the recharging of the Rav-Kav Card, so that users of PayBox can recharge their Rav-Kav Card by means of the application.

Furthermore, the Bank, in cooperation with HopOn Mobility Ltd. and Cellopark Technologies Ltd. were chosen as candidates for obtaining the permit of the Ministry of Transport for operating the payment of fares on public transport by means of the mobile phone application. In the course of the third quarter, the Rav-Kav service was extended also to iOS customers (iPhone instruments of Apple Company) following the opening up of the NFC capabilities by Apple Company.

PayBox is the only application offering its customers an enlarged use channel, which following a strict identification, allows acceptance of payments of up to NIS 150 thousand per year.

As part of the activity of the Bank for the promotion of investments in the community the Bank has developed for users of the application a channel enabling the transfer of donations to different associations in a simple and convenient manner.

**iCount**  
The first technological-business application in the banking sector in Israel, which implements an open banking concept into an interface with third parties. It is implemented using one of the world's most advanced API platforms, which enables a secured link based on a global standard.

In August 2017, the Bank entered into a cooperation agreement with a fintech technology company which has

developed a system for the management of accounts and cash flows for small and medium businesses. In accordance with the agreement, Discount Bank and MDB enable their small business customers to establish a secured connection between the business account and the iCount accounting system, and enjoy advanced tools for the management of their business. This is the first business-technological application being implemented through the Application Programming Interface (API) platform (see also below).

**"DIDI" - a digital representative in the application**  
DIDI, which constitutes a breakthrough and is the leading BOT in the Israeli banking system.

In December 2017, the Bank began the gradual roll out of a new service for customers using the banking application, which enables them to correspond and converse with a digital representative on the application named DIDI. DIDI offers a unique and innovative way for digital banking activity, thus changing the way in which customers use the application. The conversation with DIDI is held in an open language and is based on advanced artificial intelligence, which - on the one hand - enables the text input by customers to be deciphered and - on the other hand - enables a smart, self-learning robot to hold a conversation. DIDI is able to provide customers with information regarding their accounts, to refer to executing banking transactions, to assist customers in getting oriented with the application and to bring up insights based on artificial intelligence regarding important events that have taken place on the account.

The service is unique and groundbreaking for the Israeli banking industry. In 2019, the effort to enrich DIDI's capabilities continued, so as to enable it to respond to additional questions regarding an array of subjects. During the year, over one million questions were addressed to DIDI.

Open banking platform

Discount was the first bank in the Israeli banking system to implement, as part of the cooperation with iCount Company, the concept of open banking into the interface with third party suppliers by means of the Application Programming Interface (API) platform, one of the most advanced in the world. The Bank is preparing for the expansion of the open banking platform introducing an API store offering third parties to interface with the Bank in order to use the different banking services by means of the API, in a controlled and secured manner.

Agreement with nsKnox

In February 2019, the Bank signed an agreement with nsKnox Technologies Ltd., which had developed security and control solutions for organizational payment systems of large and medium corporations, while employing Cooperative Cyber Security technology.

Within the framework of this agreement and as part of the realization of the cooperative security concept, the Bank would comprise a part of the security layout of the company in return for consideration out of the revenues of the company. This is a first and innovative act leveraging the existing capabilities of the Bank in favor of third parties, and this within the effort being made for the enlargement of its activity and the diversification of its sources of income, while implementing innovative banking models. Beginning of this operation is subject to technological adaptations.

Agreement with the Hebrew University

The Bank has signed an agreement with the Fintech Center of the Hebrew University in Jerusalem, within the framework of which, the two organizations agreed to cooperate in promoting banking data based applied research, with the aim of improving the service and value offers of the Bank to its customers.

The customer service that Discount Bank operates within the framework of the sophisticated initiatives in the fintech fields is also available to MDB's customers.

DIRECT CHANNELS

The Bank is working persistently to provide its customers with an advanced experience regarding its direct channels. While striving continuously to improve the range of services that the Bank provides, emphasis is placed on a user-friendly service and - above all else - on exceptional customer satisfaction and experience.

A Bank of Israel survey regarding satisfaction of private customers from the banks shows that Discount Bank leads in satisfaction of its customers from the digital services - the Internet website and the Application.

At the end of 2019, the Bank had approx. 526 thousand active subscribers to the direct channels.

At the end of 2019, MDB had approx. 270 thousand active subscribers to the direct channels.

In 2019, the Bank placed an emphasis on the development and the upgrading of its leading digital assets, and in particular, on the introduction of a new private customer website, on a new Business+ Application and on the development of new capabilities. For further details, see the 2019 Annual Report (pp. 356-359).

Most of the customer services that Discount Bank operates within the framework of the online channels are also available to MDB's customers.

TECHNOLOGICAL ACCESSIBILITY FOR THE OLDER POPULATION

The Bank is working copiously in order to help different populations, including the older population, in the integration of the correct and safe use of

Continue on page 64 →

INNOVATION IS ICC

In 2019, ICC continued to lead the process of digital transformation and in modifying its assets and products to the challenges of the digital revolution, including the introduction of innovative products and services. As part of its approach to focusing on customer experience, ICC has been working on developing a data world as a platform that will enable it to better understand the needs of its customers and their wishes, with the aim of providing each customer with the best suitable solution out of the range of advanced products. All this, while strictly maintaining risk management, fairness and decency. The innovative products offered by ICC to customers, comprise expression of the principle leading ICC - adaptation to the new world of technological innovation, among which may be mentioned:

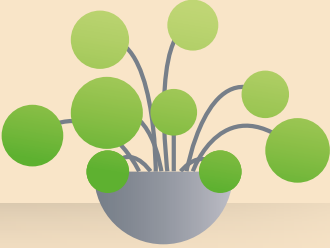
- > Correspondence on WhatsApp with a human service representative;
- > "My insight" - a digital service making useful insights accessible to customers, based on the transactions made by use of the credit card, such as: receiving a credit, an exceptional increase in payment of standing orders, the last payment in an installment transaction, the amount of monthly purchases in foreign currency, the amount of monthly cash withdrawals, and more;

- > An immediate online loan for any purpose within 3 minutes;
- > Blocking a card that has been lost or stolen and replacing a defective card directly via the application;
- > Online secret code viewing on digital assets;
- > Blocking of standing orders and transferring them from one card to another;
- > Searching a transaction quickly and simply according to a large number of criteria;
- > Implementation of the "Mobile First" concept, while making the websites of the company accessible in a responsive version adapted to the size of the screen of the user;
- > Digital vouchers for online purchases exercisable on different fashion, cosmetics, leisure and food chains;

All the above have been added to the services introduced in prior years, and have been improved during the year, such as:

- > Ordering a credit card online - development and integration of a designated service for the ordering of a credit card in an on online and quick manner;
- > Online credit products - access to credit products for private and business customers by means of all digital platforms;
- > Personal design for the credit card - a designated digital asset enabling ICC card holders to personally design their credit card - a service only available in Israel.

From the viewpoint of ICC, the digital means offer to customers an innovative experience, which links the execution of a transaction, the receipt of information and the world of benefits in a simple and easy fashion.



Continue from page 62 →

online services. This, due to the belief in the advantages that such services may bring to these populations (availability of the service, time saving, unique experience, etc.) and the understanding of the difficulties that accompany the changes in the manner of use of the services and the adoption of new technologies.

Within this framework, the Bank invests considerable efforts in the planning and design of the interfaces and the digital processes, while especially emphasizing the simplicity of the processes, their intuitiveness and the language in which they are presented.

The Bank operates in two principal channels:

- **The digital channel** - The work plan of the Bank regarding the online channels focuses on the addition of banking functionality, which allows conducting banking transactions at any place and at any time, thus avoiding the need for the personal presence of the customer at the branch. The Bank also emphasizes "friction removal" by mapping the difficulties and finding solutions that may make it easier for customers to use the digital services. These - along with upgrading the ability to receive textual assistance in the app from a bot or a human banker and creating marketing materials and instructional videos which instruct, in a friendly and

simple way, the customers how to use the digital services - make the digital channel accessible to the older population and encourage their use;

- **The service channel** - At each branch where teller services are being discontinued, the Bank places a banker whose job is to assist customers in obtaining service by means of the automatic machines, with special attention to the older customer population. Furthermore, the said bankers instruct the older customers in the use of the mobile application and the website, in order to facilitate the customers in conducting such operations in an independent and convenient manner.

Customers over eighty years of age are entitled to priority in line for service. This is brought to the attention of the public by relevant signs and by video clips on LCD screens at the branches. At the beginning of 2019, the deployment of "priority in line" was completed and this is also reflected in the line management system.

## SERVICES AND PRODUCTS FOR THE ADVANCEMENT OF POPULATIONS

- Alongside the diverse financial services which the Bank provides to all classes of customers, it develops designated services for specific populations, such as small businesses, minority populations, students, etc.

The Bank is aware of the changing needs of its customers and acts to provide a professional response having added value. Discount Bank is one of the large financial corporations and

has a considerable impact on the economy; therefore, it is active in advancing the different populations, while diligently adapting solutions to their unique needs.

### DISCOUNT - THE BANK FOR THE FAMILY

- Discount is the first bank in Israel to market a unique program that grants special benefits to customers who are family members - **"the Family Program"**.

The Bank offers its customers a unique program, which is designed for existing and new customers who are related to one another. The idea is to connect several customers who are related to one another having different accounts, to the "Family Program" in the Bank's systems, and thus provide financial strength to the family cell. The program allows the utilization of the family's power and grants family members benefits having financial values in accordance with the benefit program chosen by them.

The connection to the family group grants benefits to the family members participating in the program, and everything, of course, while strictly maintaining bank confidentiality so that none of the parties joining the program share or are involved in the accounts of the other family members.

The principal products of the family program are:

- **Exemption from commission on money transfers** in Israeli currency between accounts of the family members participating in the program;
- **"Family plus"** - offsetting interest on overdrawn accounts against the accounts of the other family members. The program allows customers to enjoy the setting off of interest charged on their overdraft so long as one or more family members participating in this benefit has at that time a credit balance on their current accounts, in accordance with the principles of the program;

## THE BANK OFFERS ITS CUSTOMERS A UNIQUE PROGRAM, WHICH CONNECTS A NUMBER OF CUSTOMERS WITH DIFFERENT ACCOUNTS, WHO HAVE A FAMILY CONNECTION, THEREBY GIVING THE FAMILY UNIT FINANCIAL STRENGTH

- **"2go key" card** - a rechargeable card in the name of the child provides parent security and control over expenses, starting from the age of fourteen. An exemption from card fees for customers participating in the family program;
- **Saving for higher education** - monthly savings for fifteen years with a gift from Discount Bank of a full year's deposits;
- **Family loan** - all-purpose loans at preferential terms for members of the family program;
- **Family deposit** - shekel deposits at preferential terms for members of the program;
- **Business Family** - the program grants benefits to customers that manage their business account, private account and accounts of family members at Discount Bank.

### PROMOTION OF SMALL AND MINUTE BUSINESSES

- Within the framework of the strategic plan, the small and minute businesses segment has been defined as one of the segments, on which the Group is to focus, as a central growth engine. Activity in 2019 continued to emphasize the automation of the credit processes in the small and micro businesses segment for customers with indebtedness of up to NIS 1 million.

Starting with the third quarter of 2019, the Bank applied a strategic emphasis on the small business field, thereby applying different measures in this segment in order to assist the operation of these businesses and contribute to their growth, thus constitute a supporting network for Discount customers belonging to this segment.





## THE SMALL AND MINUTE BUSINESSES SEGMENT IS DEFINED AS ONE OF THE FOCUS SEGMENTS ON WHICH THE GROUP IS TO FOCUS. THE OUTSTANDING BALANCE OF CREDIT EXTENDED TO SMALL BUSINESSES AMOUNTED TO NIS 36,837 MILLION AT THE END OF 2019

The small business segment is characterized by providing a comprehensive and professional banking service for the development of the business, which includes focusing on all possible banking operations alongside the development of new areas of relevant banking services, including also the integration of innovation. The values on which the new strategy had been formed are reflected in the professional training for bankers, in the work routine, in measurement and value offers to new customers.

The strategy for small businesses emphasizes provision of customized and singular service to the Bank's business customers and on attracting new quality business customers. Within the framework of this strategy, a new characterization of the Bank's business customers have been applied, and at the same time, business bankers and credit coordinators have been regrouped into designated teams.

Furthermore, the focus on the segment continued, while emphasizing the growth in activity regarding existing customers, attracting new business customers and the basing of growth upon improving the models for the rating of business customers as a supporting tool for the granting of credit.

The services provided to customers of this segment include:

- > **Service to small and medium businesses** - The Bank's customers that are small and medium businesses obtain services commensurate to their volume of operations, this in order to provide professional service appropriate to

customers' characteristics. Customers having a volume of operations of up to NIS 15 million and indebtedness of up to NIS 4-5 million, obtain services from the business banking teams at the Bank's branches. Customers having higher volumes of operations and indebtedness than those stated above obtain services from the Bank's business centers;

- > **Small business funds** - Since 2012, Discount Bank has operated from its own resources credit models for the financing of funds for small businesses. The fund is designed for Bank customers with revenue turnover of up to NIS 15 million. Different classes of funds exist in accordance with customer needs (business development/ investment in machinery and equipment). The balance of credit in the funds as of December 31, 2019 - NIS 141 million (December 31, 2018 - NIS 115 million);
- > **Dealing room** - The dealing room provides transaction services regarding the purchase of foreign currency, currency conversion and conducting hedge transactions. The Bank conducts a focused activity for connecting small and medium business customers to the commercial dealing room;
- > **Business credit card** - The Bank offers a "business key" credit card to its customers. This card is intended to provide business owners with a unique service through the use of a "key-type" credit card, which enables customers to receive discounts at supplier trading houses;
- > **"Business +" website** - A designated website for business customers. The website presents comprehensive information regarding the accounts of the business and allows the independent conduct of transactions by customers directly from the trading house;
- > **SMS business packages** - A package that allows extension of current account services. Receiving messages regarding the following matters are available: notice in advance as to the termination of a guarantee, outstanding balance of

guarantees relating to the account, collection of post-dated checks (balance and payments), checks serving as collateral (balance, payments and shortage vis-à-vis the defined amount), order of check books, dishonored checks, etc;

- > **Cooperation with iCount Company.** The cooperation with iCount Company is the first business-technological application in the banking system in Israel, which implements the open banking concept into the interface with third party suppliers. The business customers of Discount, who are also customers of iCount, may connect their bank account with their accounting system by means of combining the banking and accounting data. iCount provides Discount customers with tools for management of the business, which make their business and financial conduct more efficient;
- > **Application for business customers.** A designated Application for business customers was introduced for use in 2019, allowing a wide range of services and operations for current work.

### FREELANCER SERVICE

Discount Bank introduced in 2017 a new service for freelancers, which includes a personally adapted benefit plan and innovative digital services.

With a view of identifying the target population, the Bank had conducted a study focused on the targeted population, its needs and difficulties prevalent in this field. The idea behind the plan being offered by the Bank to freelancers provides a response to the principal requirement of the group - lack of economic certainty, and the difficulty that arises from the payment terms of "current month plus" prevailing in the Israeli market.

In order to face these challenges, Discount Bank has established a unique term package for freelancers, which has solutions and tracks adapted to their needs. Thus, for example, the package offers a bridging loan, "current plus on our account", in an amount

of up to NIS 30 thousand at an attractive interest rate, granted against future cash inflows, in order to allow the customer to conduct an ordinary manner of life with no debts while awaiting payment for his work. The Bank also offers a credit facility in an amount of up to twice the average salary recorded in the previous half year, pension savings, assistance with marketing and with constructing a business plan, and additional benefits - such as a business organization loan, exemption from various fees, and so forth.

### CUSTOMERS IN A FINANCIAL CRISIS

> **Households and small businesses** - As part of the operation of the Banking Division's Collection Centers, a special-purpose team operates in coordinating collection procedures with respect to households and small businesses, prior to embarking on legal proceedings. Furthermore, the team initiates from time to time - almost every quarter - special collections that include, in appropriate cases, an easing of debt repayment terms, in accordance with the economic position of the debtor, aimed at the rehabilitation of the debtor and giving him a second chance. Concurrently, the team works in cooperation with other parties such as: the "Needy Debtor" Department at the Law Enforcement and Collection Authority, the Legal Aid Bureau at the Ministry of Justice, etc. During 2019, a pilot was carried out at the Bank's Collection Centers, with great success, to integrate the mediation procedure in handling debtor customers cases at the Bank, prior to a court ruling. Mediation is done through external mediators. The Bank financed the cost of the mediation session for its customers.

> **Companies** - A designated unit operates as part of the special credit department; the aim of this unit is to deal with active companies that are in difficulty and to accompany them in the rehabilitation and recovery process and to enable them



to return to viable activity, rather than having them be subject to legal proceedings. This is a designated team whose sole purpose is to assist with the business' rehabilitation and to return it to stable operations. The unit's team provides such companies with asuits broad and comprehensive service that includes the whole range of business services that the Bank offers its customers, taking an overall perspective of their business needs and providing close, fair and professional support. The Bank extends to such customers a unique service that is based on communication and understanding the business' needs at the time of crisis, with the primary aim of these efforts being the customer's successful rehabilitation. The company's success returning to normal business operations creates added value for the company as a source of self-generated profit and for the economy as a whole as a source of livelihood for numerous families, while at the same time creating value for the Bank as a result of the customers continuing healthy and varied business activity.

ECONOMIC STRENGTHENING FOR FEMALE VICTIMS OF VIOLENCE

In recent years it has become more widely understood that the population in shelters for female victims of violence, who have mostly been forced to flee their homes without any support and resources, lacks the means to survive and manage from a financial aspect. These women's economic dependence on their abusive husband/partner could continue or even intensify, sometimes even leading to their returning home - even though this is not actually what they want.

In view of this and as part of the Banking Supervision Department's desire to promote the economic independence of women, it was decided to support female victims of violence staying in shelters and halfway homes. To this end, the "Banking Availability"

Covenant was drawn up in January 2016 with the aim of assisting female victims of violence to embark on a new and independent economic path. Partnering in this initiative are: the Association of Banks in Israel, the banks and credit card companies in Israel, the Banking Supervision Department, the shelters for female victims of violence, and social organizations.

Discount Bank has appointed the manager of mortgage public inquiries to be the coordinator for this topic and has strengthened its personal connection with the shelters that look after female victims of violence. The women are assisted by suggesting relevant financial advice in accordance with the special circumstances of each individual case. Within the framework of these activities, the Bank cooperates with the social workers at the shelters in providing whatever support is needed to the women staying in the shelter.

When the Bank is contacted by the shelter via the social worker, the coordinator acts in cooperation with the Debt Monitoring Unit, with the branch management and with other relevant units and the case is examined with the aim of assisting and preventing any deterioration in the woman's situation. Together they go over the account printouts, check whether there are standing orders or direct debits that, owing to the woman being in the shelter, are superfluous, examine whether there are outstanding loans and whether assistance can be provided by easing the repayment schedule, and so forth.

Along with this, the "Banking Availability" Covenant calls for the banks to provide financial education at the shelters through the "Banks Adopt a Shelter" program. The volunteers from the Bank work on broadening the financial knowledge of the women and on providing personal support to the women staying in the shelter.

In June 2019, the Banking Supervision Department and the Association of Banks in

Israel, in conjunction with the banks and the credit card companies began implementing a pilot project that expands the application of the "Banking Availability" Covenant which deals with providing assistance to female victims of violence staying in shelters and halfway homes, whereby it will be possible to provide support to both female and male victims of violence that are not in shelters and halfway homes, but have contacted centers for the treatment of family abuse that are run by the Ministry of Labor and Welfare. There are currently 103 such centers in Israel to which some 1,000 men and women turn for help each year.

MDB is also a partner in the Covenant and in its associated endeavors and provides a personal and humane response to women who contact it. As part of the aforesaid, MDB partners financial education activity and women's empowerment for female victims of violence in the Arab sector. ICC assists women and provides a personal and rapid response, while helping them to utilize in full their financial rights.

MORE SUITABLE FOR STUDENTS

With the aim of making higher education accessible to all youngsters, the Discount Group is offering a variety of loan models that are intended to answer the special needs of students. Thus, for instance, with respect to a loan of the "Degree with peace of mind" class at Discount Bank, the repayment period is up to eight years, and the repayments of the principal of the loan may be deferred for three years, while enjoying especially low repayments during the studies period. A loan for the splitting of tuition fees is granted against the presentation of a payment voucher (also to the parents of the student). The payment voucher may be split into up to ten payments without interest and linkage (the first payment made in cash).

The overall repayment period for loans to students studying abroad for higher degrees, is seven years, and the repayment

of the principal amount of the loan may be deferred for up to twenty-four months. Loans to students for any purpose are also available at attractive interest rates.

In recent years, **MDB** has also introduced special credit products for the student population, which are especially tailored to their needs and abilities, with a special focus on peripheral areas, in the Arab sector and in the Haredi sector:

- > **Tuition fee loans granted at the branches** - students may finance tuition fees by a long-term loan, with a grace period (of up to four years) during studies and beginning the long-term repayment of the principal amount one year after completion of studies;
- > **Financial tranquility for the student** - cooperation with the academic institutions by means of a tuition fees fund, whereby - in most cases - the institution pays the interest on the loan, while the student repays only the principal amount;
- > **Encouraging higher education in the Haredi sector** - within the framework of cooperation between the bank, the Haredi Professional Advancement Fund and the Council for Higher Education, students receive a subsistence loan during their study period and, upon graduation, receive a scholarship of 40% to 70% of the loan (depending on the subject studied), with the remaining balance of the loan being repaid over a long period.

STUDENT LOANS IN THE YEARS 2016-2019

	2019	2018	2017	2016
	in NIS millions			
Discount Bank	96	99	156	195
MDB	388	418	450	455

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## SERVICES AND PRODUCTS FOR THE ADVANCEMENT OF POPULATIONS AT THE PRINCIPAL SUBSIDIARIES

### MDB

MDB specializes, inter alia, in providing services to small and medium businesses and in providing services to the Arab and ultra-orthodox Jewish populations.

→ MDB views the retail segment as a central target of its business development and is focused on the appropriate disposition of branches in this sector, as well as on improving the service to its customers.

Within the framework of this segment, MDB provides to private customers, typified by household activity, a variety of banking services and financial products, including services regarding credit, housing loans and the capital market. MDB provides these services to customers of this segment through an array of its branches, which at the end of 2019 numbered 75 branches countrywide and by means of the TeleBank, the mobile application and the Internet website.

The service to the general customer population of the Bank in the private sector, is

based upon many years of acquaintanceship and the granting of personal consulting and service, both at branches and through additional marketing channels (Internet, TeleBank, etc.), as well as on through involvement in the community and adapting to its needs.

Most of the customers of MDB belonging to the household segment of this bank receive banking services by means of MDB branches, 34 of which are located where there is an absolute majority of the Arab population, mainly in the Acre and Nazareth Regions, as well as additional branches in others places in Israel, including: Rahat, East Jerusalem, Wadi Nisnas in Haifa, Jaffa and more.

### SERVICE TO THE HAREDI CUSTOMER POPULATION

→ MDB operates 12 branches at the heart of the Haredi community. The branches are located countrywide, mostly in the Jerusalem, Bnei Braq, Ashdod and Netivot areas, as well as in additional areas with a high Haredi population concentration. The bank specializes in the development of products and the granting of dedicated services for the Haredi customer population. The bank has a special unit to deal with associations and organizations belonging to the Haredi community, which handles many hundreds of customers.

### THE SMALL AND MEDIUM BUSINESSES SEGMENT

→ The small and medium businesses segment at the MDB is one of the outstanding segments in the activity of the bank and is, accordingly, a central target in its business development. Within the framework of this segment's activity, MDB provides varied banking services and financial products to small business customers (individuals and companies). Around one half of the customers of MDB who belong to this segment live in communities where the population has an absolute "non-Jewish" majority, mainly in the Acre and Nazareth Regions, and receive

banking services by means of the Bank's branches, 34 of which located in these regions.

**Governmental funds for the support of business** - during the past decade, MDB has developed, in cooperation with relevant government agencies, expertise in the granting of credit to small and medium businesses through governmental funds for the support of business.

**Small and Medium Businesses Fund** - The Ministry of Finance informed the Bank on January 17, 2016, of its decision to accept the offer of MDB (and its institutional partner) as one of the winners in the tender. The balance of loans within the framework of the Fund which MDB granted its customers (jointly with the institutional body), amounted as of December 31, 2019 to NIS 980 million (2018 – approx. NIS 788 million).

### THE CORPORATE BANKING SEGMENT

→ Within the framework of this segment, MDB provides a variety of banking services and financial products to large business corporations and corporations engaged in real estate. The business of such customers is typified by significant complexity and sophistication - and, accordingly, the bank provides to these customers financial products, mostly in the credit field, tailored to their activity and specific needs - taking a comprehensive view of their varied businesses.

**A fund for the renewal and purchase of production lines** - MDB has a designated fund, established in 2015 in conjunction with the Manufacturers' Association, for the purpose of granting long-term credit to Association members who wish to renew and purchase equipment and manufacturing lines. In this way the Bank contributes to the upgrading of the industry and increasing production capacity and competition. The outstanding balance of the loans granted by this fund amounted as of December 31, 2019 to approx. NIS 29 million.

## THE OUTSTANDING BALANCE OF LOANS EXTENDED BY MDB WITHIN THE FRAMEWORK OF THE FUNDS FOR SMALL AND MEDIUM BUSINESSES AMOUNTED AT THE END OF 2019 TO NIS 980 MILLION

### ICC

**Service to minute businesses** - ICC provides acquiring services to micro trading houses through aggregators. When a trading house applies to ICC and, during the joining process, is identified as a minute business, it is directed to an aggregator, which will contact it regarding the engagement for clearing services. The aggregators with which ICC collaborates specialize in providing a solution to the needs of a minute merchant through the use of advanced digital technologies that enable the minute business to execute transactions.

### IDB BANK

**Credit to the local community** - Under the Community Reinvestment Act (CRA), IDB Bank is required to help meet the credit needs of the local communities in which they are located. IDB Bank's CRA activities (i.e., community development lending, qualified investments, grants, and community development services) are evaluated approximately every three years by federal and state regulators, in order to assess the bank's record in helping to meet the credit needs of the communities it serves, including low-to moderate-income neighborhoods, consistent with safe and sound operations. Information regarding IDB Bank's CRA activities is available to the public through the CRA Public File maintained at each of IDB Bank's seven branch locations. Furthermore, the FDIC and NYSDFS make IDB Bank's CRA Performance Evaluation available to the public through their respective website.

MDB OPERATES 12 BRANCHES AT THE HEART OF THE HAREDI SECTOR AND 34 BRANCHES IN SETTLEMENTS WITH AN ABSOLUTE MAJORITY OF THE NON-JEWISH POPULATION



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# PROMOTION OF ACCESSIBILITY

→ Approx. 20% of the population of Israel is defined as having disabilities of varying degrees - physical, emotional or intellectual, including cognitive, either permanently or temporarily. Discount Bank attaches considerable importance to making its services and properties suitable for persons with disabilities and makes accessibility modifications. Hence, in accordance with the Equal Rights for Handicapped Persons Law, the Bank has appointed an Accessibility Coordinator who leads and coordinates the accessibility operations at the Bank and serves as an address for any approach in the matter.

The Bank conducts a "Discount accessible" project, within the framework of which, the Bank made accessibility modifications in accordance with the new regulation, both from the aspects of building, infrastructure and environmental modifications and the aspects of modifications for accessibility to service. For the purpose of the project, the Bank has entered into engagements with several entities specializing in the subject of accessibility for people with disabilities, in which authorized professionals operate, who accompanied the Bank, providing guidance and advice on the modifications required for easy access.

Within the framework of the project, necessary accessibility modifications have been made to the Bank's properties and to its services following the performance of a comprehensive survey. Accessibility modifications have also been made to the Internet marketing website and to the operations website, and to the application and, in addition, training sessions are held for Bank employees on the topic of accessibility - both training sessions for employees, upon starting their job, who as

part of their duties, provide service to the public, and also annual refresher courses for all the Bank's employees.

The above stated relates also to MDB and to ICC.

**Accessibility modifications at properties** - the Bank has completed making accessibility modifications to buildings and infrastructure that it possesses for the benefit of persons with disabilities. Modifications have been made at the Bank to furniture, signage, access routes, service points and waiting areas, a solution for height differences between levels, modifications to devices for self-use, disabled bathroom, and so forth. Moreover, the Bank is working with the local authorities to make access routes to branches accessible - from the allocation of handicapped parking spaces through to accessibility modifications from the beginning of the street to the branch entrance.

**Service accessibility at the branches** - the various branches of the Bank have aids and assistive services such as:

- > **"Audio induction loops"** - assistive listening technology that helps with hearing directly within the ear, cutting out background noise;
- > **Two-way hearing system** - a system for enhancing voice volume, which is installed at teller stations where there is a partition;
- > **"Call-Hear"** - a system for calling a service representative at the entrance to a branch;
- > **Access to written information** - including forms, documents and information pamphlets in accordance with customers' needs, including conversion of information into audio files, digital files or Braille writing for customers with impaired sight;
- > **Translation into sign language** - with the aid of a professional interpreter at meetings with the Bank representative;
- > **Discount TeleBank** - modifying the call routing at the telephone service center by simplifying the language, slowing down the audio speed and removing the

background music;

- > **Correspondence with a banker** on the Discount application;
- > **Service without having to wait in line** - for holders of a disabled card;
- > **Service animals** - permitting entry to service animals, including a service animal that is being trained.

**Access to devices for self-use:**

- > **ATMs** - access to ATMs and making height adjustments for persons in wheelchairs, as well as the possibility of receiving audio guidance;
- > **Information desk (Discount Mashov)** - access to terminals for receiving information and executing transactions in the accounts by oneself at branches, with the service being modified for persons with sight or hearing disabilities;
- > **Line management points** - access to points for persons with sight or hearing impairments, as well as for those in wheelchairs and persons of small stature.

For further information regarding accessibility at Discount Bank and the disposition of branches with accessibility can be viewed on the Bank's website.

**Digital accessibility on the website and application** - For some time now, the digital revolution has resulted in the Internet and applications becoming the main channel for obtaining many services, including banking services. Discount Bank provides its customers with browsing services via an Internet website that complies with statutory requirements, including the Equal Rights for Disabled Persons Regulations, 2013. Moreover, the website conforms with the recommendations of the Israeli standard (IS 5568) for Internet content accessibility at an AA level and with the guidelines of the W3C organization's document WCAG 2.0 regarding web accessibility, which deals with Internet standards. At the same time, Discount Bank's application for cellular phones and tablet devices conforms with the accessibility

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# PROMOTION OF ACCESSIBILITY AT THE PRINCIPAL SUBSIDIARIES

## ACCESSIBILITY AT MDB

MDB is making its branches and its self-used devices accessible for persons with disabilities. The bank has an accessibility officer who coordinates the topic of accessibility at the bank and serves as the address to which inquiries on this topic are directed. The bank is working on providing accessibility at its properties - from modifying furniture, service counters, signage, the branch entrance, height levels, parking, and services, through to making access to the branch from the street accessible, in coordination with the local authorities. At the branches themselves, there are aids and services intended for persons with disabilities, including dedicated systems for people with hearing or sight impairments. These include "Step-Hear", an audio signage and wayfinding solution for the sight impaired, which enable such persons to be provided with audio information, as selected by them and in accordance with their location, audio induction loops, a two-way audio system, and Call-Hear system for calling a service representative at the entrance to a branch. Concurrently, accessibility modifications have been made to self-use devices, including making adjustments to the height of ATMs and making it possible to receive audio instructions; providing accessibility to devices for executing account transactions independently ("Mashov"); and providing accessibility to line management points. Moreover, as is the case at Discount Bank, MDB is making its services accessible to persons with disabilities, including providing accessibility to written information for

persons with hearing or sight impairments; providing accessibility to the telephone service center; service without waiting in line for the eligible; and permitting entry to service animals. At the same time, the Internet website and the application are being made accessible in accordance with the recommendations of the Israeli standard for Internet accessibility (IS 5568) at an AA level and with the guidelines of the W3C organization's document WCAG 2.0 regarding web accessibility.

**All services and branches of MDB are accessible for persons with a disability.**

### ACCESSIBILITY AT ICC

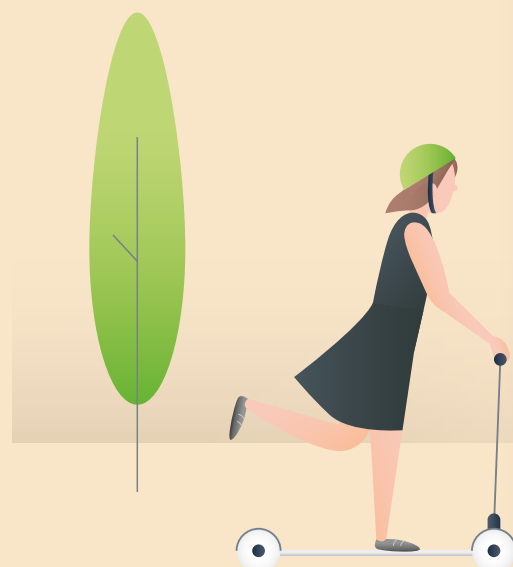
ICC offers its service to a broad and diverse range of customers, including customers with disabilities. As part of the concept of providing a broad and inclusive service, ICC offers diverse accessibility arrangements - ranging from the physical accessibility of the "ICC House" building, where the public reception area is located, through to making the telephone service accessible. The physical accessibility includes accessible parking at the complex, accessibility of the entrance door, passageways, signage, accessible furniture and bathrooms. In the public reception area, accessibility to service is provided through representatives who will read out forms, the use of assistive audio systems, escort and direction assistance, service without having to wait in line for those so entitled, and so forth. Furthermore, in the sphere of service accessibility- service representatives trained in the provision of accessible service, making the voice response system accessible, setting up a written communications team that can provide a comprehensive solution for customers with disabilities. Service accessibility is achieved through the use of writing tools such as the ICC WhatsApp channel, on-line forms, a dedicated fax line and contacting the company's accessibility coordinator either by email or regular mail. Moreover, other services are provided on request, such as the reading of documents

over the phone, translating into sign language, with advance coordination, and so forth. The company's Internet websites have been made accessible in accordance with the accessibility guidelines of Israel Standard 5568 - "Internet Content Accessibility Guidelines" at an AA level. This Israeli standard is identical to the guidelines document of the international organization that deals with web standards - Web content Accessibility Guidelines - WCAG 2.0.

Further information regarding accessibility at MDB and ICC can be viewed on the companies' websites.

### ACCESSIBILITY AT IDB BANK

IDB Bank complies with applicable provisions of the American with Disability Act (ADA). The ADA requires that disabled persons be afforded the same access to public accommodations and given the same employment opportunities as nondisabled persons. The ADA is made up of five titles; the two that apply to banks are Title I, Employment, and Title III, Public Accommodations and Services Operated by Private Entities. Specifically, ADA prohibits discrimination against persons with disabilities in the areas of employment practices, access to physical facilities, and goods and services offered to the public.



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requirements of the Israeli standard (IS 5568) at an AA level and with the guidelines of the W3C organization's document WCAG 2.0 - both for the iOS operating system and also for the android operating system.

### Periodic survey with respect to accessibility.

In accordance with Regulation 28 of the Equal Rights for People with a Disability Regulations, a five-yearly accessibility survey began in 2019, examining compliance of the Bank with the Regulations as well as rectification of deficiencies to the extent found.

**Claim regarding accessibility** - On September 2, 2018, a claim, together with a motion for its approval as a class-action, was filed against Automatic Banking Services Ltd. and against 11 banks, including Discount Bank and MBD. The amount of the claim for all the members of the group is estimated at NIS 10 million.

The cause for the motion is the failure to provide full accessibility to the banks' ATMs in accordance with the Equality Law and the Accessibility Regulations. The plaintiff suffers from a sight impairment and is a customer of one of the banks. She alleges that she visited several branches and found a system whereby there was no ATM that was accessible for persons with disabilities. An expert for the plaintiff carried out an examination at branches of the banks throughout the country and his examination revealed that, as alleged, this problem is systemic and ignores an entire group that warrants equality and due consideration; in light of this, the plaintiff has decided to file the motion against all the banks. The claim against Automatic Banking Services Ltd. is that it is the company that controls the ATM market. The claim against the banks is that they have not taken the trouble to make the machines accessible for persons with a disability.

On August 30, 2019, a verdict was handed down with regard to the Bank and five other respondents that approved the petitioner's

motion for the withdrawal of the motion for approval. In the verdict, the Court ruled that, even if there is room for small improvements (which the banks have agreed to perform at their discretion), the banks are fulfilling their obligations and are ensuring - by various means - that the banks' ATM's are accessible to people with disabilities.

## IMPACT INVESTMENTS

➔ Impact investments are investments whose purpose is to create a measurable, beneficial social or environmental impact, in conjunction with generating a financial return. In 2018, Discount Capital invested in two impact funds thereby becoming one of the leading investors in this field in Israel.

**Bridges Israel Fund** - The Fund is associated with Bridges Venture that manages impact investments in a scope of more than US\$ 1 billion in the United Kingdom and in the United States. The Fund's first "closing", as well as the signing of Discount Capital's investment commitment, took place in March 2018. Discount Capital's commitment of US\$ 7.5 million is part of total commitments of US\$ 50 million. Additional investors have since joined the Fund and the final closing of the fund took place in September 2019, in a total amount of US\$ 77 million and Discount Capital has increased its investment commitment in the Fund to an amount of US\$ 10 million.

The Fund promotes the advancement of undeserved populations while investing in projects dealing with health and welfare, education and sustainable life subjects. The Fund invests in technology companies developing technological solutions endeavoring to provide response to social and/or environmental problems, and in corporations operating in the peripheral



social and economic regions of Israel. Inter alia, the Fund invested in 2019 in projects of N-Drip, in the Venn project, in Abraham Hostel and in Nazid Impact Food.

As of December 31, 2019, the investment of Discount Capital in the Fund totaled US\$ 3.7 million.

**12 Angels Fund** - The Fund was founded by KamaTech for the purpose of helping ultra-orthodox Jews (Haredi) integrate into Israel's high-tech scene, and particularly into early-stage startups. The investors in the Fund are some 30 of the leading entities in Israeli high-tech infrastructure. In December 2017, Discount Capital signed a commitment to invest US\$ 0.5 million in the Fund, this being part of the Fund's US\$ 3.5 million in total commitments.

As of December 31, 2019, the investment of Discount Capital in the Fund totaled US\$ 0.2 million.

## FINANCIAL EDUCATION

The present financial world is much more complex than the one with which the public was familiar a decade or two ago. The choice of financial products has become wider and the products themselves more complex. Furthermore, in view of changes in regulation, in the pension savings field in particular, the individual is increasingly required to make complex financial decisions. The public debate has widened to also become a financial debate - the growing life expectancy, the importance of long-term savings, the consumer culture, sensible financial conduct, the cost of living, investment channels regarding pension savings, the choice of a mortgage loan, the low interest in the market which challenges the returns on the different investment

channels, as well as the growth in credit to households. In recent years, the Banking Supervision Department has also taken a lead in the process of financial education, in conjunction with the Association of Banks in Israel and all the banks.

From a holistic viewpoint of the customer's needs at any point of time during the changing stages of life, starting with the opening of a young person account, continuing as a conscript, a student, a young family, a mature family, a person facing retirement and through to post retirement, the Bank has devised appropriate study/lecture material on the subject of financial education, in order to assist its customers in making educated decisions, and has created financial products, all of which are intended to increase its customers satisfaction.

In its contact with its customers and the public at large, the Bank strives to make the financial language accessible to the full range of ages and initiates many activities, such as:

- > customer conventions at the branches on matters of sensible financial conduct, family economics and the capital market;
- > lectures to organizations/corporations at their request;
- > lectures on pension planning for adults;
- > Lectures at academic institutions on financial matters intended for young adults.
- > Financial lectures for small businesses;
- > Lectures under the Bank of Israel guidance;
- > Cooperations such as "Sprint".

The conventions are designed to simplify understanding and make the financial language accessible to the customer public. The conventions focus on explaining basic terms, while presenting to customers the various service arrays and the modification to customer needs of the consulting services available at the Bank. In these conferences, customers also receive responses to their questions.

In the wake of these conventions, customer readiness to increase their involvement in important financial decisions during the various stages in life is noted. The feedback supporting the conventions indicate the satisfaction of the participants and their wish to continue being invited to similar activities.

Focused activity is conducted from time to time in a certain area, such as the financial education week in the Haifa and Northern Region, and sometimes an activity is conducted simultaneously in several regions nationwide.

The activity of the Bank in the financial education field is conducted at no charge and is open both to Bank customers and to those who are not customers of the Bank.

Since 2012, the date of starting this activity, through the end of 2019, all of the Bank's branches have participated in over 720 different events, 69 of which took place in 2019.

In addition to the above, the Bank conducts in-house activities for the enrichment of Bank employees and their families. A capital market seminar of eight sessions is held in the meeting rooms of the Bank and at the Discount College. Approx. twenty-five persons participate at each such activity, and since its beginning in 2012 over twenty-three seminars of this type have been held.

Furthermore, the Financial Education Unit acts vigorously in locating new lecture materials on financial subjects in the spirit of the period and for the enrichment of the participants in financial knowledge. For example, a number of lectures were held in 2019 for small and minute businesses - a segment comprising a strategic focal point of the Bank.

**Activities in collaboration with the Sprint Association:** Thirty educational sessions were held in 2019 at schools in which the Sprint Association operates. A study kit had been prepared, being very similar to the study kit produced by the Bank of Israel. Instructors for this activity had been trained, and, as stated, sessions were conducted on a nationwide basis.

In view of the success of this activity, it has been decided to train additional instructors for this activity in 2020, so they could conduct the sessions in study classes of Sprint.

MDB has been approached in order to train instructors for the Arab sector.

## FINANCIAL EDUCATION FORUM

The Supervisor of Banks established a Forum in 2016, which includes the Association of Banks in Israel, as well as all the banks operating in Israel, with the aim of expanding the activity on the subject of financial education. Discount Bank participates in many of the Forum's committees.

Digital banking training sessions were held for third agers in 2019. The first part was a joint collaboration with local authorities on a nationwide basis, within the framework of which senior citizens attended a 40-minute lecture in which, they were invited to come to the branches to receive half an hour's personal training from a banker. The second part lasted for two months in which training was conducted at the branches. The Bank of Israel is expected to repeat this activity in 2020, this time in conjunction with another factor, possibly with community centers.

## INTERNET MEDIA

**Development of a designated Internet website** - the Bank presents on its principal website, under the heading of "Family and financial education", a broad range of content dealing with financial education, this as part of the Bank's coverage for the family, modified to the various stages in life, and presenting life events. This begins with content for children of primary school age, continuing with middle and high school age; content regarding issues relating to servicemen; pre-enlistment, soldiers on active service and pre-demobilization; contents relating to students; budget planning, cutting back expenses, enjoyment of benefits, in between jobs; content relating to the family: us and our money, pre-nuptial, pre-childbirth, divorce; content relating to housing and mortgage



issues; content relating to ongoing economic management: preparing for religious holidays and vacations, a monthly family budget, how to get out of the red, loans, deposits and savings; content relating to retirement: pension savings, preparation for imminent retirement; as well as a glossary of capital market terms, that covers numerous concepts.

Planned for 2020 is the production of new contents photographed as clips on the basis of the existing contents.

PRINTED MEDIA - PROFESSIONAL LITERATURE

The Bank leads the subject of development of booklets dedicated to providing knowledge enrichment to customers: a booklet for children of elementary-school age, a booklet of tips and a capital market booklet. It is the Bank's intention to continue developing activity in all fields - frontal, digital and printed - while continuing to collaborate with leading parties in this field.

LECTURES AND WORKSHOPS

The Bank offers a range of lectures and workshops, including:

Enrichment lectures

<b>Budget management</b> Correct financial conduct in an economically challenging period	<b>An experiential lecture, presenting an image of the individual's financial conduct and the way to improve it.</b> > "It'll be OK" - regarding our economic management culture; > The breaking of myths - "all inclusive vacation"; > Overdraft, loans and credit, management of the monthly budget - getting out of the red; > Couples and money, children and money, retirement age and money.
<b>Economics between the business and the family</b>	A lecture to freelancers on the subject of financial conduct.
<b>Know about money</b>	Lecture to youngsters in junior high and high schools.

Capital market

<b>The Israeli economy vis-à-vis global recovery and the low interest rate</b>	A lecture describing in a light, experiential manner events taking place in capital markets in Israel and abroad and preparations to be made for a year in advance, including the economic challenges which face investors in the capital market at the present time.
<b>Psycho-finance</b> You and your finances	The relationship between making economic decisions and investments in the stock market, and personal psychological characteristics.
<b>Real estate investments, risk or opportunity</b>	An analysis of the residential real estate market as an alternative investment, latest trends in this sector by geographic distribution, when to invest in real estate and who should.

Workshops

<b>Capital market workshop</b> Micro and macro, their relation to private investments and savings	<b>3 meetings, 2 subjects per meeting</b> <b>Meeting 1</b> - Macroeconomics + Bonds; <b>Meeting 2</b> - Mutual funds + ETN's; <b>Meeting 3</b> - Shares + Psycho-finances; The workshop provides participants with basic tools for understanding the financial world and becoming familiar with basic concepts of the capital market.
<b>"Mixed" workshop</b>	Family economics; Pension; Capital market.
<b>Seniors field - financial education</b>	Israeli economy; Psycho-finances; Analytical reading of the financial press.
<b>Small businesses</b>	<b>Financial instruction customized for small businesses</b>
<b>Pension consulting</b>	Guidance regarding the pension products currently available and regarding the importance of investing for one's pension years.

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FINANCIAL EDUCATION AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MDB and ICC, as does Discount Bank, view the absorption of financial education as an important layer of their activity in aid of the community, and accordingly, employees volunteer, within the framework of the project "A Different Lesson", to impart basic banking and budget management terms to school children, through cooperating with the "A Different Lesson" Association and with other organizations engaged in financial education (for additional details, see the Chapter "Discount for the community" in this report).

Additional measures by the companies for the field's advancement:

- > **A financial education workshop initiated by the Banking Supervision Department** - MDB participates in a Forum initiated by the Banking Supervision Department for the advancement of financial education. The topic of the activity in 2019 was digital empowerment for senior citizens. Five bank employees gave lectures to dozens of senior citizens at community centers using educational material produced centrally and with the participation of all members of the banking sector in Israel. Subsequently, conversations have been held with about 700 senior citizens, who are customers of the bank, and about 280 received personal guidance at their branches regarding digital products;
- > **A financial education workshop held at a female victims of violence shelter -**

Within the framework of a further initiative of the Banking Supervision Department, a senior female manager at MDB conducted a financial education workshop at a female victims of violence shelter in the Arab sector;

- > **Additional workshops** - Employees of MDB conduct from time to time financial education workshops for youth groups in different frameworks, including youngsters of Ethiopian ethnicity within a collaborative framework with the "Rakia" project in the Tebeka Association;
- > **"Cal Lada'at" (ICC to know) on YouTube** - A set of eleven video clips providing information on a variety of financial concepts, in a clear, common and in simple language: interest and prime interest rate, loans, revolving credit, non-banking credit facility, banking credit facility, safe purchasing on the Internet, immediate debit card, non-banking credit, CPI linkage. These video clips have received hundreds of thousands of views.



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# SUITS YOU BETTER – QUALITY OF SERVICE

➔ “Discount suits you better” is a concept that aligns with the Bank’s commitment to its customers and promises professionalism and excellence at every interface. The Bank offers customers - who expect a reachable, accessible and convenient service - multi-focus and multi-channel banking that provides optimal solutions over a variety of service channels, with the aim of bringing about an improvement in the personal and digital services coverage that the Bank renders to its customers. Discount Bank is thus able to provide a personal touch, a more efficient and high-quality service over a variety of channels, while maintaining the family character of the Bank.

Discount Bank’s service concept places the customers in front and center and sets itself a goal of service excellence. The Bank aspires to create for its customers a personal service experience, whereby they will continue to choose it as their bank.

In order to create a lead in the Bank’s customer satisfaction by means of customer-adapted banking, the Bank is focusing on a number of principal topics:

- Development of communication channels, including the upgrade of digital channels and the opening of new communication channels;
- Upgrading of service centers (including the branch disposition, the TeleBank and the back office);
- Formation of a synchronized multi-channel management platform that ensures customer service quality;
- Producing information-based business perceptions aimed at enabling customers

to receive the value proposition that is best and most suited to them.

The Bank is performing a series of ongoing and special-purpose surveys in order to evaluate the satisfaction of customers. These are made by telephone calls and by SMS. The surveys are directed at customers of the Bank, and in certain cases, for comparison purposes, also at customers of competitor banks. The surveys measure both short-term satisfaction indices (such as satisfaction at each interface with the Bank), as well as long-term satisfaction indices (such as hypothetical market share and recommendation index).

The surveys include also measurement of different indices breaking down satisfaction into different components: the provider of service, the branch, the Bank in general, service channel, the product, the marketing offer.

In order to further improve the Bank’s service, Discount is acting on a number of levels:

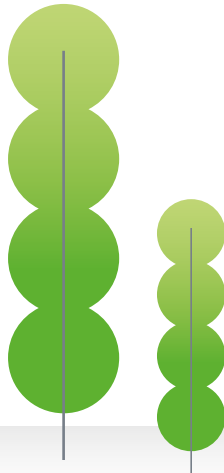
**Quality of service index** - the main work tool for evaluating the quality of service at the Bank. The survey examines, on an ongoing basis, the customers’ service experience soon after the time the interaction occurred - a visit or a telephone call to the branch. The survey presents a range of parameters regarding the various aspects of the service, which may be considered as indices reflecting customer experience, such as: professionalism, personal attention, availability, initiative and customer recommendation regarding the service and the Bank. The measurement data are conveyed on a current basis to managers of the business units at the branches, at the investment centers and at TeleBank, and comprise an infrastructure for drawing conclusions and for analyzing the strengths and weakness of providing the service. In situations where immediate intervention is required, the unit managers contact the customers in order to provide a personal response.

Measurement is performed throughout the year with the aim of obtaining findings reflecting the operations of the branch, on a current basis and in real time, and of being able to provide attention and an immediate response to customers, as required.

In 2019, the service experience of customers was measured over a variety of channels: at the branch, at the TeleBank and at the investment centers. The measurement relied mainly on the customer satisfaction index from the most recent service received at the unit. The branches were also measured on their dealing with inquiries and their telephone response, which comprised 20% of the index computations.

**Approx. 50,000 surveys of customers (by telephone and SMS) were performed during this year.**

**Internal services survey** - Discount believes that improvement in the level of internal service will contribute to higher satisfaction of the bankers and to providing tools and infrastructure for improving service to customers. The survey was distributed during November 2019, for the sixth time at the Bank, in a cross-organizational format. The results of the survey serve as a base line for a continuous process of measurement and improvement. The survey measured 434 different services provided by the different divisions to customers of the Bank and of the subsidiaries. The response rate was approx. 91%.



## SATISFACTION SURVEYS PERFORMED BY THE BANK

Class	Survey	Population	Description
Ongoing surveys	Branches	After making contact with the Bank, private and business customers and customers receiving information from consultants at the branches	A daily survey on a permanent basis, approaching customers who have received service from a banker
	TeleBank	TeleBank customers	A daily survey on a permanent basis, approaching customers who have received service from a TeleBank banker
	Investment centers	Customers of investment centers	A daily survey on a permanent basis, approaching customers who have received service from a center
Special-purpose surveys	Satisfaction	Private banking customers	A special-purpose survey
	Satisfaction	Customers of the TeleBank mortgage center	A special-purpose survey approaching customers interested in taking a mortgage
	Satisfaction	Business center customers	A special-purpose survey
	Satisfaction	Browsing on the Bank’s application	A special-purpose survey
	Satisfaction	Browsing on the Bank’s Internet website	A special-purpose survey
	Customer interface experience	Customers of the five largest banks	A special-purpose survey
	“Marketest” survey: customer experience - post contact	Customers of the five largest banks who have had contact with the bank	A special-purpose survey
	“Marketest” survey: customer experience	Business customers of all the banks	A special-purpose survey

2019 SERVICE QUALITY INDEX DATA



\* Target for dealing with inquiries and telephone responses - measurement of compliance with the SLA determined for responding to the customer that contacted the branch and is awaiting a response from it, in addition to compliance with the SLA defined for the branch's telephone responses.

**Integration of service values in the organizational culture** - In order to strengthen the service value within the organizational culture, the Bank applies several measures: designated staff meetings on the subject of service and service films projected at the branches within the framework of the "Morning magazine"; focused assistance to branches having relatively low service ratings, through apprenticeship/training sessions; ongoing measurement of service providers at the branches, at the TeleBank and at the investment centers; integration of the service index target in the "excelling branch" competition; control tasks for the team; and meetings of the Head of the Retail Banking Division with outstanding managers and with managers who failed to reach service targets.

IN ORDER TO MAINTAIN A CONTINUOUS DIALOGUE WITH THE CUSTOMERS AND TO UNDERSTAND THEIR NEEDS AND WISHES, THE BANK OPERATES SEVERAL SOCIAL MEDIA COMMUNICATION CHANNELS. AS OF THE END OF 2019, THE BANK'S FACEBOOK PAGE HAD APPROX. 84,900 FOLLOWERS

DIALOGUE WITH CUSTOMERS

In order to maintain a continuous dialogue with customers and to understand their needs and wishes, Discount Bank operates several communication channels:

- > **Official Facebook page of Discount Bank** - As of the end of 2019 the Bank's Facebook page had approx. 84,900 followers. The Bank's Facebook page serves as a platform for the ongoing distribution and publication of marketing activities in various segments and areas and also serves as a platform for chats with browsers and for customer service. Consequently, inquiries are received from browsers, both in open chats and in private messages, and these are fully attended to within a short period of time;
- > **Twitter account** - Discount Invest - The Bank is active on the Twitter social network - under the hashtag "Discount Invest". On this account, the Bank publishes information regarding market data (in Israel and abroad), economic and capital market reviews by experts on behalf of the Bank and other practical information for the benefit of customers;

- > **Instagram account** - The Bank operates on the Instagram social media channel, through which browsers are exposed to campaigns and current updates accompanied by inspiring photos and video clips. The Bank has approx. 14,000 followers on Instagram;
- > **Social media at ICC** - ICC has a Facebook page with approx. 161,700 followers, who regularly follow the marketing activity of the company published on this page, the varied services offered by the company to customers and more. The page provides an online solution to customers through a "private messaging" service through which are received customer approaches, questions and comments, and immediate answers are given to customers. The Diners Company, a fully owned subsidiary of ICC, also has a Facebook page, with over 40,300 followers.

MAINTAINING CUSTOMER SATISFACTION

- The Bank acts on several levels with respect to maintaining customer satisfaction:
- > **Management in accordance with survey findings** - survey data with a low mark on the satisfaction index, are (subject to the consent of the customer) referred to the branch manager for further attention. The branch manager is responsible for referring back to the customer in order to try to understand the reasons for the dissatisfaction of the customer and, to the extent possible, to try to improve satisfaction by solving the problems raised by the customer;
- > **Service targets** - branches are allotted annual targets of satisfaction indices. The extent of compliance with the annual target serves as a basis for remuneration at the branches;
- > **Comparative analysis and implementation** - the surveys are analyzed for the

identification of weaknesses in customer satisfaction with the Bank either absolutely or relatively in comparison to competitor banks. Also analyzed are trends of satisfaction among different populations in order to identify changes in the indices. The findings and insights are examined by the Customer Experience Subdivision in order to perform an in-depth examination and/or a change of policy, as required. The findings and insights are delivered also to the various business parties in charge of customer relations policy.

CUSTOMER INQUIRIES

The Bank attributes great importance to listening to its customers and to encouraging customers to inquire about any matter or problem. The natural and immediate address is the business official who services the customer, in a branch or in other business units.

In the Proper Conduct of Banking Business Directive No. 308A dealing with the handling of public complaints, the spheres of responsibility and powers of the Public Complaints Commissioner are defined, as well as rules for the proper handling of public complaints by a banking corporation. The function of the Public Complaints Commissioner is to coordinate the handling of complaints and inquiries made by customers on different banking issues, including mortgages, interest calculations, treatment and service.

The Commissioner deals with complaints and inquiries with the various units at the Bank, the Banking Supervision Department, the Israeli Police and various external parties; he draws up findings for the business functions, the branches, the collection functions and for the Legal Counsel Group; he provides assistance and guidance to Bank employees in formulating solutions





to problems with customers; and he assists in the drawing of conclusions and in organizational learning.

In practice, the average complaint response time was 18 days in 2019, compared to 16 days in 2018.

The Commissioner has the authority to compensate customers. He has to report the handling of complaints - once every six months to the Bank's Management and once a year to the Bank's Board of Directors. The Management and the Board of Directors have to discuss these reports soon after submission thereof.

Material deficiencies revealed as a result of attending to complaints and data regarding complaints received and dealt with have to be reported by the Commissioner to the Banking Supervision Department once every six months.

Management and the Audit Committee of the Board of Directors receive a report regarding the deficiencies, the material findings and the cross-organization deficiencies.

The Commissioner is required also to publish to the public once in each year, on the Bank's Internet website, a concise description of the Bank's policy in the matter of treatment

of complaints, the process of treatment of a complaint and data regarding complaints received and dealt with.

The Bank is required to publish on the Internet website and in the Branches the service covenant adopted by the Bank. The service covenant has been available to the public on the Bank's website since March 2015, after having been approved by the Board of Directors.

In 2019, the Bank dealt with 2,875 inquiries, compared to 2,769 inquiries in 2018. The ratio of complaints found to be justified stood at 21.4%, compared to 15.1% in 2018. For further details, see the appendices - Customers in the "Conclusion" Chapter below.

It is noted that since 2019, with the entry into effect of the Credit Data Act, 2016, the Bank has begun the handling of complaints also regarding this issue, in accordance with instructions and guidelines of the function in charge of sharing credit data. The handling of such complaints is not subject to the said Proper Conduct of Banking Business Directive No. 308A. The data relating to these complaints is not included in the data presented above.

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MARKETEST INDEX



FOR OVER A DECADE, THE MARKER MAGAZINE HAS PUBLISHED THE ANNUAL MARKETEST INDEX OF "CUSTOMER EXPERIENCE IN ISRAEL". THE MARKETEST INDEX EXAMINES EXPERIENCES AND POSITIONS OF CUSTOMERS OF THE LARGEST CORPORATIONS IN THE MARKET, OPERATING IN DIFFERENT SECTORS, SUCH AS: FINANCE, HOTELS, CELLULAR AND MORE. THE INDEX IS BASED ON THE PARALLEL INDEX IN THE UNITED STATES (ACSI). **IN 2019, THE BANK WAS LEADING IN CUSTOMER SATISFACTION FROM THE DIGITAL CHANNELS) ON THE WEBSITE, TOGETHER WITH ANOTHER BANK). FURTHERMORE, THE BANK WAS ALSO LEADING IN MOST OF THE INDICES RELATED TO SERVICE EXPERIENCE.**

QUALITY OF SERVICE AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB adapts itself to market conditions as an innovative and progressive bank and is constantly working to be up-to-date and relevant. Within this framework, the bank offers its customers direct banking services that enable them to receive information and to execute transactions anywhere and at any time. Concurrently, the bank is actively continuing to provide frontal services at its branches, to customers who feel that it is important to them to have a personal, human contact with the bank.

The starting point for the bank in providing the service is that the customers want to receive a service that is personal and excellent, readily available and fast, familiar and understanding, professional and fair.

The bank continues to maintain a personal connection with its customers and lets every customer choose the personal service suitable to him - direct contact with the branch at face-to-face meetings with the bankers or telephone conversations with the branches, in parallel of course, with the options of initiating contact with a call center and making contact via the various digital channels.

The service coverage is tailored to customers with a view of providing response to the changing needs between customers in the manner most suitable for them.

The above stated in relation to Discount Bank, regarding the improvements made to service, including evaluation of customer satisfaction, maintaining customer satisfaction and the integration of service values in the organizational culture, applies also to MDB.

The quality of service is measured by the Net

Promoter Score (NPS). The data are delivered regularly and comprise an infrastructure for the drawing of conclusions. MDB conducts, on a regular basis, a telephonic survey testing customers' satisfaction (following contact with the bank). The findings of such surveys (analysis and management), comprise an annual target for the customer satisfaction indices.

ICC

The service department of ICC has a vision and values regarding the provision of quality service, ICC stringently conducts daily satisfaction surveys among its customers (both private customers and trading houses), within the framework of which various parameters are examined which measure the customers' general satisfaction with the company, with the service and with the professionalism of the company's representative, and NPS measurement (Net Promoter Score; International recommender index). The scoring by the NPS is a part of the targets of the Key Performance Indicator (KPI) of the service department. Furthermore, the company analyses recurring and onetime events in order to improve the quality of service and customer satisfaction.

In order to test and evaluate private customer satisfaction, the company conducts a satisfaction survey upon conclusion of an approach to the service center, as well as a "club survey" sent to customers following the issuance of a credit card.

In order to evaluate satisfaction of trading houses, the company conducts a "survey following contact", which comprises the central tool for testing the quality of service at the business center. The survey tests on an ongoing basis the service experience of the customers soon after the approach to the center had been made.

Customer surveys comprise a central organizational tool in understanding customers needs, and enable the identification of strengths alongside points requiring improvement in the interaction with customers of the company.

Measurement is being conducted through a special-purpose surveys system named "My Attentive", which allows the measurement of each question in the surveys and provides an image of the situation per employee over a period of time, as well as according to the measured parameter.

In cases where the answers given to the survey are rated as being below expectation, or where they include a verbal comment that needs to be addressed, the feedback is examined together with providing treatment to the provider of the feedback.

**IDB BANK**

IDB Bank's Policy for filing complaints ("the Policy") of customers or non-customers (collectively: "Complaints") provides a mechanism of prompt and courteous treatment, and enables providing fair attention regarding any aspect of the bank's products or services. The Policy delivers a consistent and constructive approach to investigating and responding to Complaints. Tracking and logging Complaint information provides the bank with an opportunity to identify potential compliance issues and opportunities to strengthen and enhance the bank's products, services, and/or customer relations. It is an essential tool for identifying weaknesses in staff training or with a particular product or service and for differentiating between a one-time occurrence or a recurring problem. Complaints may indicate a failure in bank processes that, had the bank not been made aware of this as a result of the Complaint, could have resulted

in violation of a law, regulation, or bank policy. The Policy, and information obtained from its adherence, will also help to:

- > Recognize early warning signs;
- > Identify confusion in connection with Complaints or potential issues with a product or service;
- > Address customer concerns;
- > Highlight potential violations of laws and/or regulations;
- > Validate and strengthen controls and identify trends;
- > Protect the Bank's reputation;
- > Provide a competitive advantage, e.g., quality of service;
- > Assist in third party service provider monitoring.

In 2019, the bank received a total of 26 complaints: eight complaints were due to misunderstandings between the customer and bank, seven complaints relates to bank employee human error, seven complaints were due to system issues, two complaints were related to supplier errors, and two complaints were due to customer errors. No trend was identified.

**PREPARATIONS FOR IMPROVING SERVICE AND REDUCING COMPLAINTS AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL**

At MDB, the ratio of complaints found to be justified in 2019 stood at 19.6% (of complaints, in respect of which position could be formed), compared to 12.7% in 2018. At ICC, the ratio of complaints found to be justified in 2019 stood at 25.8%, compared to 24.5% in 2018. For further details, see the appendices in the "Conclusion" Chapter below.

**ICC - AVERAGE SCORES OF SATISFACTION SURVEY**

On a scale of 1 to 4, with 4 denoting "excellent"



It is noted that, compared with 2018, the scoring for satisfaction has increased in all categories.

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**FAIRNESS IN PRODUCTS**  
**PROPER DISCLOSURE - INFORMATION REGARDING PRODUCTS AND SERVICES**

Banking corporations are required by law to abide by proper disclosure requirements in everything relating to the information which is provided to customers regarding the banking product or service, including pursuant to the Banking Law (Customer Service), 1981, the Banking Rules (Customer Service) (Proper Disclosure and the Delivery of Documents), 1992, and the Banking Rules (Customer Service) (Advertisements Directed at Minors), 1995. The central principle of this legislation is the duty of proper disclosure (transparency) toward customers.

The Bank strictly adheres to the directives applying to it in this respect and maintains strict control procedures.

At the base of the above subject are found fairness and decency values comprising an integral part of the current business activity, interwoven with the day-to-day operations of the Bank and comprise a guideline for the operations of Bank employees. The above stated requires development and maintenance of an organizational culture, which positions the customers and the business fairness and reliability at the heart of the decision-making processes conducted both by the authorized organs of the Group, and by the three lines of defense, and in particular the risk taking units.

In view of the above, and as part of the overall risk management concept, and in particular, the compliance and regulation risks, the Bank acts in order to impart and integrate proper and fair business principles and values into the banking operations of the Group

as a whole, including the formation and characterization of products being offered by the Bank to customers, in accordance with requirements that change from time to time, proper disclosure to customers with respect to the different products, including the risk components inherent therein, and the adaptation of the solutions offered by the professional functions at the Bank to the needs of customers and changing market requirements.

Compliance with the provision of the law and regulation is enforced on a current basis by means of various control and supervision systems - the Chief Compliance Officer, compliance officers and trustees and the Internal Audit function.

**WHILE LAUNCHING NEW OPERATIONS/PRODUCTS OF THE BANK, AS WELL AS THE MARKETING AND ADVERTISING OPERATIONS OF THE BANK, MESSAGES DELIVERED TO BANK CUSTOMERS ARE EXAMINED BY CONTROL FUNCTIONS THAT VERIFY, INTER ALIA, THAT THE MESSAGES DO NOT MISLEAD CUSTOMERS AND ARE DELIVERED IN A PROPER AND FAIR MANNER**

The Chief Compliance Officer is actively involved, inter alia, in the preparations for regulatory updates and toward the introduction of new operations and products by the Bank. Moreover, the Chief Compliance Officer monitors the rectification of material deficiencies and failures in matters of compliance and submits - to the President & CEO, to the Bank's Management and to the Board of Directors, as well as to the CEOs of the subsidiaries where he also serves as the Compliance Officer - quarterly and/or annual reports on matters of compliance, which include a summary of his activity during the reported period.

In accordance with guidelines of the Banking Supervision Department, prior to the launch of new products/operations, the Bank performs an orderly and systematic





process ensuring the identification and evaluation of all risks inherent in the new product/operation, while examining their effect on the risk profile and verifying the suitability of the infrastructure and controls supporting their operation. The said process has been established in a designated policy and in supporting work procedures applied by the Bank and the Group, mutatis mutandis.

Structured infrastructures exist at the Bank, which assist employees in providing service in accordance with Bank values, a service being of value also to customers. Thus, for instance, the systems of the Bank assist the fair and transparent conduct, while providing proper disclosure of all data and information relevant to the execution of a transaction; also existing is an administrative infrastructure which regulates proper criteria and manner of conduct; regulation supporting information sessions are conducted regarding the consumer credit field, which establish fairness and decency values; frontal guidance sessions are held on a variety of compliance matters with the assistance of distance learning and updates, which help in the absorption of different issues. The guidance sessions are designed for all Bank employees and managers, and some of these are designed to align with the special work environment concerning designated products and employee populations. The infrastructure is validated and updated from time to time in accordance with the regulatory environment and the business activity of the Bank. These also assist with the audit side of compliance enforcement of the provisions of the law and regulations and in deploying the compliance culture throughout the organization.

In order to promote fairness and proper disclosure at the Bank, the Bank acts on a number of levels:

**Promoting transparency** - The Bank acts, inter alia, for the establishment of

the said values in the core documents and the basic documents of the Bank and conducts ongoing operations to integrate them in the field. Among other things, the Bank emphasizes transparency as well as adequate and proper disclosure provided to the Bank's customers, including the information and adaptation which have to be provided to customers with respect to banking products or services granted or offered to them.

**Launching activities and advertising new products** - An additional layer in which the values of fairness and decency are being reflected is the introduction process of new operations/products of the Bank, as well as the marketing and advertising operations of the Bank. Messages delivered to Bank customers (including potential customers) are examined by control functions that verify, inter alia, that the messages do not mislead customers and are delivered in a proper and fair manner.

**Proper disclosure in publications** - The Bank strictly applies several basic principles in the advertising and marketing of its products:

- **Truth in advertising** - Strict measures are taken in the publication of valid information, which is being properly examined prior to its release;
- **Social correctness** - The Bank publications are being edited in a respectable and adequate manner while strictly maintaining social correctness and avoiding impingement of populations, beliefs, etc;
- **Ethics** - The Bank is committed to the advertising ethical code adopted by advertisers and television channels and includes principles designed to protect values (such as human dignity), populations (such as children), etc. The said code is obligatory both as regards production of marketing communication as well as the products themselves.

**No complaint with respect to a violation of the Code of Ethics regarding advertising was received in 2019.**

**In 2019, no significant fines and/or non-monetary sanctions were imposed on the Bank.**

### SERVICES IN DIFFERENT LANGUAGES

➤ The Bank is working to provide different services in a variety of languages for the convenience of all its customers:

- The Hebrew, English and Russian, Arabic and French languages can be used on the marketing website;
- Hebrew is the language used on the operations website, though English may also be partly used;
- Available on the English language website is information regarding the financial activity of customers, alert notices and important updates;
- Marketing pamphlets, which are placed in the branches for the customers' convenience, are written usually in Hebrew, and in certain cases, according to needs or demand, designated leaflets are also produced in other languages (English, Russian, French and Arabic);
- ATMs provide guidance in Hebrew, Arabic and Russian, and with the use of an international card, also in English;
- The Information Desks interface operates in Hebrew, English, Arabic and Russian. It is possible to receive statements of account in Hebrew or English, where the language of the account is marked as English;
- At branches servicing a large number of foreign residents, such as the Netanya, Bat-Yam, Ashdod and Herzliyah Pituach branches, service is provided also by English-speaking bankers and those who speak an additional foreign language, such as French or Russian;
- At the line management points, the service is provided also in English and Russian. At the Nazareth and East Jerusalem branches, the service is provided also in Arabic.

## FAIRNESS IN PRODUCTS AT THE PRINCIPAL SUBSIDIARIES

The aforesaid in "Fairness in products" is applied also with respect to MDB and ICC.

### ICC AND MDB

ICC is also a signatory of the advertising ethical code, and no complaints were received in 2019 regarding violations thereof. MDB has not signed the aforementioned Code of Ethics.

### IDB BANK

IDB Bank adheres to all applicable federal and state laws, such as Truth in Savings Act (Regulation DD), Truth in Lending Act (Regulation Z) and Acts and Practices in the matter of Unfairness, Abusive Acts or deceit and demand for fairness, pertaining to proper and timely disclosure of terms and conditions relating to the Bank's deposit and lending product and services.

### SERVICES IN DIFFERENT LANGUAGES AT THE PRINCIPAL SUBSIDIARIES

#### MDB

MDB has extensive activity among the Arab population and the Ultra-Orthodox ("Haredi") population and, accordingly, the required adjustment is made to the bank's operations vis-à-vis the different segments of the population. The marketing approach in the Arab sector is generally made in Arabic (including video clips, leaflets, etc.). Furthermore, in the Arab sector branches, the response in the branches and the primary telephonic response (computerized), is in Arabic. Also, the approach to the Haredi sector is made considering the "language" in practice (without photographs that might offend public feelings and with a text that is appropriate to the Haredi sector).

#### ICC

Service to customers at the ICC call center is provided in different languages: Hebrew, English, Arabic and Russian. Upon connecting to the company's system, a voice message is being sent for a voice OTP identification, which allows customers to carry out transactions and obtain information quickly and easily. Adaption is also made to the "language" used by the Haredi community.



# CUSTOMER PRIVACY AND INFORMATION SECURITY

→ The importance of maintaining and protecting reliability, strength, availability and survival of information technology is ever growing in view of the enormous technological development in recent years and its implications for the Bank, in view of the cyber threats, which are growing in severity and frequency, and in view of the marked growth of the use of information technology products compared with human-operated products. Therefore, the Bank views the protection and safety of information as a central goal and invests considerable resources in protecting the information in its possession.

The Bank stringently adopts an array of actions and measures for safeguarding customer data in data bases, in order to protect them from impairment in durability and exposure to a change to the data. This activity is carried out in accordance with the provisions of the law and the regulatory agencies.

## IN 2019, THERE WAS NO OCCURRENCE OF ONE OR MORE CYBER INCIDENTS THAT MATERIALLY AFFECTED THE PRODUCTS OR SERVICES OFFERED BY THE BANK OR BY THE GROUP, THEIR RELATIONS WITH CUSTOMERS OR THE COMPETITIVE CONDITIONS

The Bank works diligently to safeguard banking confidentiality and the privacy of the customer and the information in his account, and does everything it can to identify malfunctions and prevent their repetition.

The Bank's privacy policy is presented in the Bank's website, and details the way in which information is gathered, the approach and use of the information, passing of information to third parties and data protection. The principles for the management of confidentiality and privacy of the customer are applied in accordance with the provisions of Proper Conduct of Banking Business Directive No. 357, regarding "management of information technologies", the policy and procedures being approved by Management and the Board of Directors, and comprising part of the Bank's risk management.

In 2019, a Law Office engaged by the Bank, performed a survey examining the implementation of the instructions of the Regulation in respect of privacy protection at the Bank and at its principal subsidiaries. The survey did not identify any material findings. The field of privacy protection is being audited by the Internal Audit, as part of the audit performed with respect to information technology issues.

At the end of 2018, due to human error that had occurred during the uploading of a computer file, an employee had mistakenly added a file that included the list of customers holding a certain security. The list contained several tens of entries concerning customers of the Bank, some of whom were corporations. The examination performed showed that that only one customer had opened the said file, so that only that customer was exposed to the list. In conjunction with that customer, the Bank verified that the said information was removed from the customer's computer and that it had not leaked out. In accordance with the Law and for reasons of care, a report has been submitted to the Privacy Protection Authority. In January 2019, the Authority informed of the closure of the case and of the continuation of the independent treatment by the Bank of the following issues: refreshment of procedures, employee awareness and management of authorizations.

Five cases were examined in 2019: one case of an employee extracting information from a customer's account, two cases of employees extracting information from accounts of family members, even though they were not authorized to operate the account, and two cases of transactions made by employees in accounts belonging to relatives where the employees had no authority to operate the accounts.

Three cases were revealed at MDB: two cases of employees extracting information and conducting transactions on accounts of family members, despite the fact that they were not authorized to operate the account.

In 2019 ICC received three privacy protection complaints, all three of them were found to be unjustified.

MDB received no banking confidentiality complaints in 2019.

No complaints were received by IDB Bank in 2019 concerning breaches of customer privacy and losses of customer data.

### MALFUNCTION IN THE PAYBOX APPLICATION

→ Following a malfunction that had occurred upon the installation of a server for the PayBox Application, partial information regarding users of PayBox leaked out. The malfunction was rectified within a few hours from time of discovery.

Based on the investigation performed, the said information contained a part of the details of the data existing on PayBox, but did not include information details, the use of which might cause direct monetary damage to users.

PayBox is conducted separately from the computer systems of the Bank and from the regular banking services of the Bank. The server, in which the malfunction was found, is not connected to the operations of the Bank, and the malfunction in general has no bearing on the accounts held with the

Bank and on other information existing in the hands of the Bank with respect to customers managing accounts with the Bank.

The Bank estimates that the malfunction is not expected to have a material impact on the Bank.

Notice regarding the event has been delivered to users of PayBox.

For details regarding legal actions and motions for approval of such actions as class action suits served in connection with the said event, see the Report for the second quarter of 2020, p. 137 (Note 10 B, Section 5.3 to the condensed financial statements).

The Bank has drawn conclusions in order to ensure that a malfunction of this type is not repeated, and the conclusions are at an advanced stage of implementation.

### DATA PROTECTION RISKS AND CYBER PROTECTION

→ The principal potential damage involved in the impairment of data protection includes impairment of privacy and confidentiality of information regarding the Bank, its customers and employees, financial damage, realization of cyber threats, distortion of data stored in the Bank's systems, impairment of the availability and survival of systems and information, impairment of the business of the Bank and its reputation.

Data protection and cyber defense at the Bank are regulated and directed in accordance with various regulatory provisions, including the Privacy Protection Law and the regulations promulgated thereunder, the Computers Law, Proper Conduct of Banking Business Directives, and particularly Directives Nos. 357 and 361, on the basis of which a cyber defense and data protection strategy and policy have been drawn up, as approved by the Bank's management and Board of Directors, as well as Proper Conduct of Banking Business

Directive No.362 in the matter of cloud computing and Proper Conduct of Banking Business Directive No. 363 in the matter of management of cyber risks in the chain of supply. Furthermore, the cyber and data protection groups at the Bank are audited by the Internal Audit.

Except for the protection of the computer system, the defensive actions are intended to provide a response to the important business processes of the Bank. In this way, a defense layer focused on a comprehensive business viewpoint risk would be strengthened.

For further details, see the document, "Disclosure according to the third pillar of Basel and additional information regarding risks", published together with the 2019 annual report (pp. 83-85).

In 2019, there was no occurrence of one or more cyber incidents that materially affected the products or services offered by the Bank or by the Group, their relations with customers or the competitive conditions.

**PROTECTION OF THE BANK'S WEBSITES**

➔ In accordance with the Bank's policy on this topic, systems preventing unauthorized access as well as systems monitoring and identifying deviation from authorized activities are integrated into the Bank's systems. Protection of the Bank's marketing and operations websites is continuous.

The Bank operates a data protection center that operates continuously throughout the year (24 hours round the clock, 365 days a year), the objective of which is identifying risks, breaches, exposures and vulnerabilities in the data protection system, and which is responsible, among other things, for the identification and warning of any activity intended to damage the Bank's websites or its customers (by means of imitation sites). Furthermore, within the framework of the internal audit, a department operates

in the IT field, performing ongoing audits of such subjects. The Bank's operational sites, which provide service to customers over the Internet, are protected by several layers of defense, which include protection components for hardware/communications and services providing information regarding attacks and hostile addresses. Infrastructure systems are monitored and reported to the data protection center.

As part of risk management, the Bank investigates various incidents, gains insights and draws conclusions. Such insights, together with data and cyber protection surveys, enable the Bank to map gaps that should be rectified and determine priorities in the treatment thereof, which are integrated into the work plan.

Data protection and cyber defense activities are implemented in accordance with the strategic plan, as approved by the Bank's management and Board of Directors.

The development and maintenance of systems and projects are closely accompanied by professional mentors.

In accordance with the risk outline and with Proper Conduct of Banking Business Directive Nos. 357 and 361, risk surveys and penetration tests are performed at required frequencies, following which, mitigation measures are implemented and the required reports submitted.

Access to information and the levels of authorization are controlled by designated teams and systems, and the administration processes and management tools undergo significant improvement and reorganization.

The Bank takes ongoing action to raise awareness and to improve the organizational culture from the aspect of data protection, which among other things includes training, publication of policy documents, manifests and marketing tools. The Bank has established in procedures most of its

operations and processes, and the data protection unit at the Bank is involved in the approval of all the Bank's procedures, in order to ensure the early identification of operations causing data protection risks and cyber defense.

**Mitigating the exposure to cyber risk through purchasing insurance.** See the document, "Disclosure according to the third pillar of Basel and additional information regarding risks", published together with the 2019 Annual Report (p. 79).

Aspects of physical safety, to the extent that they might be connected to data protection, are managed and implemented by the Bank's security officer, in conjunction with the data protection manager.

The abovementioned processes are applied, mutatis mutandis, also with respect to MDB.

**CUSTOMER PRIVACY AT ICC**

➔ ICC is devoting considerable efforts to everything related to the protection of customer privacy. Included in this, an enforcement plan regarding privacy protection was formed some three years ago, with the assistance of a Law Office specializing in this field.

During the year 2019, ICC performed an internal survey in the field of privacy protection. Following this survey, a reduction plan has been formed and the treatment of all findings arising from the survey has been completed.

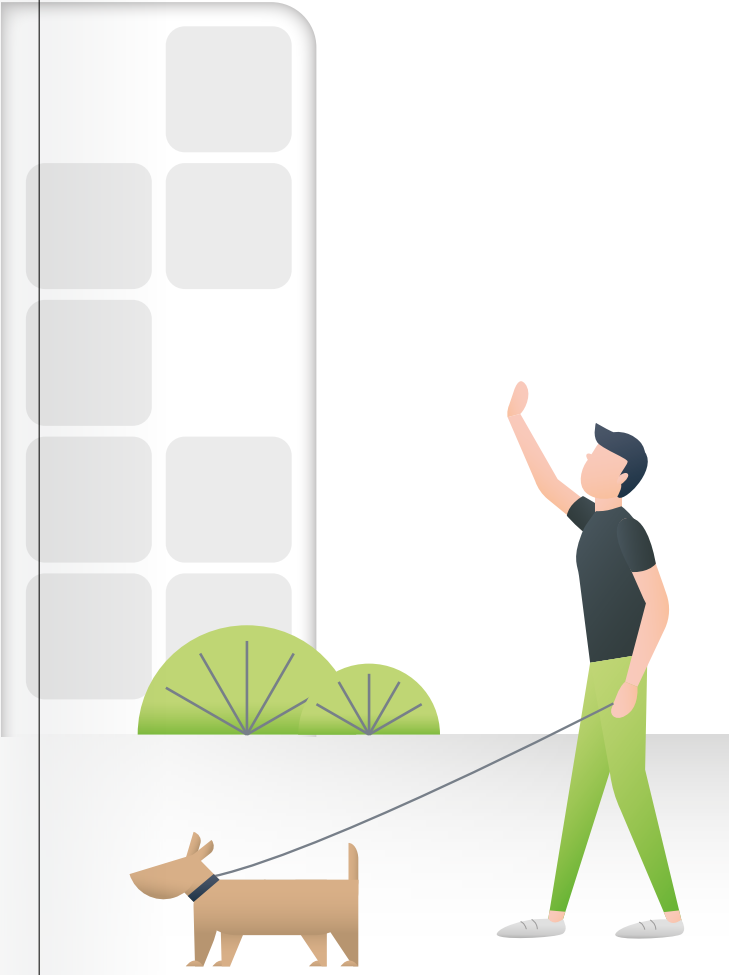
In addition, the company started performing in 2019 a comprehensive compliance survey regarding the issue of privacy, accompanied by an accounting firm and a law office having expertise in this field, this within the framework of a Group compliance survey. The survey is expected to be completed in 2020.

As a general rule, activities involving questions arising from privacy protection legislation are closely escorted by the Legal Consulting Division of the company, which monitors developments in legislation regarding these aspects and examines the need to adapt the activities of the company in view of such developments.

Designated training sessions regarding privacy protection issues, were held for company employees during 2019.

Surveys conducted in recent years by the data protection unit have not identified findings indicating exposure to non-compliance with the provisions of the Law.

Moreover, the risk of leakage of information is defined by the company as being high risk, and the controls regarding such risk are being constantly strengthened. The company has integrated a number of mechanisms for the detection and blocking of leakage of information from all channels for the outflow of information from the company, including mail, online interface, deposit boxes, etc.



**GENERAL**

Since the beginning of the Corona crisis and the restrictions imposed on economic activity, the Bank has made preparations in order to assist its customers in facing the economic uncertainty and overcome the crisis. At the beginning of August 2020, the Bank increased its support of customers offering an additional solution and service package to business and private customers.

**THE HOUSEHOLD SEGMENT IN THE WAKE OF THE CORONA CRISIS**

Among the other moves which the Bank has led regarding the household segment are:

- Enlarging and making more accessible the banking operations conducted on the digital and online channels, in order to both facilitate the activity of customers and also reducing the need for customers to visit the branches;

- The possibility for premature withdrawal of time deposits with no commission charge;
- Initiated issuance to customers of cash withdrawal cards and debit cards, with a view of assisting the withdrawal in cash of National Insurance allowances.

**Expansion of the support of customers** - In this framework, the Bank offers, as from the beginning of August 2020, flexible and singular tracks for customers having mortgage loans. The Bank allows the stay of mortgage repayments, principal, interest and linkage increments, for a period of up to twelve months. In order to facilitate the burden of repayments following the deferral period, the Bank would allow the extension of the mortgage repayment period for an additional period of up to twelve months. This and more, during the deferral period the Bank allows flexible repayments, namely it is possible to stay all repayments or a part



## SUPPORT OF CUSTOMERS IN THE WAKE OF THE CORONA CRISIS

- Assistance loans to households – Designated loan channels for private customers have been developed, including bridging loans and any purpose loans. Furthermore, the Bank has made possible loans to customers having a deferred repayment mechanism of principal and interest for a period of up to six months;
- Deferral of repayment of existing loans – According to customers' request the Bank agreed to defer/stay the repayment of loans for a period of up to six months, with no need to visit the branch;
- Deferral of repayment of mortgage loans, both principal and interest or only principal (at the election of the customer) for a period of up to six months, with no need to visit the branch. In addition, the Bank allowed extension of the approval in principle for thirty days;

thereof, in accordance with the repayment ability of the customers for a time period of one year (all the above periods include the first deferral period, if granted).

Private customers are offered a range of loans at easy terms and flexible repayment periods. Inter alia, the Bank offers a "salary complementing" loan to customers on unpaid leave from work or customers whose income had been impaired. This loan track allows the receipt of a monthly amount of up to NIS 6,000, for a period of up to five months. During the period of receipt of the "salary complementing" loan, customers do not pay and do not accrue interest, namely, customers enjoy both the deferral of repayment of the loan and exemption from the payment of interest. Customers begin repayment of the loan only at the end of the

period of receipt of the monthly amounts, the repayment being spread over 24 to 36 installments.

**Discount's Mobile ATM** - In October 2020, the Bank launched a new service - Mobile ATM, which goes out to care homes. The service is intended to provide an answer to the needs of the elderly population, which has not had access to banking services during the lockdown period. In the first stage, the service is being operated on a test (pilot) basis in a number of cities throughout the country.

**THE SMALL AND MINUTE BUSINESSES SEGMENT IN THE WAKE OF THE CORONA CRISIS**

Among the moves which the Bank has led regarding the small and minute businesses segment are:

- Use of digital services for business with no need to visit the branch – Payment of wages, transfer of funds in high amounts, payment of invoices, deposit of checks by means of the Application, and additional operational relief available to customers;
- Assistance loans to businesses – Designated loan tracks have been developed for businesses encountering cash flow difficulties, among which are bridging loans for the payment of wages and current expenses, and assistance loans with a mechanism for deferral of repayment of principal sums for a period of up to six months;
- Deferral of repayment of existing loans – In accordance with requests of customers, the Bank approved deferral/stay of repayment of loans for a period of up to three months, with no need for the customer to visit the branch.

**A Fund for small and medium businesses guaranteed by the State** - The State of Israel, through the Accountant General at the Ministry of Finance, has established an assistance Fund for businesses for the purpose of facing the spreading of the

## DURING THE PERIOD OF THE CORONAVIRUS CRISIS (MAY 2020), DISCOUNT BANK WAS PLACED TOP OF THE BANKS' FRIENDLINESS INDEX FOR SMALL AND MEDIUM BUSINESSES, WHICH IS PUBLISHED BY THE SMALL AND MEDIUM BUSINESSES AGENCY

Corona virus. The State guarantees 85% of each single loan extended within the framework of the Fund, though the total amount of the guarantee is limited to up to 15% of the total amount of the loans granted by the Bank within this framework. The Fund offers loans at convenient terms and in accordance with the rules promulgated by the State.

All banks within the Israeli banking system participate in this Fund. On April 1, 2020, Discount Bank obtained a primary allocation of NIS 350 million within the framework of the Fund. Since the signing of the agreement with the State, Discount Bank and MDB have made prompt preparations and established an efficient working interface and the ability to provide response to customers in accordance with the terms of the Fund. The first loans within the framework of the Fund were granted already on April 6, 2020. The total allocations obtained by Discount Bank and MDB within the framework of the Fund, amount to NIS 4,029 million. Until November 15, 2020, both these banks had approved 8,870 loans in a total amount of NIS 3,144 million.

**A Fund for businesses having intensified risk** - On June 21, 2020, the State decided to provide assistance to additional businesses in Israel, which are being rated at a higher risk level than that typifying businesses which obtain loans from the Bank within the framework of the existing channel, and to add an "intensified channel" Fund. In the intensified channel, the State guarantee is divided into two layers, the total amount of the guarantee being limited to a cumulative



rate of 60% of total loans extended by the Bank in this intensified channel. In the first layer, a rate of 85% of each single loan extended within the framework of the fund, but the total amount of the guarantee is limited to up to a rate of 15% of total loans extended by the Bank in this framework. In the second layer, in respect of that part exceeding 15%, as stated, the guarantee of the State amounts to 95%.

The Bank and MDB have received an allocation of NIS 246 million from the fund. Through November 15, 2020, the two banks had approved loans totaling NIS 112 million.

THE LARGE BUSINESS SEGMENT  
IN THE WAKE OF THE CORONA CRISIS

- ➔ Among the other steps led by the Bank in the large business segment and in the middle market banking segment, are:
- Activating a service to encourage customers to use digital business services, including support in conducting transactions on the business website without having to visit a branch;
  - Deferring repayments of existing loans – at the request of customers, the deferral/freezing of loan repayments has been approved for a period of up to three months;
  - Business managers, business centers and business bankers have initiated activity and maintained ongoing communication with customers for the purpose of assisting them during the crisis period, providing adapted solutions.

**Large businesses fund guaranteed by the State** - The State of Israel, via the Accountant General at the Ministry of Finance has established a support fund for large businesses hit by the Corona crisis, and which comply with the terms determined by the State, including an annual business turnover exceeding NIS 200 million

and employing over one-hundred workers in Israel. The State guarantees 75% of each individual loan extended within the framework of the fund, however, the total amount of guarantees is limited to up to 12% of the total amount of the loans granted by the Bank within this framework. The loans granted by the fund are in accordance with the rules determined by the State. Each single loan is limited in amount to 8% of the turnover of the business and to not more than NIS 100 million.

Additional banks in the banking system participate in the fund. Discount Bank was allocated an amount of NIS 450 million within the framework of the fund. On April 30, 2020, the Bank signed the agreement with the fund and began operations within the framework thereof at the beginning of May 2020. The Bank has received an allocation of NIS 450 million within the framework of the fund. Until November 15, 2020, the Bank had approved eight loans in a total amount of NIS 256 million.

The above stated, regarding the preparations made in respect of assistance to customers belonging the large business segment, applies also to the medium businesses segment.

DEBTS WHOSE TERMS HAVE BEEN  
CHANGED WITHIN THE FRAMEWORK  
OF COPING WITH THE CORONAVIRUS  
EPIDEMIC

- ➔ During the crisis and through September 30, 2020, the Bank and MDB had approved loan payment deferrals in a scope of NIS 18,150 million, of which housing loans accounted for NIS 8,371 million.

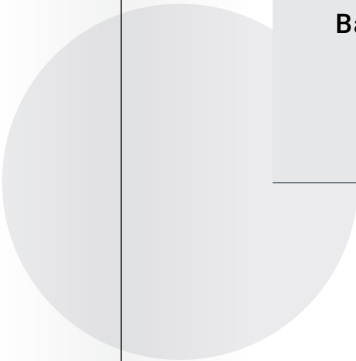
GOALS

GOALS PRESENTED IN PREVIOUS REPORT

Discount Bank	✓ Achieved	Introducing an information website in English, which from the aspect of information, would be identical to the activity website in Hebrew.
	✓ Achieved	Lectures to teenagers in cooperation with the "Sprint" Association and lectures to third agers in cooperation with the Supervisor of Banks.
	✓ Achieved	Debt collection from households and small businesses – a pilot project of mediation regarding debt portfolios prior to submission to legal proceedings.
	✓ Achieved	A periodic examination of accessibility to service, to buildings, to infrastructure and to the environment performed by an authorized accessibility inspector.
	✓ Achieved	A new designated Application for business customers.
	✓ Achieved	Seven new versions for the business Application.
	✓ Achieved	Increasing the number of versions for the private customer Application in the year, as a tool for providing value to customers.
MDB	✓ Achieved	Maintaining customer high satisfaction level regarding the use of the Applications.
	✓ Achieved	Opening of an additional branch for service to the Ultra-Orthodox (Haredi) community in Beit-Shemesh.

FUTURE GOALS

Discount Bank		For the year 2021 – examination of a methodological change in the internal service survey, so as to connect it more closely to the strategy of the Bank and to its internal work processes, which contribute to an improved service to the external customers of the Bank.
		Training additional counsellors for financial education activities with the Sprint association.
		Producing new content (video clips) for use in financial education activities.



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9,472

EMPLOYEES AT  
DISCOUNT GROUP

5,447

EMPLOYEES AT  
DISCOUNT BANK

45.2

AVERAGE AGE OF DISCOUNT  
BANK'S EMPLOYEES

16.2

YEARS - AVERAGE SENIORITY AT  
DISCOUNT BANK

61.3%

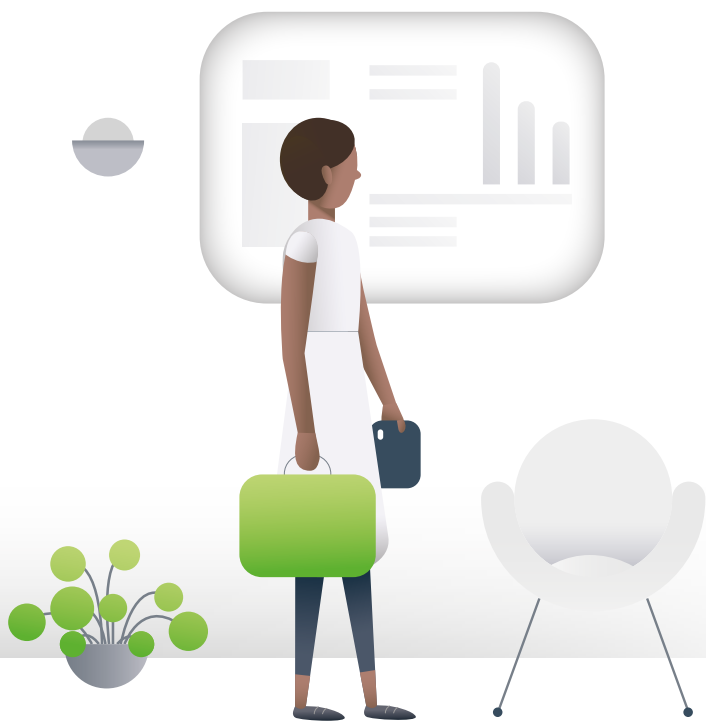
OF DISCOUNT BANK'S  
EMPLOYEES HAVE ACADEMIC  
EDUCATION

51%

WOMEN IN MANAGEMENT  
POSITIONS

# THE EMPLOYEES

THE BANK ADOPTED A POLICY OF DIRECTED MANAGEMENT OF PERSONNEL, BASED ON THE UNDERSTANDING THAT HUMAN CAPITAL IS A CENTRAL FACTOR IN THE BANK'S PROGRESS AND SUCCESS. THEREFORE, THE BANK WORKS TO DEVELOP THE HUMAN RESOURCE FROM A LONG-TERM PERSPECTIVE, BY MEANS OF AND LAYING A FOUNDATION FOR OUTSTANDING, FORERUNNING LEADERSHIP, EXPRESSED AS A BASIS FOR THE ORGANIZATION'S EMPOWERMENT AND GROWTH



## NURTURING OF HUMAN CAPITAL POLICY

It is important to us to take pride in our workplace and we therefore promote a challenging, supportive and pleasant work environment. We believe in the people that we work with and invest in making them stronger. ("the Discount Spirit").

Discount Bank adopted a policy of directed management of personnel, based on the understanding that human capital is a central factor in the Bank's progress and success. Therefore, the Bank works to develop the human resource from a long-term perspective, by means of and laying a foundation for outstanding, forerunning leadership, expressed as a basis for the organization's empowerment and growth. Concurrently, the Bank places emphasis on promoting the realization of the professional and personal aspirations of its employees, by providing them with a range of career-development opportunities, while focusing especially on developments in the labor market of the banking world - at present and in the future.

The Bank operates many systems that support the development and nurturing of the human resource, including sophisticated evaluation and feedback mechanisms. The management training and development systems assisting employees, inter alia, in coping with the professional and managerial challenges they face. Discount Bank also attaches considerable importance to the welfare of its employees and takes measures to promote this, through varied enrichment opportunities during free time and through providing social and economic support in times of crisis for its employees and the members of their families. The Bank also participates in financing welfare

activities in aid of the employees.

The Bank encourages diversification and equal employment opportunities for underrepresented populations and their integration in suitable positions, while maintaining a fair and respected work environment.

The Bank insists on protecting the dignity of employees, of proper labor relations and on protecting employee rights, in accordance with the law and labor agreements. The Human Resources Division is responsible, through the Division's staff and through the Human Resources Units distributed throughout the Bank's various divisions, for dealing with employees, which guides the employee from his hiring until termination, including from the aspects of: salary, welfare, occupational development, guidance and professional training, etc.

### MAIN DEVELOPMENTS DURING 2019

Preparations for a transformation in traditional banking and for the challenges of the future. Within the framework of the Bank's preparations for the changing work world and due to an acceleration in digital deployment within the organization, the Bank has implemented a number of measures relating to managerial development to guide and lead it in the digital world.

In the first quarter, a conference, called "The way we lead" was held for the Bank's senior managers at which the challenges of leadership in a changing world were discussed: the ability to lead in times of uncertainty, multi-generational management and the creation of clarity and a path in a changing environment. As part of this conference, the principal relevant qualities to succeed in the digital age were discussed, including learning ability, curiosity and flexibility.

In continuation of the convention, a strategic project was introduced for the

## NURTURING OF HUMAN CAPITAL AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

### MERCANTILE DISCOUNT BANK (MDB)

As is the case for Discount Bank, MDB promotes a people-orientated management policy and acts to nurture its human capital, through the operation of numerous management systems for its development.

### ICC

Management of ICC views the human capital as a strategic key in achieving the success of the organization, and accordingly, invest in employee training and development, in their personal and professional progress, in compensating them for qualitative performance, their welfare, their attachment to the business core aims, and in an open dialogue with them with the aim of creating frankness and fairness.

As part of the above, ICC operates on a number of central levels, including maintaining proper labor relations, development, training and the mobilization of employees, the creation of a leading and strong leadership, diversity and equal opportunities and investment in diverse activities for the welfare of employees and their families.



handling of the main lines in the preparation for the challenges of the future, such as: organizational mobility, training and learning, and qualitative change leading leadership. Furthermore, assimilation activity took place which includes ongoing learning of the skills relevant to the digital age, as set forth below:

- > A WhatsApp group for managers - a group has been set up for senior and middle-grade managers on which online learning content for the digital age is sent, as well as weekly lectures for managers;
- > A digital preparedness room – an integrative experiential simulation room has been built to demonstrate the coping with the skills needed in the digital age and to provide development tools;
- > Upgrading the annual learning plan – training has been added to the plan to instill and improve soft skills and job-support attributes (“opting to evolve further”). Enrichment lectures were also held in order to encourage and strengthen learning curiosity;
- > Managers’ training – in the last quarter training was held for middle-grade managers aimed at significantly enhancing their ability both currently and with an eye to the future of “the manager as a developer of his staff”;
- > A development program for branch managers “Long-distance leadership”, intended to develop the leadership ability and skills of branch managers, which have been aligned with the leadership challenges of the Bank both at the present time and also in the future (for further details about the program, see below – “Main measures in 2019”).

**Deployment of the “Tiltan” system.** In 2019, deployment began at the Bank of a new and advanced technological system for managing the human resource – the

“Tiltan” system. The system assists in applying the human resources strategy, by means of focusing on the human resource processes, information for managers and the employees’ experience.

Deployment of the system will make it possible to improve the operating efficiency of the individual processes, to manage contact between the employees and the organization, with emphasis on service and professionalism, and to apply flexible management of the human resource, which supports the organizational processes and changes in the work sphere.

In 2019, the Bank implemented the core module of the information infrastructure and the processes for managing the human resource, the employees service center module, which enables implementation of a professional service center for employees in order to submit requests concerning human resources and self-service facilities to update personal information, telephone directory, organizational structure as well as reports and analyses. The system is up and running for the general use of the HR teams and has also begun to be deployed for the Bank’s employees. The deployment is currently being expanded and preparations are being made for Stage II of the project, which includes implementation of an employees’ assessment module, a remuneration module and a manning and recruitment module.

It is expected that various interested parties within the organization will benefit from the system, including: the HR teams – through access to all the information in the human resources’ field and individual processes on an innovative technological platform; employees – through the digital service experience; the management teams – in managing human resource aspects of their employees; and senior Management – through a flexible management infrastructure and the optimization of resources.

# EMPLOYEE HIRING

➔ Each year Discount Bank hires continuously hundreds of new employees for a variety of positions. The locating of candidates is conducted through a wide variety of hiring means (social networks, the Bank’s Internet website, manpower companies, “a friend brings a friend” campaign, employment fairs, etc.) - which allow a variety of candidates to expose themselves to the positions being offered by the Bank and to submit their candidacy. In the process of hiring and placement of new employees, emphasis is placed on compatibility between the needs of the candidate, his wishes and values, and those of the Bank.

The placement of employees at the Bank is made solely on a professional basis, while considering the candidate’s skills and his suitability for the position, and without involving irrelevant considerations such as the race, gender, religion, nationality, age or disability of candidates.

The Bank views the transfer of employees between positions as an opportunity for professional development and enrichment of its employees, and encourages such transfers. The Bank publishes on the employees’ website, notice of vacant positions inviting employees to submit their candidature.

In 2019, 78% of the managerial positions were manned by Bank employees. 51% of the professional positions (which do not comprise of teller positions, service teams or telephonic banking, which are not intended for employment in an outsourcing format and which are not managerial positions) were also manned by Bank employees. During that year, ICC manned 81% of the managerial positions

and 68% of positions in general, by company employees. During the same year, MDB manned 97.8% of the managerial positions by bank employees. 96.5% of the professional positions (which do not comprise of teller positions and which are not managerial positions) were also manned by bank employees.

The Bank employs a small number of teenagers, according to age and conditions permitted by legislation, during their summer vacation, within the framework of projects to the benefit of the community (see in Chapter Discount for the community, “Employment of visually impaired teenagers”). Apart from these cases, the Bank does not employ children in any way or form, either directly or through manpower agencies.

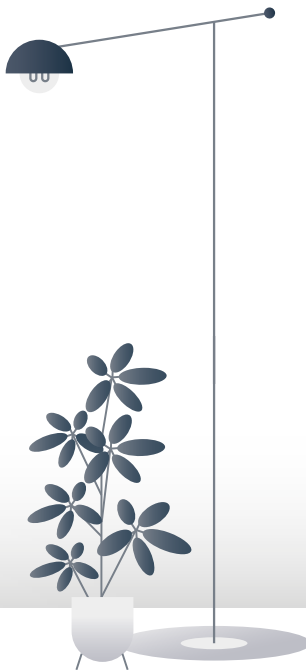
# LABOR RELATIONS

➔ Labor Relations at the Bank are based on the Labor Charter, collective labor agreements and the different employment arrangements that are formulated mainly in discussions between the Bank’s Management and the employees’ representative committee. The year 2019 was marked by good and respectful labor relations that are based on attentiveness and cooperation, while maintaining industrial peace.

**Rights of association.** The tenured employees of the Bank are organized within the framework of the national Employees’ Representative Committee. They are entitled to vote for or be elected to the Committee and comprise approx. 72.1% of all the Bank’s employees, which are not engaged through outside factors.

**A majority of employees which are engaged under collective labor agreements.**<sup>22</sup> As of December 31, 2019, the Bank engaged 5,282 employees (excluding workers on

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maternity leave and on unpaid leave). This figure includes all of the Bank's employees, as well as workers providing services to the Bank by way of different outside factors. Of the above, 4,574 are tenured employees and temporary employees, engaged under collective agreements and constituting approx. 86.6% of total employees. After deducting the number of workers employed by external factors, the number of employees stands at 4,775 and the ratio of those covered by the collective agreements reaches approx. 95.8%.

**Bank participation in the budget of the Employees' Representative Committee.** The Bank contributes monthly to the budget of the Employees' Representative Committee, in an amount of almost triple the monthly amount contributed by the employees. Five of the 21 Committee members are central officers of the Committee engaged on a fulltime basis and receiving a full salary. Employees of the Bank's fulfill different duties within the framework of the activities of the Committee in aid of the welfare of employees, and the Bank even covers in full the costs of office premises provided for use by the Committee. The Bank participates also in financing the operations of the Retirees' Committee in aid of the retirees of the Bank all over the country.

**Organizational changes.** Item 4 of the collective agreement dated April 2, 2000, in the matter of the definition of the Bank's units, stated that the Bank's Management shall forward its proposals regarding the definition of units and management duties, and a joint discussion will be held during 15 days from date of forwarding the proposals to the managers' representative committee. At the conclusion of the discussions, if the parties have not reached an agreement, the matter will be forwarded to the Bank's President & CEO, whose decision will be final. The period was shortened from 15 days to 7 days by the collective agreement dated November 30, 2016.

**Wage agreement** - Following lengthy negotiations that had started in 2018, the Bank and the Employees' Representative Committee signed on February 21, 2019, a wage agreement.

This agreement as well as the predecessor agreement signed in November 2016, constitute a breakthrough as regards the remuneration method prevailing in the banking sector, being based on monetary wage increments and not on percentage-based increments. This mechanism continues to reduce the wage differences and strengthens the future generation of bank employees. For additional details, see the 2019 Annual Report (p. 316).

The agreement applies to the years 2019-2021 and includes, apart from wage increments and awards based on returns, also the updating of the maximum amounts of salaries and recreation pay in respect of "B" generation employees, the increase in 2020 of the minimum amount of the monthly wage used for calculating the severance pay to all Bank employees to NIS 6,500, an increase at the rate of 7.5% in the contributions of the Bank to provident funds of most employees, and the provision in full of severance pay (subject to the finality of the provision).

For additional details regarding labor relations at the Bank, see the 2019 Annual Report (pp.314-316).

THE STARTING WAGES

The Bank insists on the payment of decent wages to its employees, even in excess of the minimum wage stated by law (which in December 2019 amounted to NIS 29.12 per hour and NIS 5,300 per month). Accordingly, the starting wage for most of the new employees beginning work as temporary employees amounted to NIS 34.34 per hour, in December 2019. The starting wage of most employees earning a monthly wage in a temporary status amounted to approx. NIS 6,250 per month, in December 2019.

WAGE DIFFERENCES BETWEEN FEMALE AND MALE EMPLOYEES

Male wage against female wage<sup>1</sup>

	2019	2018	2017
Management	-4.6%	-15.0%	-9.1%
Senior managers <sup>2</sup>	8.9%	5.1%	9.8%
Other managers	5.0%	6.7%	4.9%
All managers	3.8%	5.1%	7.1%
Clerks	9.6%	9.2%	8.4%
All the Bank's employees	6.6%	7.2%	6.6%

Notes:  
1 The computation represents the average of wage difference averages in the different employment grades. The comparison is based on payroll data and on the manpower position in December.  
2 Branch manager and above.

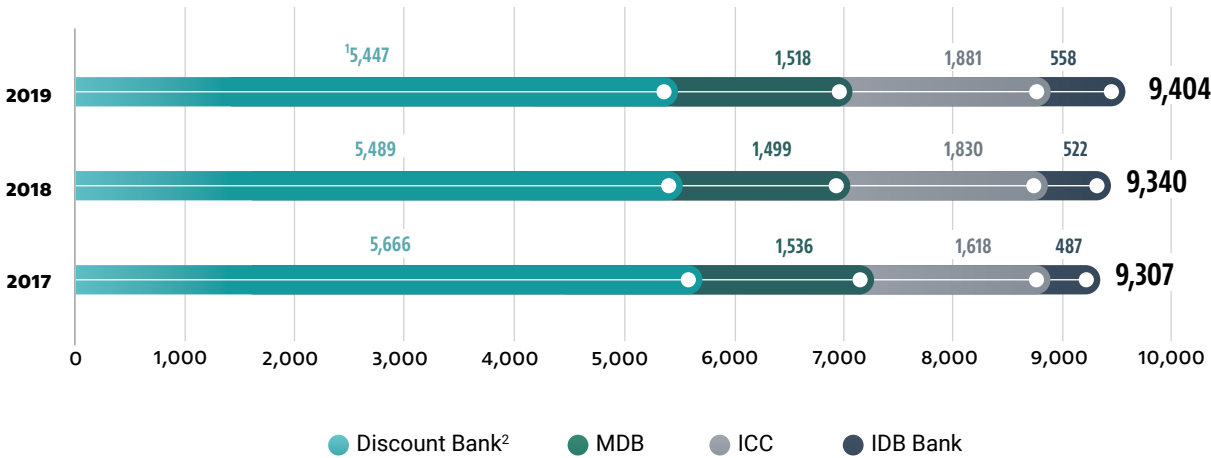
DISCOUNT'S EMPLOYEES

EMPLOYEES OF THE BANK AND THE PRINCIPAL SUBSIDIARIES IN ISRAEL, IN NUMBERS as of December 31, 2019

BREAKDOWN OF DISCOUNT BANK'S EMPLOYEES BY GENDER



EMPLOYEES OF DISCOUNT BANK AND OF THE PRINCIPAL SUBSIDIARIES<sup>23</sup>



Notes:  
1 Following an examination conducted, 83 persons who had previously been treated as service providers have been redefined as outsourcing workers and have been added to the Bank's workforce numbers as of December 31, 2019. In the absence of readily available data, the comparative data have not been revised accordingly.  
2 The data includes employees on unpaid leave and on maternity leave.

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BREAKDOWN OF DISCOUNT BANK’S EMPLOYEES BY EMPLOYMENT CATEGORIES<sup>1</sup>



- Notes:**
- 1 The data do not include employees on unpaid leave or on maternity leave.
  - 2 Including software houses and workers engaged in the TeleBank service centers.
  - 3 Temporary employees - the employment terms of such employees are mainly regulated in several special collective agreements in which said employees’ employment terms and the period of their employment are set forth.
  - 4 Tenured employees - the employment terms of such employees are regulated in the Labor Charter, special collective agreements and various employment arrangements.
  - 5 Personal agreements - employees whose employment terms are anchored in personal contracts with the Bank and for whom the provisions of the Labor Charter and the collective agreements, which apply to employees with the status of “tenured” employees, do not apply.
  - 6 Following an examination conducted, 83 persons who had previously been treated as service providers have been redefined as outsourcing workers and have been added to the Bank’s workforce numbers as of December 31, 2019. In the absence of readily available data, the comparative data have not been revised accordingly.

The growth in outsourcing during 2018 stems mainly from the growth in the number of employees at the TeleBank service centers. The growth in 2019, stemmed from the classification described in Note 4 , above. For additional details regarding the Bank’s employment data according to the various categories and the changes that took place therein, see the 2019 Annual Report (pp. 314-315).

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AVERAGE AGE AND AVERAGE SENIORITY OF THE EMPLOYEES

	Discount Bank	MDB	ICC
	December 31, 2019		
Average age	45.2	44.1	36.0
Average seniority	16.2	17.0	8.6

ACADEMIC EDUCATION

	Discount Bank			MDB		
	December 31					
	2019	2018	2017	2019	2018	2017
The percentage of academics within the total number of employees	61.3%	61.4%	59.4%	58.3%	56.7%	53.2%
The percentage of academics within the total number of managers	87.1%	85.8%	84.2%	64.1%	61.3%	60.0%
The percentage of academics within the total number of clerical staff	54.7%	55.0%	52.8%	56.2%	54.5%	50.2%
The percentage of academics within the total number of female employees	58.5%	58.5%	56.4%	57.9%	56.1%	52.4%
The percentage of academics within the total number of male employees	65.9%	66.0%	64.2%	58.6%	57.4%	54.4%

**Note:** The data does not include outsourcing employees, employees on maternity leave and employees on unpaid leave.





## LABOR RELATIONS AT THE PRINCIPAL SUBSIDIARIES

### MDB

Labor relations at MDB, except for those having a personal employment agreement, are principally based on a basic labor agreement, "Labor Charter", and complementary collective agreements. Apart from these agreements, Management of MDB and the employees representative committee sign from time to time agreements in respect of specific issues. The terms of employment of members of Management of MDB are regulated by personal engagement agreements.

The collective labor agreements existing at MDB are subject to Section 5 of the labor agreement of May 17, 1968, namely, the validity of the agreement shall be automatically extended for two additional years, unless one of the parties to the agreement informs of his intention to make changes thereto. The rate of workers employed under collective labor agreements in MDB amounts to 91.46%.<sup>24</sup>

Tenured employees of MDB are organized within the framework of a national representative committee. The ratio of the organized employees, who are entitled to be elected to the committee or to elect the committee's members, is 87.12%.

At the beginning of December 2018, the Management of MDB and the national representative committee of employees of this bank signed a wage agreement for the years 2019-2025. The agreement states, inter alia, that as from

January 1, 2019, any wage agreements and updates of terms of employment entered into by Bank Leumi as from that date, shall no longer apply to MDB.

The principal items of the agreement: detachment of the linkage between the wage terms, work terms and related terms applying at MDB from the terms applying at Bank Leumi during the agreement period; in consideration for the said detachment, a onetime award of 2.5 monthly salaries will be paid to the employees; a wage increase at the rate of 3.1% (not including a seniority increment of 0.8%) in each year of the agreement; a gradual updating of the minimum amount of the monthly salary serving as a basis for severance pay.

**Merger of Municipal Bank.** As stated, Municipal Bank was merged with and within MDB on December 1, 2019. The rights, prior to the merger date, of Municipal Bank's employees to receive severance pay were anchored in two labor agreements as follows:

- A special collective labor agreement dated July 30, 2018, which was signed between Municipal Bank and the employees representative committee and the Histadrut (the New General Federation of Labor);
- An agreement of understandings signed on July 22, 2019 between MDB and Municipal Bank.

In accordance with the aforesaid agreements, Municipal Bank's employees will be entitled to receive enhanced severance pay from the date of the merger through December 31, 2021, under the terms specified in the agreements.

**Organizational changes.** The special collective labor agreement of 2002 states that where Management takes a decision

to merge branches or groups, the decision shall be brought to the attention of the employees representative committee together with the presentation of the relevant data, and an intensive discussion is to be held with the committee with respect to the implications of the decision upon the employees involved. Management of MDB may act upon the merger decision only after fourteen days have passed since the date of notifying the committee regarding its decision.

### ICC

Labor relations at ICC are based upon partnership and trust between Management of the company, the national committee and the employees. A collective labor agreement was signed in 2016 for the years 2016-2018, which follows the agreements of the years 2011 and 2015.

The first collective labor agreement at ICC, which regulates all labor relations in the organization, incorporates all employees of ICC, excluding department managers, vice presidents and approximately 40 employees engaged under personal agreements.<sup>25</sup>

The agreement signed in 2016 included, among other things, singular and higher wage increments to employees earning low wages. In addition, changes have been made to the arrangements that had been in practice prior to the signing of the agreement in the matter of "jubilee awards". For additional details see the 2018 Annual Report (p. 318).

On June 11, 2019, ICC signed a special collective labor agreement with the Histadrut (the New General Federation of Labor) and the national committee of the company's employees, which is valid from January 1, 2019 through December 31, 2022. The agreement prescribes that an average wage increment of 3.1% shall be granted in each of the years 2019-2022.

Moreover, a seniority supplement of 0.5% shall be granted to employees with the status of "permanent employee" in each of the aforesaid years. The agreement regulates certain economic benefits to which ICC's employees will be entitled, as well as different aspects relating to the company's employment arrangements. In the agreement, the parties have undertaken to maintain industrial calm at the company until December 31, 2022, insofar as this relates to matters regulated in the agreement. The wage level at ICC is set according to customary market criteria and in accordance with employees' performance.

**Organizational changes.** The collective labor agreement of 2011 states that the company is entitled to introduce organizational and/or technological and/or operational and or structural changes, such as the merger of units, integration with other centers, the closing down of units in accordance with changing work requirements, etc. Material changes that have a material impact upon the employees would be brought to the attention of the employee representative committee no later than fifty days preceding the planned implementation date of such change. In the case where no agreement has been reached regarding changes that have a material impact upon employees of the company, then each of the parties retains his rights without prejudice.

**Work on the day of rest** - duty personnel from the IT group, Risk Management, as well as credit representatives, work on rest days specified in the Hours of Work and Rest Act, 1951. Work on these days requires a special permit, which is filed by the company and extended once a year.

### IDB BANK

The employees are not members of a labor union.<sup>25</sup>

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THE STARTING WAGES AT THE  
PRINCIPAL SUBSIDIARIES  
IN ISRAEL

MDB

The starting wage payable to most temporary new employees in 2018 was NIS 32.12 per hour. The basic wage of a new employee amounted to NIS 5,300 per month. It is noted that at this primary wage level, and for similar positions, there is no difference between the wage paid to women and the wage paid to men.

ICC

The company meticulously pays a fair wage, which is in excess of the minimum wage. The beginning basic wage payable to employees starting work as from January 2018, is NIS 5,500 per month in respect of a full-time position. Most employees are also entitled to incentive payments in addition to the basic wage. The beginning wage payable by the company is higher by 3.8% than the mandatory minimum wage.

WAGE DIFFERENCES BETWEEN  
FEMALE AND MALE EMPLOYEES  
AT THE PRINCIPAL SUBSIDIARIES  
IN ISRAEL

MDB

A comparison shows that no gap exists between the average salary of female managers and the average salary of male managers. The average salary of female clerks is lower by 18.6% than the average salary paid to male clerks (compared to 19.1% in 2018).

ICC

A comparison of men's wages and women's wages shows a gap of 11%, the same as in 2018 (the calculation method was changed in 2019. The data for 2018 were recalculated accordingly).



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DIVERSITY  
AND EQUAL  
OPPORTUNITY

Discount Bank believes that every employee (whatever their gender) is entitled to fair and equitable treatment, free of discrimination based on race, age, gender, color, sexual orientation, ethnic background, physical a disability, religion or political affiliation. The Bank encourages diversity and acceptance of the other and takes pains to provide a fair and respectful work environment.

In order to create a tolerant organizational culture and one that is accepting of the other, Discount Bank acts to advance segments of society that are underrepresented in the labor market, including through recruitment of employees from minority segments, from the ultra-orthodox (Haredi) society, from Israel's geographical periphery, as well as employees with a disability.

13.0%

of the employees of  
Discount Bank and its principal  
subsidiaries in Israel



COME FROM UNDER-REPRESENTED  
POPULATIONS IN THE LABOR MARKET

The Bank's actions to further the realization of its policy:

Engaging employees with special needs and integrating them in positions at the Bank in accordance with their abilities and in accordance with the Bank's needs. Discount Bank took this action prior to legislation on this topic going into effect and is prepared to comply with the new requirements on the subject;

- Employment of persons coming from underrepresented populations and their integration in positions at the Bank in accordance with the Bank's needs;
- Cooperating with bodies that specialize in employee recruitment and placement in order to advance and integrate employees from these segments of the population in an adapted work environment;
- In the employee selection and recruitment processes, which are performed using selection and engagement systems customary in the market, emphasis is placed on finding a congruence between the needs, wishes and values of the candidate and those of the Bank.

EMPLOYING WORKERS FROM THE  
ARAB SOCIETY

As part of the Bank's aspiration to promote the employment of populations that are under-represented in the labor market, the Bank has started to cooperate with the initiative "Collective impact" - which aims at encouraging the employment of persons belonging to the Arab sector and their progress. An in-depth diagnosis was conducted in 2018 by representatives of the initiative at the Bank's Nesher Call Center. The Bank is acting to integrate the recommendations of the diagnosis.

In 2019, the work on implementing the conclusions of the diagnosis was focused primarily on the Nesher TeleBank unit.

The work focused on assisting with recruitment (particularly in the first half of the year), working with managers, building an inclusive and diverse work environment, improving management skills and conferring tools.

At the same time, work began on carrying out a diagnosis of the situation of the employees from the Arab community in the rest of the Bank's units, with the aim

of evaluating the main courses of action in the field of inclusion, since no growth is expected in recruitment.

In December, greetings were sent to employees of all faiths and employees had access to material about the various holidays of the different religions and their significance via the Bank's portal. Furthermore, events marking the Holidays of all religions were held at the online banking unit (TeleBank).The diagnosis work and planning are continuing in 2020.

EMPLOYING PERSONS FROM  
THE ULTRA-ORTHODOX (HAREDI)  
SOCIETY

In 2013 the Bank established a unique team of women from the Haredi sector was. The team was established within the framework of Discount Bank's TeleBank at the Rishon Lezion extension, and it is engaged in providing response by phone and over the digital communication channels to all Bank customers regarding diverse banking matters. Most of the candidates have no prior employment background or experience. They are being trained in banking matters, including training regarding a computerized work environment, and integrate into employment at the call center.

This measure involved making adjustments to create a work environment suitable for the Haredi women and included working in cooperation with a rabbi, who instructed the Bank, inter alia, as regards preparing offices and work areas suitable for the needs of women from the Haredi society, finding solutions for mothers with small children and providing transportation from and to their place of residence, so as to enable them to collect their children from educational institutions. At the end of 2019, the team numbered 21 employees and was headed by a female Haredi employee. It should be noted, that during the years a number of female employees from among the team have been promoted to other positions within the framework of

TeleBank (such as compliance, Internet support center and the mortgage center).

**EMPLOYING PERSONS IN PERIPHERAL AREAS**

As part of the encouragement of employment in peripheral areas, during 2016, the Bank established a call center in Nesher, which has taken on employees from the various sectors – Jews, Muslims, Druze and Christians. In 2017, the operations of the TeleBank call center in Nesher were considerably enlarged; today, the Nesher extension is the main TeleBank extension and, as at December 31, 2019, numbered 159 employees, of whom approx. 25% come from the Arab society. All employees of the various sectors progress on TeleBank's development paths and together form a diverse mix in the work teams and in the professional and managerial echelon.

**IN ORDER TO CREATE A TOLERANT ORGANIZATIONAL CULTURE AND ONE THAT IS ACCEPTING OF THE OTHER, DISCOUNT BANK ACTS TO ADVANCE SEGMENTS OF SOCIETY THAT ARE UNDERREPRESENTED IN THE LABOR MARKET, INCLUDING THROUGH RECRUITMENT OF EMPLOYEES FROM THE MINORITIES SOCIETY, FROM THE ULTRA-ORTHODOX (HAREDI) SOCIETY, FROM ISRAEL'S GEOGRAPHICAL PERIPHERY, AS WELL AS EMPLOYEES WITH DISABILITIES**

During the last quarter of 2017, the Bank began transferring a part of the telephonic banking operations to outsourcing basis, with the scope of the operations conducted in peripheral areas being defined as one of the significant considerations for choosing the companies participating in the project.

In May 2018, a new operations center was dedicated in Dimona and in September 2018 a new call center was opened in Kiriya-Gat.

As of the end of 2019, some 95 outsourcing workers, which were full trained for banking positions, had been integrated into activity in centers in the periphery.

The unique contribution to employment in peripheral areas made by the TeleBank centers stems from the fact that the Bank is combining employee training for up-to-date banking positions, as well as personal development and filling knowledge gaps, which provide the population with the tools for future job opportunities in a variety of fields. This, in contrast to the prevalent approach, in peripheral areas, of creating employment opportunities in the traditional industries.

**EMPLOYING RETIREES**

Retirees of the Bank wishing to return to work, are employed at the TeleBank and in the branches, finding in it an additional rationale to their daily routine. These retirees have integrated within the framework of the different centers and provide service to customers of the Bank. The Bank employs retirees at the branch network in banker and teller positions and benefits from the knowledge and experience which the retirees bring with them, while the retirees enjoy the young and varied work environment.

During 2019, some 18 retirees were employed at the Bank, of whom 15 had retired and returned to work following a break, and three who had continued their work.

**MULTICULTURAL ENVIRONMENT**

TeleBank reflects the micro-cosmos of Israeli society and integrates employees from all sectors, religions and ethnic groups, of all ages, in the workplace. As a result, the Telebank Management applies measures that will advance interaction and acceptance between all sectors by means of unique training, adaptation of goals and assignments in accordance with the strengths and abilities of the group members, and honoring designated ceremonies. In addition, the

Holidays of all religions are marked from a multi-sector perception, which is reflected in enjoying Chanukah alongside Christmas, celebrating Passover alongside Easter, marking the month of Ramadan, including an Iftar meal at the center to break the fast, and an event in honor of Ramadan at the President's House for TeleBank employees.

In 2019, as part of strengthening the multi-sector perception, the TeleBank Management encouraged joint voluntary activity in the Arab sector.

Furthermore, in 2019, TeleBank received support and leading professional assistance from the "Collective impact" company, which aspires to promote employment in the business sector within Arab society.

**EMPLOYING PERSONS WITH A DISABILITY**

Employment of persons with a disability is a central issue of importance in the Bank's activity in aid of the community in Israel, even before the Expansion Order, encouraging and enlarging employment of persons with a disability, entered into effect. As part of the Bank's policy in the matter of employee recruitment, and the shaping of its organizational culture as being tolerant and as one that accepts the other, the Bank promotes acceptance of employees with a disability and their integration in positions at the Bank in accordance with their capabilities and the Bank's needs.

In accordance with the provisions of the Expansion Order, in January 2014, the Bank appointed an officer responsible for the employment of persons with a disability.

In accordance with the collective labor agreement signed in November 2016 by the Bank and by the representative committee of the employees, 48 temporary employees with a disability, who had already been employed by the Bank for several years,

were converted into the status of permanent employees of the Bank, thus promoting and securing their employment position, as is the case with all permanent employees, and since then, they are escorted on a current bases at the units in which they are positioned.

In accordance with the instructions of the Follow-Up Committee established under the terms of the general collective labor agreement in the matter of employment of persons with a disability, applying to the Bank, the Bank joined entities engaged in recruitment and placement of workers with a disability, such as the rehabilitation group of the Ministry of Defense, the "Esek Shaveh" initiative, which guide business sector organizations in promoting employment of persons with a disability and the staff engaged in the integration of handicapped persons in the work.

Furthermore, in 2018, the Board of Directors of the Bank approved a work plan that includes the formation of a recruitment plan and the prioritization of employment and advancement of persons with a disability. The Bank is making efforts to implement the approved work plan.

**SUMMARIZED EMPLOYMENT DATA REGARDING THE UNDERREPRESENTED POPULATIONS**

The Bank's policy does not require Bank employees to provide details regarding their affiliation to particular population groups, such as those mentioned below. Accordingly, the Bank has no data regarding employees having the following characteristics, and the data presented below constitutes an estimate based on the sources stated below.

> **The Arab society** - the estimate stated below is based on the number of employees electing to take their vacations on Moslem, Christian, Druze and Cherkess holidays.



> **The Haredi society (ultra-orthodox Jews)** - there is no clear definition of the term "Haredi". Many Bank employees maintain the Jewish tradition to one degree or another and a number of them would definitely define themselves as "Haredi". Therefore, Discount Bank and MDB have no data in this respect.

> **Persons with a disability** - the estimate stated below is based on the following sources: employees engaged as part of a special effort to employ persons with a disability. In addition, a review has been made of employees reporting withholding tax exemption due to having a disability and reviewing the number of employees reporting the holding of a disabled certificate. The said estimate does not include absent employees due to lengthy illness and employees engaged on part-time basis due to lengthy illness. This evaluation does not comprise measurement in accordance with the Expansion Order.

> **Ethiopian descent** - the reported estimate is based on the number of employees who had elected to voluntarily state their country of origin.

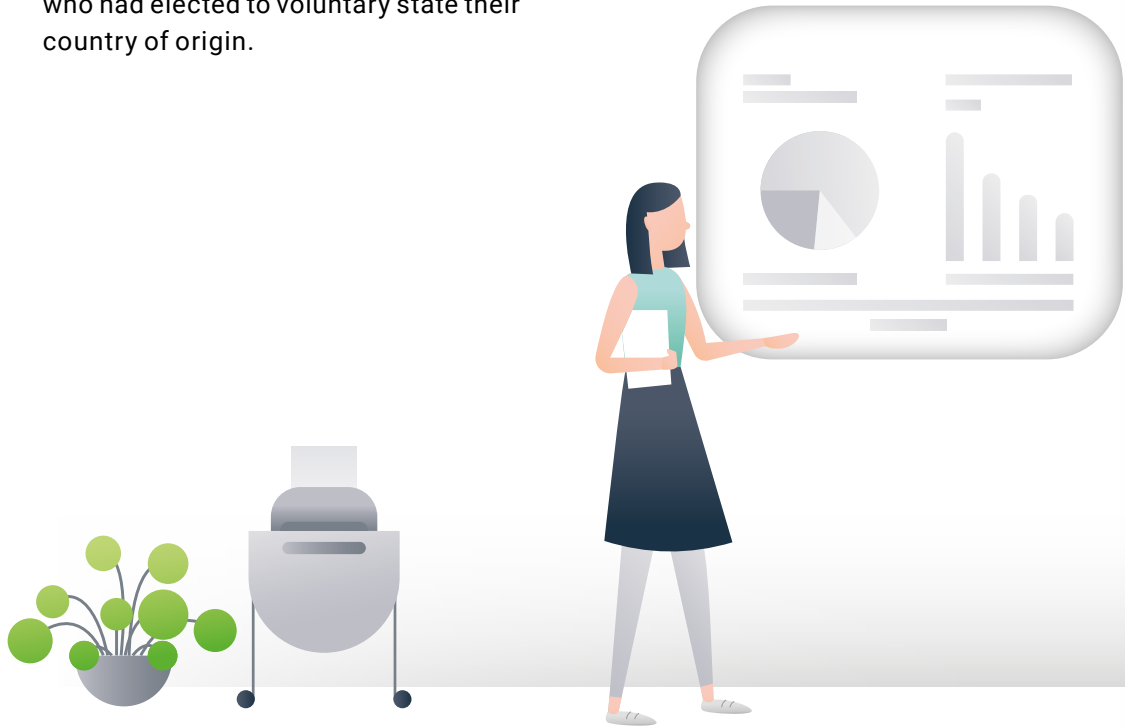
COMPLAINTS REGARDING DISCRIMINATION OF EMPLOYEES

The Bank's and MDB's Managements have placed emphasis on preventing discrimination, and this principle is applied upon engaging employees, advancing them and determining their wage terms. With respect to the issue of retirement on grounds of age, the Bank, MDB and ICC act in accordance with the law.

Two actions were filed against Discount Bank in 2019, dealt, inter alia, with various claims of discrimination. One action was dismissed at a preliminary stage, while the second action ended in a settlement – also during the preliminary stages.

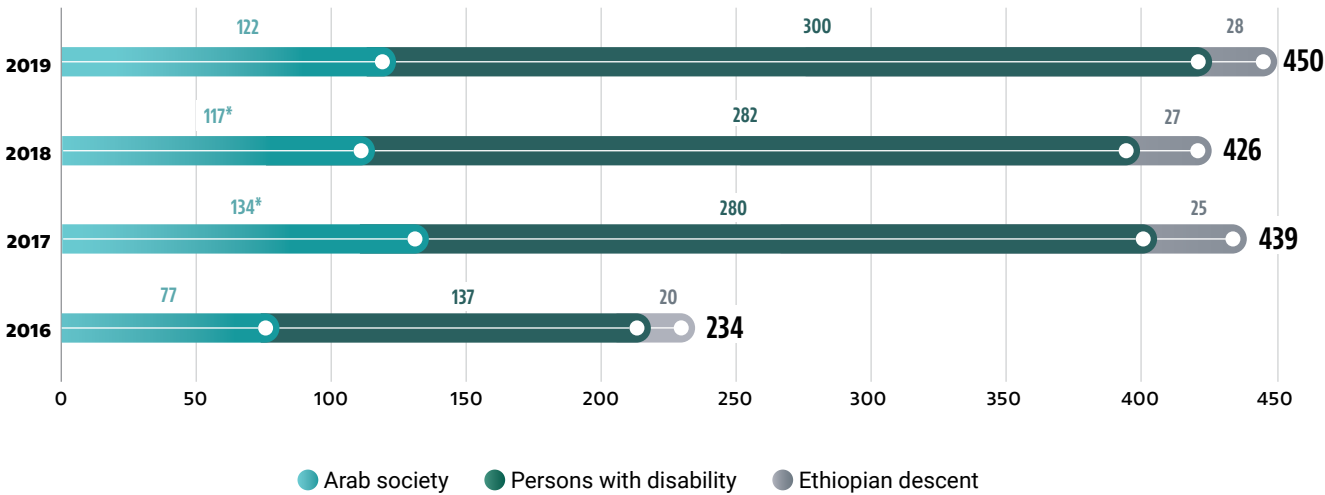
No actions claiming discrimination were filed in 2019 against MDB or against ICC.

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EMPLOYMENT OF POPULATIONS UNDERREPRESENTED IN THE LABOR MARKET<sup>26</sup>

Discount Bank



\* An experiment to change the format of data counting was made in 2018. Due to difficulties which came to light in the current year, the data for the years 2017 and 2018 are presented again in accordance with the previous counting format.

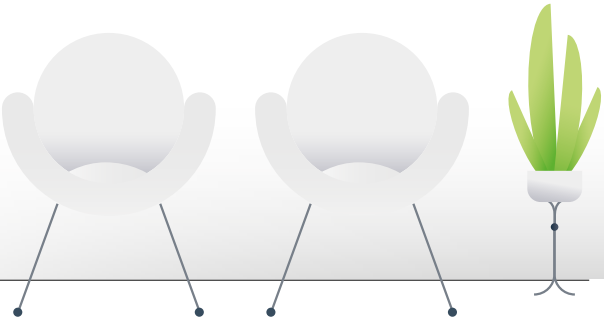
Notes:

- 1 The data is not in accordance with the Expansion Order.
- 2 A wide-range improvement was made in 2017 regarding the counting of employees in the different categories. It was not practicable to make the aforesaid improvement in the 2016 data, retroactively, and accordingly it should be emphasized that Discount Bank's data for 2017 through 2019 is not comparable to the 2016 data, and it should not be concluded that the difference in the data reflects a net recruitment in 2017.
- 3 For details regarding employment of older employees (50+), see Employees annex in the "Epilogue" Chapter.
- 4 The estimate of persons with a disability excludes staff employed on a part-time basis due to prolonged illnesses.

BREAKDOWN OF EMPLOYEES FROM POPULATIONS UNDERREPRESENTED IN THE LABOR MARKET

Discount Bank

	December 31, 2019			December 31, 2018		
	Persons from Arab society	Persons with a disability	Persons of Ethiopian descent	Persons from Arab society	Persons with a disability	Persons of Ethiopian descent
Clerks	114	236	27	108	225	27
Managers	8	64	1	9	57	-
Total employees	122	300	28	117	282	27



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# DIVERSITY AND EQUAL OPPORTUNITY AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

## MDB

### Engaging employees from the Arab society

MDB is one of the major employers in the Arab society. Most of the managers and staff of the bank at 35 branches located in northern Israel and in other parts of the country (such as: Rahat, East Jerusalem, Wadi Nisnas in Haifa, Kafr Qasim and more) are from the Arabic society. In addition, members of the Arabic society are employed in various positions at the bank's head office.

### Engaging persons from the ultra-orthodox (Haredi) society

MDB has a number of branches in Haredi populated areas, and many of the male and female staff at these branches belong to the Haredi sector. Female and male staff of the Haredi sector are also employed at the bank's head office.

### Engaging employees with a disability

MDB engages employees with a disability and continues to prepare for the implementation of regulations in this respect. For this purpose, the bank has appointed an officer responsible for the employment of persons with a disability. The bank has made contact and cooperated with several bodies engaged in recruitment and placement of employees with a disability. In addition, the bank has joined the "Equal Employment" initiative, which assists organizations of the business sector in the promotion of employment of persons with a disability. Recently, meetings have been held with representatives from "Equal Employment" to get advice, assistance and training in furthering the process of recruitment and employment of employees with a disability.

## ICC

### Engaging employees from the different segments

In this framework, ICC operates a service and sales center in Upper-Modi'in, serving as an integral part of the service department, adapted to the needs of female employees of the ultra-orthodox (Haredi) society, residing in the area.

At the same time, ICC maintains constant relations with associations and centers, including "key" centers, that operate on behalf of the Ministry of Labor, Social Affairs and Social Services and are

engaged in employment advisory services for the Haredi sector.

### Engaging employees from peripheral areas

ICC encourages employment in peripheral areas. In this framework, a sales and service center was opened in Ashdod, which serves as an employment hub for residents in the area, and helps in the development of the economy in the southern part of the country.

As part of its recruitment activity in the Ashdod region, ICC is in regular contact with the "Employment Opportunity Center" in conjunction with the Head of Social Services in Ashdod, the Welfare Ministry and the Israel Joint. The Center specializes in helping with employment integration for the population that has experienced an employment-economic crisis. The response is provided to residents of Ashdod aged 18 up to 60+, both men and women, who are interested in entering the employment cycle.

At the end of 2019, the centers had a staff of 221 employees (compared to 181 employees at the end of 2018).

### Engaging workers with a disability

In accordance with the Extension Order for encouragement and increasing employment of persons with a disability, the officer in charge of human resources at ICC has been appointed as officer responsible for the employment of persons with a disability. By means of recruitment and selection, training and apprenticeship processes

adapted to their needs and capabilities, ICC succeeded in integrating employees with a disability in a variety of positions in the different sections of the company.

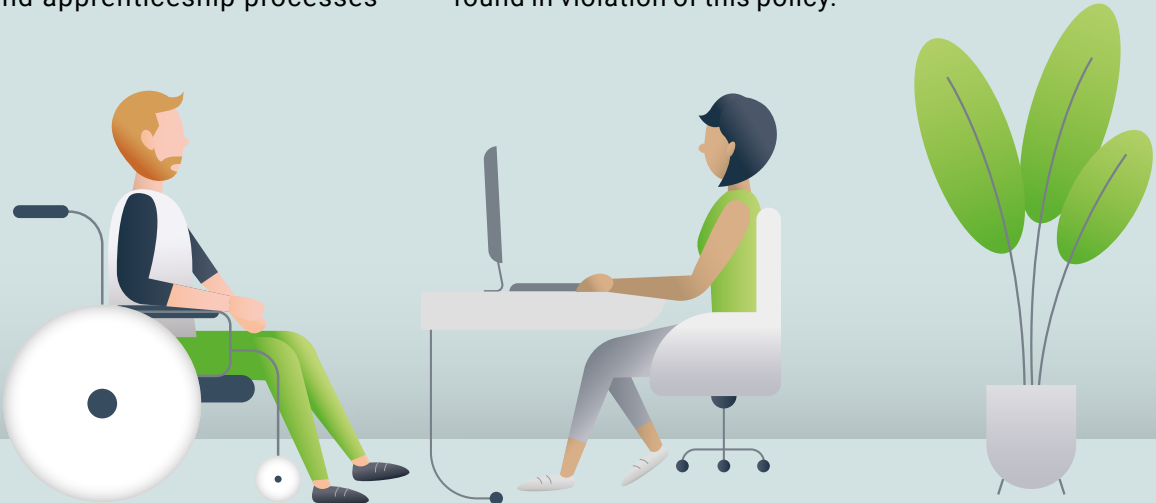
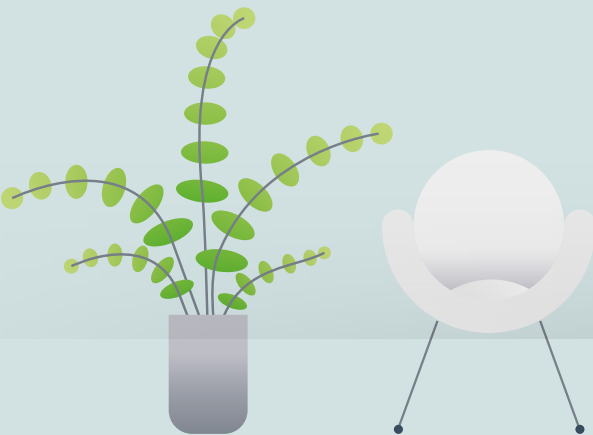
## IDB BANK

### Equal employment opportunity

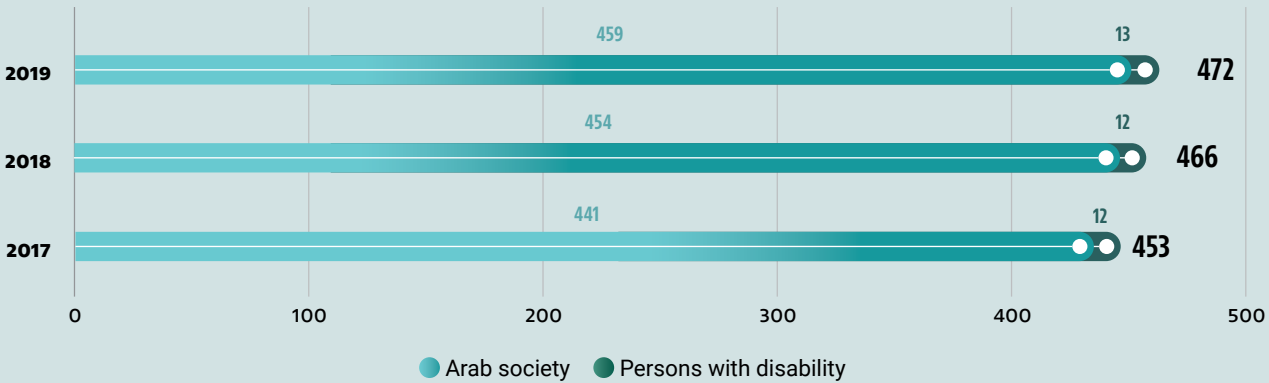
As discussed in the Code of Conduct of IDB Bank, the bank provides equal opportunities to all applicants and employees without regard to race, color, religion, sex, sexual orientation, national origin, age, disability, genetic status, citizenship status, marital status, military or veteran status or any other legally protected category in accordance with applicable federal state and local law.

### Anti-harassment/anti-discrimination/anti-retaliation policy

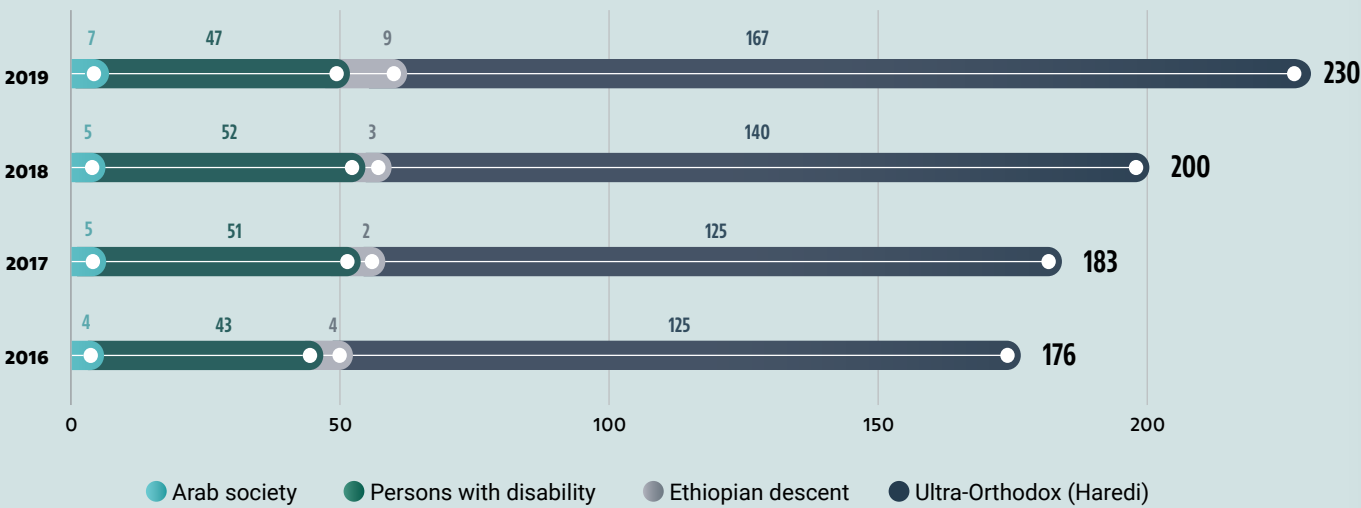
IDB Bank is committed to providing a professional and productive work environment free of discrimination, harassment and retaliation. The bank will not tolerate discrimination or harassment, including sexual harassment, by any employee, vendor, customer, or visitor or retaliation for reporting or participating in an investigation regarding discrimination or harassment. This policy applies while on bank business, at bank-sponsored events, or when interacting with bank employees off-premises and/or not during normal bank business hours. The bank will take disciplinary action, up to and including termination of employment against anyone found in violation of this policy.



EMPLOYMENT OF UNDERREPRESENTED POPULATIONS IN THE LABOR MARKET  
MDB



EMPLOYMENT OF POPULATIONS UNDERREPRESENTED IN THE LABOR MARKET  
ICC



**Notes:**  
1 The data is not in accordance with the Expansion Order.  
2 For details regarding employment of older employees (50+), see employee annexes in the "Epilogue" Chapter.  
3 The estimate of the number of employees from Haredi society in ICC is based mainly on the number of employees engaged in the service and sales center in Upper Modi'in.

BREAKDOWN OF EMPLOYEES FROM POPULATIONS UNDERREPRESENTED IN THE LABOR MARKET  
2019

	MDB		ICC			
	Persons from Arab society	Persons with a disability	Persons from Arab society	Persons with a disability	Persons of Ethiopian descent	Persons from Haredi society
Clerks	334	6	7	39	9	159
Managers	125	7	-	8	-	8
Total employees	459	13	7	47	9	167

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MAINTAINING  
THE RIGHTS OF  
EMPLOYEES

PREVENTION OF SEXUAL  
HARASSMENT

The Bank views with great importance the maintenance of a respectful, equitable and safe work environment, which is free of sexual harassment and pestering on sexual grounds, and acts incessantly to prevent such events within its premises and to handle in an optimal manner cases brought to its attention.

The Bank has appointed an officer responsible for the prevention of sexual harassment, who is in charge of the inquiry of complaints and submission of conclusions and recommendations to the representative of the employer - a position held by the Head of the Human Resources Division. Also appointed was an additional responsible officer, who serves also as a substitute in case of need, as well as two regional responsible officers (for the Northern and the Jerusalem regions). It is noted that the responsible officer had undergone professional training in the matter of prevention of sexual harassment and the manner of handling complaints, in accordance with legislation.

Clarification of complaints is conducted seriously by the responsible officer, with no delay and in a thorough and discreet manner. In exceptional and sensitive cases, the Bank even appoints an external examiner for the clarification of the complaint. In cases where sexual harassment has been established, disciplinary action is taken with full seriousness and severity.

The procedure regarding "Prevention of

sexual harassment and pestering on sexual grounds at the Bank" is delivered to each new employee (of whatever gender) of the Bank, is posted on notice boards at the different units of the Bank and is published on the intra-organizational communication website and on the procedures website of the Bank.

This year, all the branches and units were also sent a summary code for the prevention of sexual harassment, which clarifies the principles of the Law in a condensed and concise manner.

The Bank uses comprehensive learning in the matter of sexual harassment, which is distributed to all employees of the Bank once in each period. New employees are required to study the learning, which is mandatory learning within the framework of courses introducing the Bank.

Five cases were examined in 2019 - four of which by the responsible officer of the Bank and one by an external examiner. In none of these cases was sexual harassment found to have occurred.

RETIREMENT AND DISMISSAL  
Conducting dismissal procedures while  
maintaining and respecting the rights of  
employees

Relations of the Bank with tenured employees, being the majority of Bank employees, are based on the Labor Charter and on agreements with the representative committee of employees, according to which, except in criminal cases, employees may not be dismissed unless in exceptional circumstances. Consent of the representative committee is required for the dismissal of tenured employees, in the absence of which, the matter is referred to arbitration. From time to time the Bank encourages tenured employees to retire voluntarily prior to reaching retirement age, at preferential terms, as detailed below. A more flexible administrative approach exists in the case of termination of



employment of non-organized Bank employees, who are employed for defined time periods (temporary employees) and/ or those employed according to personal employment contracts. The dismissal of employees belonging to the said populations generally takes place at the end of the contractual employment period, or on background of dissatisfaction from the employee's performance or breach of discipline, as well as on grounds of efficiency measures and reductions adopted by the Bank. Termination of employment of whatever reason is effected only after explaining to the employee the circumstances and reasons for the dismissal and giving the employees the opportunity for stating in full their counter-claims, and following serious consideration of each case by the Bank.

The Bank's liability for the payment of severance pay to employees at the rate of 100%, upon termination of their employment, including at retirement age, as required by the Severance Compensation Act, is fully covered by deposits in severance pay funds as well as by insurance policies.

Early retirement

The Bank encourages from time to time the early retirement of tenured employees by approaching defined employee populations with offers for early retirement at improved terms. The retirement of tenured employees is subject to the consent of the retiring employee and is not compulsory (dismissal), and it promotes goals such as the reduction in the average cost per employee position, the refreshing of the employee lines and efficiency.

In August 2018, the Board of Directors of the Bank approved an efficiency plan, following the outline formed by Management and following an approval in principle by the Supervisor of Banks. In accordance with the plan, some 230 tenured employees would be able to retire prematurely at preferential terms (for additional details see the 2018 Annual Report, pp.187-188).

As part of the integration of the retirement plan, the Bank put at the disposal of prospective retirees pension consulting services provided by an external company, paid for by the Bank, which assisted the

employees in their decision whether to accept the retirement offer and which track to choose.

Until December 31, 2018, 134 employees retired within the framework of the plan. Seven additional employees signed retirement agreements in 2018 and retired at the beginning of 2019, all of them within the framework of the plan.

Preparation for retirement

retirement from work constitutes the end of a chapter in life and the beginning of a new chapter involving changes on the social, economic, psychological and health levels. The Bank offers employees and their spouses workshops for the preparation towards retirement. Participants in these workshops obtain information regarding a variety of subjects, such as a healthy way of life, physical and mental health, nutrition, relevant legal aspects, economic aspects, retiree rights, testaments and inheritance and more. In addition to the workshops, personal consulting is offered to those interested therein.

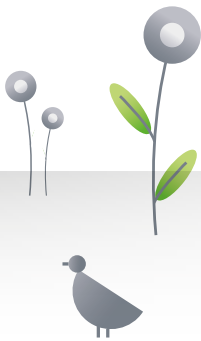
In 2019, some 364 employees and their partners participated in retirement workshops.

For details regarding employee rights regarding severance pay, retirement and pension payments, see Note 23 section "A" to the 2019 Annual Report (pp. 176-177).

In addition, in 2019, the proceedings in an action that had been initiated in 2015 were concluded. In the end, the appeal against the verdict of the National Labor Court, which had been lodged with the High Court of Justice, was rejected. Within the framework of the hearing, most of the Bank's appeal was accepted and the employee's appeal was rejected in its entirety.

EMPLOYEE REMUNERATION

The principal salary components of tenured employees are the base salary which includes a table salary, a seniority increment, representation and signature fees for each employee (of whatever gender) based on their seniority and grade. The base salary constitutes the basis for salary increments and for the payment of split working hours' remuneration at the rate of 2.5% of the base salary (for each split working day, to eligible employees), a split working hours' increment of 6% for clerical staff and 5% for managers, shift remuneration (to eligible employees), overtime and the 13th month salary and long term service award. Some of the payroll components of the employees are linked to the CPI. In cases where the CPI is negative, the employees' wages are not reduced and the negative CPI is setoff against the rise in the CPI in following months. Employees are also entitled to various additional benefits in accordance with their employment status. Bank employees are also entitled to a long-service award equal to several monthly salaries plus additional vacation days, at the end of 20, 30, and 40 years of service in the Bank. A collective labor agreement dated November 22, 2007 specified that new employees shall not be entitled to "long-service vacation" or to wage components for nursery school and summer camp. The item in the collective labor agreement of June 2011, regarding the updating of grading and stages, changed the components and terms mentioned above, applying to tenured employees



DATA REGARDING THE RETIREMENT OF EMPLOYEES

		Total number of retired employees	Of which: number of early retirement employees
Discount Bank*	2019	125	14
	2018	235	157
	2017	106	15
MDB	2019	20	12
	2018	49	18
	2017	37	10
ICC	2019	5	-
	2018	4	-
	2017	3	-

\* The data relates to tenured employees only.



engaged or converted to this status as from January 1, 2012. In addition, certain components have been cancelled in their respect and maximum and minimum salaries for the table salary have been determined according to grading.

Within the framework of remuneration, discretion exists regarding the remuneration of employees in accordance with attaining goals, where in certain cases these are also goals concerning ESG issues.

Working overtime by employees eligible for payment in this respect is contingent on prior approval of their superiors. Attendance reporting at the Bank is made by means of an attendance clock (excluding exceptions).

Most of the Bank's employees are entitled to recreation pay in an amount significantly higher than the amounts provided by law. Employees are also entitled to pension contributions, to provident fund contributions and further education funds contributions, in accordance with agreements signed with the Bank.

For severance pay and provident fund contributions, the Bank includes the basic salary, global overtime for provisions, a 13th salary (being 1/12th of the basic annual salary) and other additional benefits. Employees defined as a "pensioner" of the Bank, are also entitled to certain benefits after their retirement.

In accordance with the collective agreement in the matter of pension dated June 2011, a provision of the full amount of severance pay at the rate of 8.33% was determined, including the finality of the provision (pursuant to Section 14 of the Severance Pay Act) and with this being in relation to temporary employees and to employees who have become tenured employees after the date of signing the agreement and to veteran employees in accordance with the agreement of February 2019.

In accordance with the Expansion Order increasing the provisions for pension in the economy, starting with July 2016, the share of the employee in provident contributions shall not be less than 5.75% and the share of the employer shall not be less than 6.25%. Respectively, since January 2017 the share of the employee has increased to not less than 6% and that of the employer to not less than 6.5%. In addition, in accordance with the collective agreement of February 2019, the share of the provident contributions shall be 7.5% (this rate will apply to members of Management from January 2018). The share of the employer in contributions to an insurance fund/provident fund which is not a pension fund will include, if the employee so elects, the purchase of loss of work ability insurance for the employee, on condition that the rate of contributions in the employer's share shall not be lower than 5%. Furthermore, the minimum rate of the employer's share for severance pay shall apply to the full amount of the insured employee wage, at the rate of at least 6%, in accordance with the agreements applying thereto, at the work place and no less than the average wage in the Israeli economy. This rate was updated to 8.33% of the employee wage in accordance with the collective agreement of February 2019, subject to the application of Section 14. In addition, within this framework, recipients of a wage higher than the maximum wage for severance pay which is exempt can curtail the contribution at this maximum.

**Payment in respect of public holidays and sabbatical days.** The Bank is closed for business on nine sabbatical days defined by law, as well as on Purim (Jewish holiday) and on the Ninth of Av. In a year in which elections are held for the Knesset or for local authorities, the elections day is also considered a sabbatical day. All Bank employees are being paid in full in respect of these sabbatical days. For monthly employees, the payment is made without condition of minimum seniority. A minimum

service period of three months is required by law for hourly workers. In addition, with respect to employees engaged on an hourly basis, the day of Purim and the Ninth of Av are considered unpaid leave days. Tenured employees, who do not belong to the Jewish faith, are being paid in full in respect of absence on their own religious holidays.

For additional details regarding "remuneration", see "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the Bank's website.

**SPECIAL REMUNERATION TO MANAGERIAL PERSONNEL**

A managerial grade employee who has been promoted is entitled to a 5% salary increase from the salary table (provided that at least 12 months have elapsed since the date of his last entitlement to such increase due to promotion). The collective labor agreement of June 2011, regarding the updating of grading and stages, includes changes in some of the employment terms applying to new tenured employees becoming Bank employees of this status

as from January 1, 2012. In this connection, maximum salaries have been determined according to classes in line with the accepted administrative grades at the Bank.

Employees in the last three senior grades (senior manager, Assistant to the President & CEO, Senior Assistant to the President & CEO) are entitled to receive a car from the Bank and full funding for one telephone landline in his home.

**AWARDS TO EMPLOYEES AND MANAGERS IN 2019**

On March 10, 2019, the Board of Directors approved the payment of an award based on the return to all Bank employees, in an average amount of 1.5 monthly salaries for each employee. The award is paid in acknowledgement of the joint effort leading to the achievements of the Bank in 2018.

For details regarding the award for 2019 to the former President & CEO, see the 2019 Annual Report (p. 283, section 7). For details regarding awards to officers in 2019, see the 2019 Annual Report (p.187, section 9).



OFFICERS AND MEMBERS OF THE MANAGEMENT GROUP

The ratios presented in the table below were calculated in the following manner:

- > Numerator - shows the cost of remuneration as recorded in the financial statements in respect of senior officers in the related year (excluding payroll tax).
- > Denominator - shows the cost of remuneration as recorded in the financial statements in respect of all other Bank employees and contract employees (excluding officers) in 2019 (and excluding payroll tax), and which were employed by the Bank during the year.

For the purpose of calculating the cost of employees, it has been assumed that:

- > The average provision customary at the Bank for vacation pay, jubilee vacation pay and pension expenses is expected in respect of an employee earning a median wage;
- > Expenses in respect of severance pay have been included based on current actual cost with no actuarial component.

WORK ON DAYS OF REST

In accordance with the Working Hours and Rest Act, employing a worker on the weekly rest days is forbidden, unless permitted by a permit as stated in the Act. Guards and security personnel of the Bank are employed on the weekly rest days according to a general permit issued by the Minister of Labor for the purpose of guard duties on the weekly day of rest. Moreover, the Bank, ICC and a number of companies providing services to the Bank have a special permit from the Ministry of Labor, Welfare and Social Services for the employment on the weekly rest days of computer operators, data protection and standby personnel. The said permit is being extended from time to time in accordance with the terms stated therein.

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THE RATIO BETWEEN THE AVERAGE COST OF REMUNERATION OF THE SENIOR OFFICER GROUP AND THE AVERAGE COST AND MEAN COST OF REMUNERATION OF ALL EMPLOYEES<sup>27</sup>

The senior officer group <sup>1</sup>	2019 <sup>3</sup>		2018		2017	
	Ratio of average cost <sup>2</sup>	Ratio of mean cost <sup>2</sup>	Ratio of average cost <sup>2</sup>	Ratio of mean cost <sup>2</sup>	Ratio of average cost <sup>2</sup>	Ratio of mean cost <sup>2</sup>
Discount Bank <sup>3</sup>	7.26 times	8.57 times	7.95 times	9.03 times	8.01 times	9.20 times
MDB	4.83 times	6.52 times	4.62 times	5.95 times	5.47 times	7.13 times
ICC	6.37 times	9.06 times	5.98 times	8.70 times	5.89 times	8.42 times

Notes:  
1 Chairman of the Board, President & CEO, members of Management, Internal Auditor.  
2 The remainder of the employees and contract workers.  
3 The calculation of the ratios in 2019 was done for all the employees employed during the year (instead of a calculation based on the status of the workforce at the end of the year). The effect of the change was not material and, therefore, the comparative figures have not been revised.

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MAINTAINING THE RIGHTS OF EMPLOYEES AT THE PRINCIPAL SUBSIDIARIES

PREVENTION OF SEXUAL HARASSMENT AT THE PRINCIPAL SUBSIDIARIES

MDB

Each new employee (of whatever gender) beginning work at MDB has to study the learning regarding prevention of sexual harassment and must read and sign the Articles of the company in this matter. The principal provisions of the Law are posted on notice boards, on which are also posted the names of the officers in charge of handling complaints. The Articles are also published on the internal portal of the bank. Any complaint or clarification in this matter is handled discreetly and with complete attention in an optimal and quick manner to the extent possible. In cases where sexual harassment is found punitive sanctions are taken accordingly. Moreover, MDB has appointed a responsible officer in accordance with the Law, who takes charge of the inquiry and submits conclusions and recommendations to the VP Human Resources, who serves also as the representative of the employer for the purpose of taking decisions in the matter.

Two complaints were investigated in 2019 and in both cases no sexual harassment was found to have occurred. In one of the instances, where the findings of the preliminary inquiry that was conducted did not indicate sexual harassment, it was nevertheless determined that the conduct of the defendant has been deficient, particularly in view of his position.

Hence, and despite there not having been a superior-subordinate relationship between the parties, disciplinary measures were taken against the manager. Following the two cases, the need for greater attention to the statutory provisions has been clarified and emphasized throughout the organization.

ICC

The officer in charge of prevention of sexual harassment at ICC is entrusted with the inquiry of complaints and submission of conclusions and recommendations to the VP Human Resources, who serves also as the employer's representative for the purpose of taking decisions. Each new employee (of whatever gender) beginning work at ICC has to study the learning regarding prevention of sexual harassment and must read and sign the Articles of the company in this matter. The principal provisions of the Law are posted on notice boards, on which are also posted the names of the officers in charge of handling complaints. The Articles are also published on the internal portal of the company, and once a year, an all-organizational learning is performed that includes knowledge examination.

In cases where sexual harassment is found punitive sanctions are taken accordingly.

Three complaints dealing with sexual harassment were examined in 2019. In none of the three instances was a complaint filed. There were no superior-subordinate relationships in any of the cases. Each event was examined on its own merits. In the first case, the defendant employee terminated his employment with ICC due to inappropriate conduct unconnected with the event. In the second case, the immediate superior of the defendant employee was updated and the correspondence – which was not of a sexual nature – ceased. In the third case, it was determined that there were grounds to view the defendant's conduct as deficient, in light of his professional



position. Hence, and despite there not having been a superior-subordinate relationship between the parties, the employee was instructed that his work interfaces should only be with the team managers and not with the workers.

**RETIREMENT AND DISMISSAL AT THE PRINCIPAL SUBSIDIARIES**

**MDB**

The bank's liability for the payment of severance pay to its employees is covered by deposits with severance pay funds and by appropriate provisions.

**Preparation for retirement**

In MDB 19 employees and their partners participated in preparation for retirement workshops in 2019.

**ICC**

The company's liability for the payment of severance pay to its employees, on the accepted basis of one monthly salary for each year of service, is fully covered by deposits with severance pay funds, by assurance policies and pension funds and by the provision recorded in the books of the company. The part of the severance pay not covered by deposits in a defined deposit plan, as stated above, is treated by the Group as a defined benefit plan (within the meaning of the term in accepted accounting principles), according to which, a liability is recorded in respect of employee rights.

**EMPLOYEE CLAIMS RELATING TO LABOR RELATIONS AT THE PRINCIPAL SUBSIDIARIES**

**MDB**

In 2019, proceedings were conducted in one action in the matter of claims for unlawful dismissal. The proceedings were concluded through a settlement and the action was withdrawn.

**ICC**

No actions were filed against ICC by employees in 2019.

**EMPLOYEE REMUNERATION AT THE PRINCIPAL SUBSIDIARIES**

**PAYMENT IN RESPECT OF PUBLIC HOLIDAYS AND SABBATICAL DAYS AT MDB**

MDB acts in a similar manner to Discount Bank. Furthermore, hourly workers are granted a standard religious holiday payment (7.75 hours work) on Purim and on the Ninth of Av.

**PAYMENT IN RESPECT OF PUBLIC HOLIDAYS AND SABBATICAL DAYS AT ICC**

The company operates in a reduced format on nine sabbatical days defined in the law as well as on Purim. Working on these days are only the employees permitted by a work permit issued by the Ministry of Economics, to work on the Sabbath. Election Day is also a sabbatical day whenever general elections

to the Knesset are held. The said sabbatical days are fully paid to all employees. Payment to monthly employees is made with no reservations. Payment to hourly employees is made only if they were scheduled to work on that day. Employees not of the Jewish faith, who are off from work on their religious holidays are fully paid for these days if they had elected them as their sabbatical days.

For additional details regarding remuneration at MDB see "Disclosure according to the third pillar of Basel and additional information regarding risks additional disclosure as of December 31, 2018" (pp. 100-107 of the Hebrew version). This report is available for perusal on MDB's website.

For details regarding the remuneration plan for the President & CEO of ICC, its employees and managers, see the 2019 Annual Report of the company (pp. 147-150) and the "Additional disclosure according to Pillar 3 of Basel" – 2019 Annual Report (pp. 54-60 of the Hebrew version). The said reports are available for perusal on the website of the company.

**PAYMENT IN RESPECT OF PUBLIC HOLIDAYS AND SABBATICAL DAYS AT IDB BANK**

kept in New York State and certain religious holidays kept in Israel are designated as holidays of IDB Bank when they fall on a working day. The

Human Resources Department provides employees with a list of the designated holidays each year, which is approved by the Board of Directors of IDB Bank.

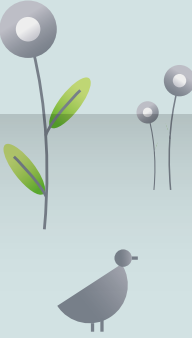
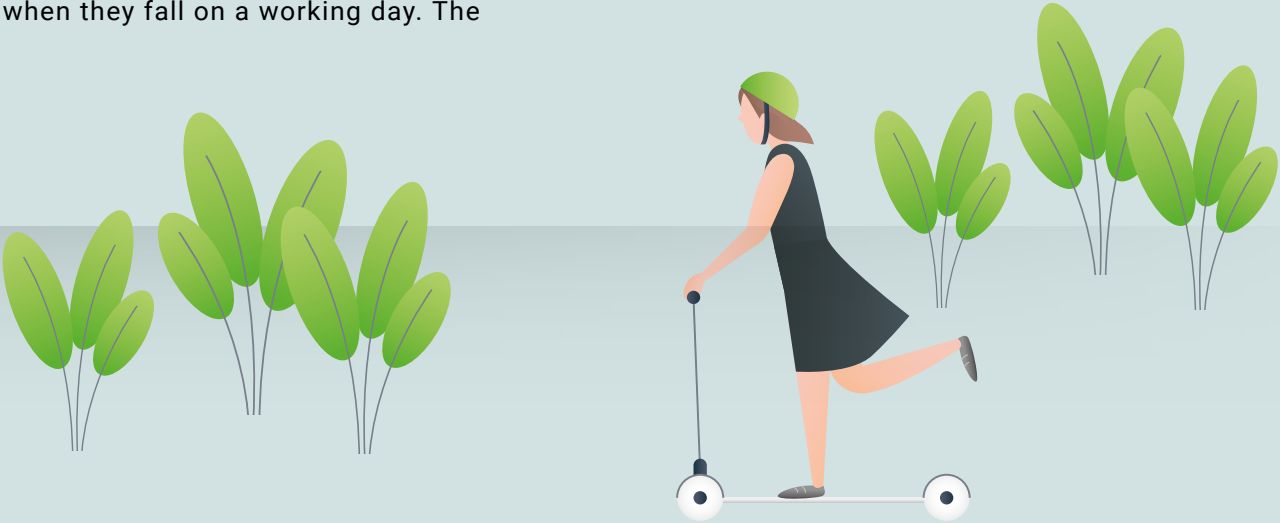
**AWARDS TO EMPLOYEES AND MANAGERS IN 2019 IN THE PRINCIPAL SUBSIDIARIES**

**MDB**

The award in respect of the year 2019 equaled 1.5 times the average salary. The award was paid in 2020, as follows: 0.50 times the salary, which constitutes a fixed component, was paid in April 2020. The balance - a differential component, an average of 1.00 salary - was paid later in June 2020.

**ICC**

ICC paid an annual award in respect of 2019 to managers and employees in accordance with the remuneration policy approved by the Board of Directors. For details regarding remuneration plans for the President & CEO, to company employees and managers, see ICC's 2019 annual report (p. 132 of the Hebrew version).



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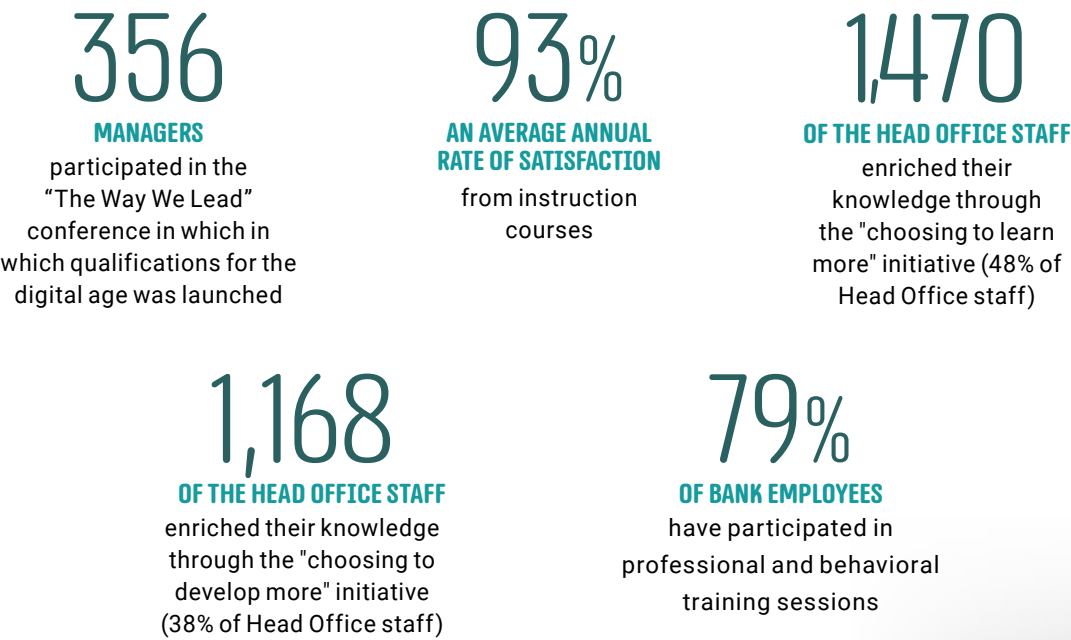
# INVESTING MORE IN EMPLOYEES

## HUMAN RESOURCES DEVELOPMENT MAIN MEASURES IN 2019

→ Human resources development and the organizational development at the Bank are derived from the strategic focuses, from the focuses of the annual work plans and from the Bank's organizational culture. Thus, the Bank's ability to successfully address its business and organizational challenges is reinforced. Accordingly, the development of the human resources in 2019, focused on the following topics:

- > **Discount Spirit.** Discount spirit comprises a vision, values, rules of conduct, and the code of ethics. During 2019, assimilation of the code of ethics continued, with the aim of encouraging discussion on ethical events and to raise awareness of what constitutes a breach of the code of ethics. To this end, experiential learning was undertaken using a short video of an investigation, following which, prizes were awarded to participants who answered correctly;
- > **Shluvim (integrations).** This project is intended to integrate the new retail assimilation approach at the Bank's branches. In 2019, the third stage began of the strategic project "Shluvim", within the framework of which the following were undertaken: assimilation of scheduling of meetings with customers, assimilation of a credit system in CRM, further digital integration, and assimilation of a new operating method for small businesses. In addition, integration of an operating approach making use of CRM commenced in the Corporate Division and in the commercial wing at business centers;

- > **Preparations for a transformation in traditional banking and for the challenges of the future.** See above "Main developments during 2019";
- > **Gatekeeper Divisions Conference.** A conference for the Divisions of gatekeepers (risk management, internal audit, legal consultation, Group management and Regulation, accounting) was held in June 2019. The conference dealt with challenges of the changing world confronting the Bank and with the duties of the gatekeepers in confronting such challenges. The conference emphasized the need for close cooperation between all the business and technological factors that navigate the Bank's operations and the gatekeeper functions, the duty of which is to verify that the Bank's different operations are being conducted in compliance with the provisions of the Law and the policy of the Bank regarding the different areas, as well as the monitoring and risk management involved therein;
- > **I.TEAM program.** A program designed for leading team heads and project managers of the Technology and Operations Division, intended to improve initiative of members of this group, as well as maintaining and strengthening the bond between the organization and this population. The program, within the framework of which three rounds of training have taken place, was conducted according to the agile methodology, has gained success and was awarded a commendation in the human resources excellence competition for 2019 organized by the Israel Society for Human Resources. The participating wings had conducted significant initiatives and the program has led to the development of all managerial middle-grades within the Division, through their integration as accompanying managers at critical junctures throughout the program;
- > **Additional training for managers.** In the last



quarter, some 30 middle-grade managers participated in training courses intended to significantly enhance ability, both current and also from a future perspective of "the manager as a developer of his staff". A training program was also conducted for the strengthening of managerial capabilities for 45 team leaders. In addition, advice and personal support were provided to approx. 80 managers to help them cope with the challenges of their position or within the framework of team development or assisting with other organizational changes.

## KEY PERSONNEL AND KEY POSITIONS

→ The Banks acts to ensure business continuity and compliance with the requirements of the Proper Conduct of Banking Business Directives by means of management and reduction of risk in key positions. To this end, in 2018, the Bank conducted a process for the identification of key positions and key personnel at the Bank. For the 48 employees identified as key personnel, programs were created and implemented to reduce said risk. Approx. 85% of the programs were completed in 2019. In addition, the process of identifying additional key personnel in the Technologies

Division was completed, within the framework of which another two key personnel were identified and a detailed program was created for them in order to reduce the risk.

## PROFESSIONAL TRAINING

→ In 2019, a solution was provided for professional needs and for supporting the Bank's strategic projects. Formation of a learning infrastructure at the Head Office divisions continued, and included a pilot in the Financial Markets Division. Learning was strengthened for branch service bankers acting as mortgage consultants and credit coordinators. The introductory course for the position of telephone banker was revised and improved. The launch took place of the "Choosing to develop more" program, which enables Head Office staff to enhance their soft skills, such as positive psychology, time management, effective presentation, influencing without using authority, effective communication, and more. The "Choosing to learn more" project continued, and its activities expanded – lectures on banking subjects were given through short learning meetings, which covered organizational aspects and broader aspects.



DATA REGARDING AVERAGE ANNUAL HOURS OF INSTRUCTION PER EMPLOYEE FOR THE YEARS 2017-2019

	2019	2018	2017
Frontal instruction days	22,527	26,052	29,536
Interactions of self-study	41,863	43,757	37,016

AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE IN THE YEARS 2017-2019<sup>1</sup>

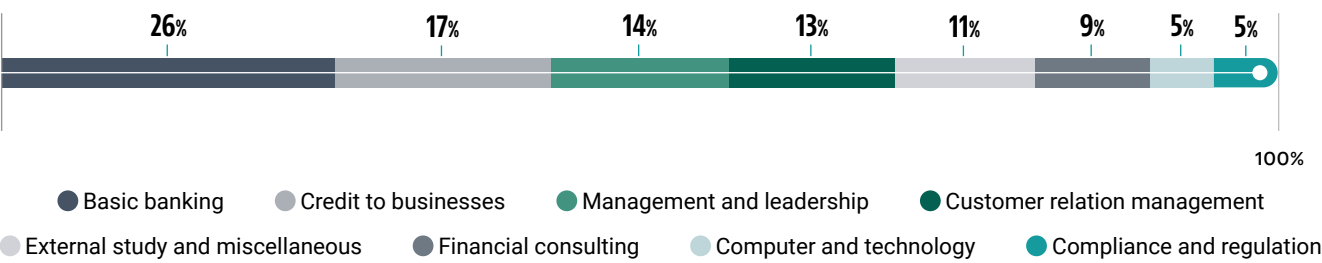
		2019	2018	2017
Average training hours	Clerk	32	36	40
	Manager	35	38	35
	Total	34	37	39

**Note:** 1 The data is based upon the number of employees at end of year. The data relates to frontal instruction only.

SCOPE OF THE INVESTMENT IN INSTRUCTION

	2019	2018	2017
Scope of the investment in NIS millions	8.9	8.1	9.9

TRAINING DAYS AT DISCOUNT BANK



The number of frontal training days amounted to 22,527 in 2019, compared to 26,052 in 2018 – a decrease of approx. 9%. The decrease is due, inter alia, to more efficiency in frontal learning days (reducing the number of frontal training days by using other training), integrating learning making use of learning kits and integrating learning at the employee’s workstation. In addition, teleprocessing training was conducted, which amounted in 2019 to 41,863 self-study computer interactions, compared to 43,757 such interactions in 2018 – a decrease of approx. 4%.

NURTURING EXCELLENCE AND PROVIDING FEEDBACK

In accordance with the Bank's strategy, which encourages performance culture and cultivating excellence, several remuneration mechanisms have been determined at the Bank intended to appreciate and compensate outstanding employees, who had attained their business goals and awarded high appreciation marks by the annual performance evaluation measures. In this framework, the Bank conducts different competitions, at the branch and regional

levels, and Vice Presidents award remuneration to outstanding employees at the different divisions, as well as special remuneration awarded annually by the President & CEO to a number of outstanding employees, at a festive ceremony held at the Bank, in addition to integration and employee motivation processes conducted on a current basis. Furthermore, in 2019, outstanding managers were selected and undergone professional training at IDB Bank.

An emphasis on the determination of personal performance goals for all employees was placed in 2019, these being derived from the work plan of the Bank and its strategic focuses. Towards the performance of the evaluation process, the Bank has conducted training sessions regarding the process for more than 500 managers (of whatever gender), including new evaluation managers, as well as refreshing knowledge sessions for senior evaluation managers.



**Feedback interviews** - The feedback conversations comprise an annual process forming a most important management tool in guiding and motivating employees. The feedback interview is intended to survey employees’ performance and functioning during the past year, to retain and reinforce the strengths and achievements, to identify what needs improvement and to set goals for the upcoming year. At the same time, the feedback conversation is an opportunity for open dialogue with the employees.

Several dimensions are taken into consideration as part of the employees’

performance evaluation: meeting the goals of the past year; mapping abilities for improvement and maintenance, based on the values of the Bank; defining goals from a forward-looking perspective, including development goals; and a summing-up evaluation – an evaluated ranking based on the extent to which the annual goals were met, the manner of performance, including realization of the Bank’s values and the contribution in relation to the employee’s peers in the unit and in relation to holders of similar positions.

In the second quarter of 2019, a performance evaluation process was conducted that was altered and adapted to reflect widespread trends in performance evaluation. This is a goals-oriented process which places emphasis on the Discount Spirit values, including ethics and compliance matters, and on conversations between the managers and their employees with regard to the development path and future directions of development. The process, including the changes that were implemented therein, was successfully assimilated and 99% of employees were evaluated.

ORGANIZATIONAL CULTURE AND DIALOGUE WITH EMPLOYEES

In 2019, the focus was placed on bolstering and establishing the organizational culture, and designing it as an organizational culture that supports flexibility and the ability to adapt to changes, with an emphasis on performance and service. As part of the Bank’s work to promote dialogue and openness with its employees, the infrastructures for holding organizational dialogue over the Bank’s main communication channels and using cross-organizational routines have been expanded:

Organizational internal communication management

The Bank is investing in the development and bolstering of open and two-sided



communication with its employees, while strengthening their relations and commitment to the strategy and goals of the Bank, as well as with the community and the environment.

With a view of broadening employees' knowledge and understanding as to the Bank's total activities and to promote performance, a variety of communication lines were also used during 2019, including: the "Executive Forum" – with daily updates and a quarterly meeting; and the "Morning magazine" – a weekly television newscast presenting subjects standing at the core of the Bank's endeavor.

**FaceBank portal**

The FaceBank allows employees accessibility, knowledge sharing, cross-organizational dialogue and content that assists in integrating the information in a convenient way, with advanced user experience. The portal places emphasis on employees' sharing in determining the content and on increasing their involvement in leading the change processes.

**Managers' WhatsApp group**

The Bank runs a designated WhatsApp group for a forum of 400 managers (of whatever gender), within the framework of which, information is sent out once a week in various forms, such as: video clips, tools, articles, research, inspirational content, and so forth. The content selected is applicable to the 13 qualifications needed to be ready for the digital age, as defined by the Bank at the beginning of 2019, and provides an opportunity for discussion in the various units and for the development of human capital.

**Communication with the "Managers Forum"**

The Bank operates a designated channel for communications with the Senior Forum at the Bank and at the Group. The Forum consists of some 120 executives in the Group who, through this channel, receive current updates and reports on a daily basis.

In order to sense the mood, challenges and questions of employees, meetings at various levels, group discussions and feedback processes are held, including:

- > **"Round tables"** - the President & CEO or of one of the members of Management hold "face to face" meetings with managers and employees;
- > **"Management in the field"** - Monthly tours by members of Management at the branches and field units, accompanied by members of their senior staff.



**The "Human resources for you" Center**

amework of improving the internal service provided by the Human Resources, the "Human resources for you" Center provides a professional, uniform and fast response to approaches from Bank employees. The Center constitutes a central "one-stop shop" to any approach on a human resources matter, including payroll and attendance.

Employees can access the center through a number of channels: a telephone center, which provides a human response two hours every day, a designated electronic mailbox which is available throughout the day, and an approaches module in the Tiltan system - a new system for managing information concerning the Bank's employees - which is in the process of assimilation within the organization as part of the human resources strategy.

During 2019 some 15,654 approaches were received (an increase of approx. 16% as compared with 2018), of which 2,332 approaches were by telephone and 13,322 were by email. Approx. 77% of the approaches were with regard to attendance and payroll. Service surveys conducted by the Bank show that approx. 94.7% of employees participating in the surveys have expressed high satisfaction with the service.

**POSITION SURVEY**

➔ In recent years, within the framework of the participation of the Bank in the BDI survey - "100 best places of employment", a survey is being conducted with participating Bank employee relating to their position on issues relevant to the Bank. The results of the survey are analyzed by BDI according to various sections based on divisions of office/field, age, gender and seniority. Multi-annual trends in the organization are also analyzed as well as trends in comparison to the benchmark of the financial system, in order to identify differences and concentrate efforts to reduce them, respectively.

The survey relating to the year 2019 was conducted in December 2019. Data collection was conducted online by way of a survey that was distributed directly from the BDI website to which the Bank's employees were connected, and covered approx. 20% of all Bank employees.

**PROMOTING THE EMPLOYEES' WELFARE**

**Welfare services operated in the Bank**

➔ Ever since its establishment, Discount Bank has been known as an organization having special sensitivity to the needs and welfare of its employees. Already in 1976, the Bank began to operate welfare services in an institutionalized manner, becoming one of the first organizations in the economy to do so. The very foundation of the Bank's supportive welfare field is to take a position that

positions the Bank as one which sees itself as a partner to the difficulties of its employees and wants to assist them as much as possible in dealing with them.

The welfare services at the Bank serve as a connecting and supplementary link in addition to the community services integrating treatment and prevention in two circles, as follows: assisting the individual - the worker and his family and the development of welfare programs and to groups of employees having a joint interest.

**Assisting the individual**

➔ The Bank aspires to assist the individual in coping in a better way with his/her problems and needs, so that he/she will be able to function properly both at home and at work, in good times and in bad. In this framework, the Bank employs two welfare officers who are at the disposal of the employees in providing assistance and treatment in personal, familial, health, economic matters, etc.

Further support channels include:

- > Providing information on and referrals to services in the Bank and the community in order to make the most of rights and/or treatment, as needed;
- > Preparation of social reports, as a recommendation for the Bank's internal assistance funds;
- > Advising the officers in charge in facing difficult situations and special events;
- > Accompanying employees in case of death of a first-degree family member, including insertion of an internal obituary notice, sending a funeral wreath and providing a condolence set to the bereaved family.

The referral to the welfare services of the Bank is generally done by the employee himself, or by referring parties, such as supervisor, human resources manager in the unit, peers at work, etc. In 2019, the Welfare Unit dealt with 724 inquiries (765 inquiries in 2018).



- > **Managers' involvement in treatment process** - The Bank encourages the involvement of the immediate superior in assisting an employee in distress with the professional support and guidance of the Welfare workers;
- > **Treatment of group pressure situations** - Support and assistance in a pressure situation, such as war, terror events, robbery or sudden death of an employee, is accompanied at times by group therapy, which provides a solution for the mutual need or difficulty of a group of employees, simultaneously, in addition to and as a complement to individual counseling. In 2019, some 14 events of group pressure situations were treated (11 events in 2018).

**Welfare and leisure programs**

As part of the aspiration for the cultivation of the human resources in the Bank and the maintenance of the familial work environment characterizing it, the Bank invests in the welfare of its employees, accompanies them at the significant crossroads in their life, marks personal events and looks after their welfare also outside working hours. In this framework, the Bank gives presents to employees on Holidays, birthdays, weddings,

birth of an offspring, Bar/Bat Mitzva, enlistment of employee children, completing 25 years of service, etc. Furthermore, a festive event in collaboration with the representative committee of the employees is held for children of employees starting first grade together with a present (school bag and contents).

**Varied enriching and leisure activities** - The Bank offers its employees different after-work activities, workshops and lectures on various subject adapted to all Bank employees and their families, at different locations around the country.

In 2019, there were about 4,920 participants in these activities.

**PROMOTING HEALTH**

The Bank views with great importance the promotion and maintenance of its employee's health. As part of promoting this issue the Bank offers its employees the opportunity of medical examinations, participation in sports activities and enjoying healthy nutrition. The Bank also strictly conducts environmental tests in accordance with the law.

**Medical tests** - In 2019, about 201 employees received blood insurance by donating blood, (150 employees in 2018). 137 employees, retirees, and their spouses had medical survey tests performed in 2019, (140 tests in 2018). In 2019, some 173 tests were performed on the Bank's athletes (225 tests in 2018).

The Bank's employees and family members are entitled to participate in medical and dental insurance arrangements under improved terms. This matter is handled by the Employee Representative Committee.

**Sport activities** - the Bank has 24 sports teams registered with the Workplace League representing the Bank in different sport competitions.

**Healthy nutrition** - Insistence on employee health includes their nutrition and tests are performed on the quality of the food served in the Bank's units. Likewise, the meals served at the Discount College and at the Head Office units offer dietetic and healthy choices.

**Work environment tests** - The safety officer of the Bank performs occupational environment monitoring tests, control over performance of occupational medical tests, as well as tests regarding suspicion of electromagnetic radiation stemming from the electricity network or due to air quality in the work environment. These are performed by qualified external entities and by the relevant performance functions at the Bank. Furthermore, the safety officer initiates tests for radiation caused by the electricity network and tests of air quality following the identification of hazardous factors by safety surveys performed at the Bank's units. In 2019, some 24 electromagnetic radiation tests and two air quality tests were performed. In addition, a preliminary survey was conducted, and three work environment tests were performed to check for harmful noise and measures were taken to reduce harmful noise levels.

**SAFETY IN THE WORKPLACE**

Section 41 of the Labor Charter states that the Bank shall adopt all measures required to maintain physical work conditions preserving the health of the employee in his work.

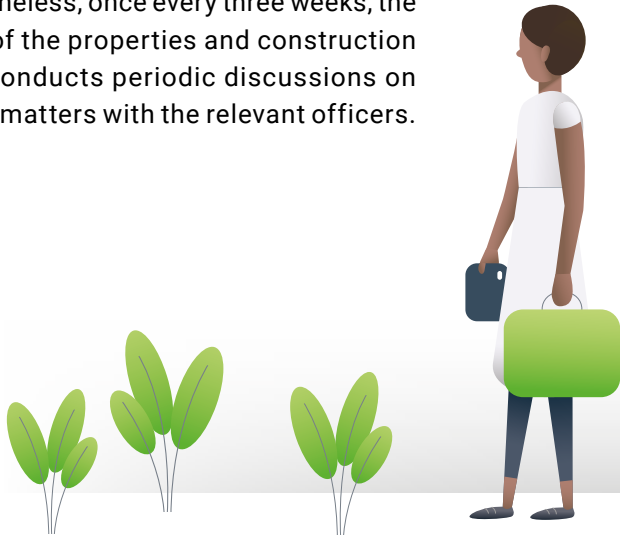
The Bank meets the requirements of the Law and the relevant regulations for looking after the safety of its employees and their health.

The Bank has appointed a safety officer who coordinates the safety and occupational health issue at the Bank. A work program with annual targets is prescribed for the safety officer and the reduction in problems and health hazards is measured against these targets.

Each year, the Bank distributes to all its employees a safety learning, which includes information regarding hazards at the Bank's premises and branches, and inter alia, encourages the employees to identify hazards in their work environment and report them to the competent functions. The Bank operates a safety test program for the identification of hazards and for providing a safe work environment, as well as maintaining the safety of customers visiting the Bank's premises. Designated employee populations, such as: storekeepers, maintenance staff, etc., have been trained with respect to the unique hazards that are encountered by them.

Within the framework of maintaining the safety of employees in their workplace, the Bank has established a group of safety trustees at the branches and Bank premises, who perform current safety tests at their units – with these being in addition to the testing performed by safety experts. Accordingly, environmental tests are performed from time to time for the identification of hazardous factors, and for maintaining a safe and healthy work environment for Bank employees. Where safety events are discovered, these are examined and investigated in order to maintain a continuous improvement process in the matter.

The Bank does not have a safety committee. Nevertheless, once every three weeks, the Head of the properties and construction wing conducts periodic discussions on safety matters with the relevant officers.



# INVESTING MORE IN EMPLOYEES IN THE PRINCIPAL SUBSIDIARIES

## HUMAN RESOURCES DEVELOPMENT IN PRINCIPAL SUBSIDIARIES

### MDB

During 2019, the Bank promoted management and leadership training, as follows:

#### Locating reserves

The bank has completed a process for locating management reserves from among bank clerks and top management-grade authorized signatories, in order to secure qualitative professional/ executive continuity at the bank, for supporting medium and long-term planning process at the bank and for supporting the administrative and professional development of employees and managers. In 2019 the mapping process was completed throughout the bank – at both the branch network and also at the Head Office. In total, 269 authorized signatories were evaluated (of whom, 133 during 2019), together with 871 employees (of whom, 285 during 2019), by means of interviews with unit managers and designated evaluation centers.

The insights are being implemented in an organizational and individual manner through training and development

processes and the human resources processes with a focus on planning and placement.

#### Managerial development

**Training of managers** - A course was held in 2019 for training of employees for their first managerial position, in which 24 new managers (of whatever gender) participated.

Newly appointed managers are accompanied by a tutor manager, as well as being assisted by an organizational consultant. 11 new managers received assistance in 2019.

The managerial staff of 20 branches obtained service management tools, and the change was led by a workshop accompanied by organizational consultants at the branches, being part of the integration of the managed service and the CRM system.

As a result of the reserves location project, 263 managers (of whatever gender) participated in a workshop intended to provide them with personal development and managerial tools, at which they also received personal advice and a summary of the insights from the process relating to their unit.

In preparation for the annual evaluation process ,70 evaluating managers (of whatever gender) participated in a significant feedback workshop.

The managerial staff at the branches participated in workshops for the prevention of violence at the branches (150 participants).

16 branch managers acquired training skills in designated instructional sessions.

**Apprenticeship Skills** - two workshops have been held for the development of apprenticeship Skills for managers (of whatever gender), with the participation of seventeen department heads at the branches who had not participated in the workshop in the past.

**Sales management** – 63 department heads underwent designated training. A marketing and sales referent (of whatever gender) in each region received personal assistance.

#### Professional training

The learning supports the implementation of the bank's business strategy and comprises a necessary layer in the training of employees for their duties and in maintaining their professional qualifications and in improving their performance. Professional development and training are conducted in accordance with the procedures and policy, while maintaining an up-to-date knowledge and internal control, risk management and compliance, required for the promotion of a uniform standard of professional level in aid of providing full service to customers.

#### Integration of the compliance culture

As part of the support of this process, a variety of frontal and digital learning activities have been conducted in 2019, and self-study layouts at the branches have been developed and 16 study sessions were held for branch managers, compliance trustees and bankers. In addition, 78 training sessions were conducted for the compliance functions at the units of the bank, with a focus on the branch network. Moreover, a risk management training program was developed in which about 60 participants, constituting key personnel in the field, took part.

Approx. 69,180 organizational study hours were conducted in 2019, of which approx. 14% was through digital learning.<sup>28</sup>

76% of employees participated in non-teleprocessing training on the various sites of the bank.

Approx. 75%<sup>29</sup> of the non-digital training activities were conducted at the branches and at the Regional Managements (excluding tutorial training).

The number of frontal instruction hours amounted to 43,600. In addition, 15,746 interactions were made in self-study teleprocessing.

The average number of study hours per employee during 2019 amounted to 47.4.

### ICC

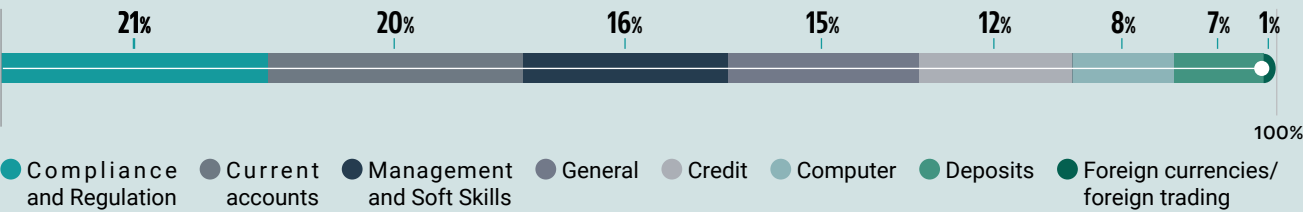
ICC runs managers' development programs, which provides tools and skills to managers (of whatever gender) helping them to lead their units to success.

Management of ICC believes in the development of the executive echelon. Some 80% of the managers (of whatever gender) of ICC have grown within the company into managerial positions.

Several programs are in operation in order to develop the executive echelon:

- > **Development program for managers** entering office, as well as for managers (of whatever gender) already in office; in 2019, some 33 managers participated in the program (compared to 30 managers in 2018);
- > **Executive training room** - enrichment learning meeting regarding a variety of subjects, the aim of which is to continue and develop and nurture managers (of whatever gender) and provide them with

## INSTRUCTION DAYS AT MDB - 2019



28 Does not include "on-the-job" (OTJ) branch learning and tutorship.

29 Training activities - all training without reference to the process' timespan.



management tools and skills; in 2019, some 24 managers participated (in the last quarter alone; compared to 160 participants in 2018);

- > **Peer learning meetings** – a group of managers (of whatever gender) that discusses management dilemmas that have arisen in the field. In 2019, some 11 managers participated;
- > **Synergy** – a development program conducted in conjunction with the Israel Joint, which brings ICC managers (of whatever gender) together with members of the boards of directors of associations and social organizations which is intended for members of Management and department managers; in 2019, some 12 managers participated;
- > **Inspiration creating communication for managers** – designated communication delivered on a monthly basis, dealing with the different world of management and include articles/lectures/ TED videos and more.

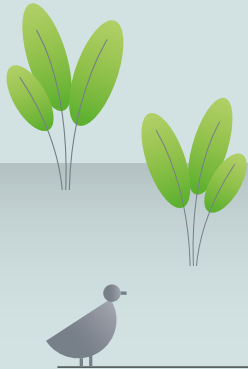
**Personal development**

Personal attention is provided by the organization to managers (of whatever gender) entering managerial positions, as well as in case of organizational changes, as part of the change management process. ICC operates an assistance and support program for managers (of whatever gender) upon entry into a first managerial

position, which includes personal attention, an absorption kit and an orientation workshop that reviews all knowhow and professional factors supporting the appointees in carrying out their duties. In addition, ICC operates assistance for managers (of whatever gender) as support for organizational changes - following the conduct of a diagnostic process, a designated development and training program is devised.

**CAL College**

An organizational training program for the development and enrichment of the employees, allowing each employee (of whatever gender) to register and participate in a variety of professional courses and training programs suitable to their position and their personal and professional needs. The courses and training programs are advertised on the company's Internet portal and include: technological courses and training programs, proficiency workshops and meetings in matters of process management and knowhow in the credit field. Existing alongside this program is a training program regarding the organization as a whole, covering cross-organization matters, including business projects, regulation and employee duties. In view of the fact that the company focuses on credit, many training programs have been conducted in this matter: strengthening of knowhow and skills regarding the sale of credit within the general representative population.



**DATA REGARDING EMPLOYEE AND MANAGER TRAINING INPUTS AT ICC:**

Type of training	Population	2019 (hours)	2018 (hours)
On entering the position	Managers	40 hours per manager	28 hours per manager
	Employees	8.2 hours per employee	8 hours per employee
	Representatives*	198 hours per Representative	198 hours per Representative
On the job training	Employees and managers	8.19 hours per person	16 hours per person

\* A "representative" is defined as one who provides telephonic service to customers (service representatives, service and sale representatives, trading house service representatives, etc.). Representatives receive intensive training for about one month, upon entering this position.

**IDB BANK**

Professional level employees are sponsored by the bank to complete their continuing education credits to uphold their professional licenses. In addition, there is online training that is required for Compliance and Regulatory purposes and as best practice in the financial industry. Lastly, IDB Bank released an online training system named Udemy to its employees, which allows participation in training courses in different fields of interest. Participation in these courses forms a part of the personal development of the employees.

**NURTURING EXCELLENCE AND PROVIDING FEEDBACK IN THE PRINCIPAL SUBSIDIARIES**

**MDB**

The bank grants appreciation and remuneration to outstanding employees. The annual promotion of employees includes a differential component which appraises and encourages excellence.

The annual feedback discussions serve as a platform for the evaluation of employees, their performance and commensurate remuneration with the aim of encouraging a culture of transparency and dialogue that fortifies the obligation of the employees towards the organization focused on results, and comprises a tool for the identification and nurturing of excellence.

In 2019, an evaluation was made in respect of 100% of employees. Feedback discussions were made in respect of 99% of the employees. As in every year, a conclusion drawing session was held in order to improve the process.

**ICC**

ICC views excellence with importance and encourages its employees in this respect:

- > **Ongoing performance measurement;**
- > **An annual and semi-annual employee evaluation process,** which sets

professional and personal development targets as well as measurement of performance in the past year (evaluation in respect of the previous year is performed at the beginning of each year. Mid-year discussions are held in the months of July/August);

- > **The granting of an annual award based on the annual employee evaluation;**
- > **The "Proactive" excellence program** - esteem for outstanding workers of the different departments, and an annual esteem program for selected outstanding workers of the company, which includes a gift, public esteem and a luxury trip abroad for the "Proactive" team.

In the beginning of 2019, an evaluation and feedback process was conducted, which included a forward-looking evaluation and feedback, while focusing on both personal and organizational growth; and assistance in focusing the personal capabilities of each employee (of whatever gender) in a manner that will contribute to personal growth and to the realization of the company's strategy,

Evaluation of employees was conducted in 2019 using a form reflecting the skills required from employees and managers for achievement of the strategy and business goals. The annual evaluation and feedback process for 2019 included conversations and provided a summing-up evaluation for 100% of the company's employees taking part in the process (all employees participate in the process, excluding new employees).

**IDB BANK**

**Performance Evaluations** - Generally, annual performance of employees is evaluated by their department supervisor or manager at the end of each year. This evaluation incorporates factors, including, but not limited to, the quality and quantity of their work, attendance and punctuality, their cooperation with the members of the department, and their ability to achieve compliance with Bank rules, regulations,

policies and procedures. The evaluation is discussed with the employees and any areas requiring improvement are brought to their attention.

The managers conduct a mid-year performance evaluation, which, inter alia, includes: what's working well, what could be working better and how the employees are performing against their goals.

All new employees (whatever their gender) are initially subject to a probation period of 90 days in order to evaluate their performance during that period.

**Incentive Compensation Plans** - IDB Bank implements Incentive Compensation Plans to reward employees for their performance. There are specific plans designed for each Line of Business as well as for the administrative functions.

**ORGANIZATIONAL CULTURE AND DIALOGUE WITH EMPLOYEES IN THE PRINCIPAL SUBSIDIARIES IN ISRAEL**

**MDB**

MDB has an employee Intranet portal, which includes extensive information serving and enriching its employees. The bank is upgrading the intra-organizational communication in order to maintain an open and two-way communication with the employees, while strengthening their commitment and linkage to the strategy and the goals of the bank. In order to sense the mood, challenges and questions of employees, meetings at various levels, group discussions and feedback processes are conducted, as well as Management field trips and visits to branches, similarly to Discount Bank.

**ICC**

ICC invests in ongoing and open communication with its workers and managers, in order to increase the sense of relationship between the workers and the organization, their acquaintance with the

company's activities and strategy and the strengthening of the bond between them, as part of the advancement of targets and the company's business growth. Ongoing communication includes a variety of means, among which:

- > Organization wide visual communication (on computer screens, screen savers and posters);
- > The quarterly extended Management forum;
- > Diverse campaigns such as for the encouragement of internal mobility of employees, progress to an additional position in the organization and so forth;
- > Round tables meetings - of the CEO with different grades, and of the heads of the large divisions with the employees and managers of the division;
- > Employee video clips to promote success in the various units;
- > Personal management meetings – of the CEO with indirect subordinates at a departmental head grade and of heads of divisions with indirect subordinates at a unit manager grade.

The organizational Internet portal of ICC allows every employee to find all the information regarding the terms of employment, the collective labor agreement, employee benefits and welfare, rules of conduct, current updates, possibility of direct approach to the CEO, and more. The portal includes, inter alia, professional knowhow with respect to the company and its products, the Cal College program for professional enrichment and training, managers portal, open positions and the process of the online submission of candidacy, the employee representative committee website and hundreds of professional information sites.

**Integration of Organizational Ethics**

ICC views with great importance the maintenance of organizational ethics. The code of ethics of ICC comprises a valued identity of the organization, according to which the employees are required to

conduct themselves with responsibility, integrity and in accordance with proper rules of conduct, which serve as a basis for the current operations and the business success of the company.

Meetings on the subject of "Ethics, decency and fairness" were held in 2019 within the framework of manager development courses conducted during the year. For additional details regarding the Code of Ethics, see the Chapter "Discount Spirit" and the ICC website.

**POSITION SURVEY**

**ICC**

In recent years ICC participates in the BDI survey "100 Best Companies to Work for". The results of the survey were analyzed according to different sections and an analysis was made of multi-annual trends within the organization and trends as compared with the benchmark of the financial sector in order to identify gaps and concentrate efforts for reducing them, respectively. In the survey that took place in 2019, 56% of employees participated, resulting in ICC rising to the 25th place in the rating.

Every two to three years, ICC conducts an organizational employee survey. The last positions survey took place in 2016, with approx. 92% of the employees participating therein, and showed a high level of general satisfaction with a score of 9.1.

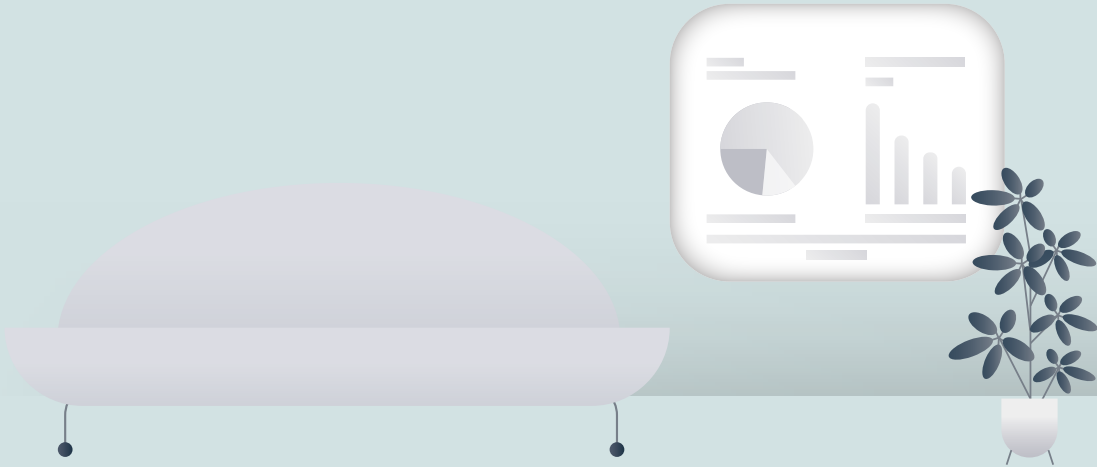
The survey results are presented to the company's Management as well as to all managers, and serve as a basis for preparing a comprehensive plan for dealing with the gaps, both at organization and unit levels. The position survey serves as a supporting tool for managers of the different units in order to introduce improvements both at the personal management level and at the cross-unit matters level.

**WELFARE ACTIVITY AT THE PRINCIPAL SUBSIDIARIES**

**MDB**

As regards the individual and the family, the bank invests in annual vacation, finances summers schools during vacations, finances higher education for employees and their children and so forth. In addition, the Employee Committee holds once a year a bonding leisure day for all bank employees, and fun days for bank employees and their families, in an amusement park, noting the children of the workers who are starting first grade and giving them gifts. In addition, bank employees enjoy subsidized catering services.

At exceptional events (such as outbreak of war) the bank assists and supports employees located in impacted regions by providing psychological support, hotel accommodation where required, and accommodation at other employees of the bank.



ICC

Over and above wage terms, ICC provides diverse benefits and services designed for the welfare of employees and their families.

As regards the individual and his family, ICC invests in annual vacations, in gifts for children of employees inducted into the IDF, financial assistance in case of need and more. Furthermore, employees enjoy subsidized catering services, a cafeteria and periodic bazaars for the sale of products at reduced prices.

Furthermore, in a similar fashion to Discount Bank, ICC accompanies its employees at sensitive moments in their lives and provides assistance on the death of a first-degree relative; it also encourages managers to be involved in the treatment processes and in assisting employees in distress, as well as providing a psychological support service.

IDB BANK

The bank provides a qualitative program for employee benefits, which includes health, dental, vision, life assurance options, as well as Employee Assistance Programs and various Disability programs, all as governed by the federal law regarding benefits to retired employees (ERISA) and by federal, State and local legislation.

PROMOTING HEALTH AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB employees enjoy a social safety net, which includes a variety of insurances: life assurance for employees and spouses, health insurance, surgery insurance, personal accident insurance, dental care insurance for employees and family members, and loss of work ability insurance for employees. Bank employees of

a determined age and seniority are entitled to a comprehensive medical checkup.

MDB invests in encouraging rich sport activities in different fields and it promotes ten sport teams registered with the Workplace League, which represent the bank in the "Sportyada" sport games.

The bank performs tests for the existence of radon gas, as required.

ICC

The handling of safety and hygiene in ICC is similar to that performed at Discount Bank. Similarly to 2018, two radiation and air quality tests were conducted in 2019 at all the company's premises. Likewise, at least once a year, radiation surveys and routine periodic surveys of work conditions are performed.

ICC employees enjoy significant health benefits, which include periodic medical examinations, medical insurance, and psychological attention. All employees aged 35 and over, with at least one year of service with the company, are entitled to medical tests. The company organizes twice a year blood donation by employees, and once a year offers employees a flu vaccination. In addition, ICC operates a workout gym and classes and invests in encouraging a rich sport activity in many spheres. ICC has four teams registered with the Workplace League, competing in different sport competitions, in which fifty employees and managers participate.

SAFETY IN THE WORKPLACE AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB has appointed a work safety officer as required under the Organization of Labor Inspection Act, 1954. The bank has devised a safety policy, internal safety checks are conducted, and procedures have been written regarding this subject.

As part of his duties, the safety officer coordinates the safety, hygiene and fire topics, performs surveys at the branches, provides guidance concerning deficiencies requiring rectification, and ensures that these are implemented in practice.

ICC

The safety field at ICC is managed within the framework of the Logistics and Properties Department. For this purpose, the company has engaged an independent external safety consultant for the current operation of the whole safety field. As part of the company's work plan, mandatory study material on the subject of safety and hygiene is distributed annually to all employees, which includes, guidelines regarding the manner of conduct intended to minimize the number of accidents at the workplace; in addition, emphasis is placed and guidelines provided with regard to working safely and the work environment.

The Company has established a safety committee, which in accordance with Regulations meets at least eight times in each year, reviews the safety reports, uncovers deficiencies and monitors the treatment of safety deficiencies. The safety committee at ICC is composed of three to four managers, seven to eight employees and the external safety consultant.

IDB BANK

IDB Bank is compliant with all Federal, State and local Laws and Regulations as these relate to safety in the workplace, this includes annual fire drills, emergency evacuation procedures in accordance with the local requirements for all the bank's work sites.

IDB Bank is also compliant with the NYS Safety Guidelines required for COVID-19, and the State of California's privacy requirements regarding employees.





**HUMAN RESOURCE MANAGEMENT  
DURING THE CORONA CRISIS**

Following the Bank's activation of a guidelines-based emergency format, the work force required to physically come to the Bank's facilities has been reduced, while some employees have continued to work in a remote-working format.

The activation of the aforesaid format required taking the following measures in the sphere of human resource management:

- > Translating the government guidelines and emergency regulations, which are updated and altered from time to time, into a planning and operative reality from the aspect of the Bank's human resources, including a reduction in the number of employees that come to the Bank's premises, a massive transition to working from home and placing employees whose work is not defined as essential on leave;

solutions to travel problems due to the reduction in public transport.

Concurrently, measures have been taken with regard to communicating with employees and their support:

- > Providing a response to employee inquiries by means of a human resources center;
- > Supporting employees and managers, giving them assistance throughout the period and answering their needs;
- > Supporting employees that have contracted the coronavirus and employees that have to stay in isolation, as well as employees who have suffered emotional distress as a result of the situation;
- > Supporting employees who are not needed during the emergency and have been placed on leave in accordance with the Bank's guidelines;
- > Instructing employees with regard to behavior during this period, maintaining daily contact, sending messages and

**THE HUMAN RESOURCE  
DURING THE CORONA CRISIS**

- > Splitting essential units into work capsules to prevent infection and preserve redundancy, including guidelines for managers regarding remote management processes;
- > Separating essential units over several sites in order to minimize risks;
- > Planning the daily workforce numbers and preparing a listing of the employees needed for work at the Bank and those required to work from home, including the necessary technical and logistical organization (workstations, means of travel, meals, hygiene, etc.);
- > Daily tracking of sick employees interfaces and interpreting the reality regarding isolation of employees and entire units, and their return to work;
- > Mapping the employee population whose presence at the Bank's premises is defined as essential and providing individual

guidelines to all of the Bank's employees;

- > Creating and providing access to material for managers on the following topics: administrative routines for remote working, maintaining motivation, giving employees a sense of belonging and keeping them connected, and managing work processes in an effective manner and with results.

Furthermore, a catalog of online training courses has been published via the "FaceBank Comes to You", for enrichment and personal development in four spheres of interest: soft courses, professional courses, management and leadership training, and enrichment courses. Concurrently, preparations have been made to convert training courses to an online or remote format and a number of pilot training courses in this format have taken place.

In addition, certain activities have been distance broadcast, such as the Memorial Day ceremony for Bank employees who fell in Israel's wars or due to enemy action.

**REMUNERATION DURING THE  
CORONA CRISIS**

On May 12, 2020, the Bank's Management reached accords with the employees representative committee, which relate to remuneration during the corona crisis. Within this framework, an agreement was signed with the employees representative committee regarding the Bank's participation in funding half the vacation days of employees compelled to remain at home and not come to work due to the corona pandemic, with this being effective from March 17, 2020 through June 30, 2020 at the latest. It was also agreed that the Bank would allow employees to go into minus on their accrued vacation days account, on account of future vacation, without offsetting the salary in respect of that period.

The arrangement also applies to temporary employees, and also – as decided by the Bank – to employees under personal contracts.

Concurrently, a collective agreement was signed on the same date with the employees representative committee, which includes changes to the wage agreement of February 21, 2019. Pursuant thereto, the wage increment that was planned to be paid in July 2020 and the wage increment that was planned to be paid in July 2021 will be lumped together into a single increment that will be paid in May 2021.

It was further agreed with the employees representative committee that special monetary remuneration would be granted to Bank employees who were asked to continue working at the branches and Head Office units at the height of the pandemic (out of the award contingent on the return on equity for 2019), and did so devotedly and responsibly, despite and notwithstanding concerns for their health, in order to preserve

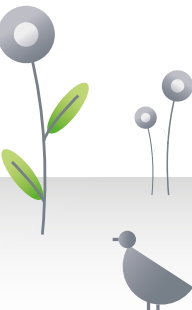
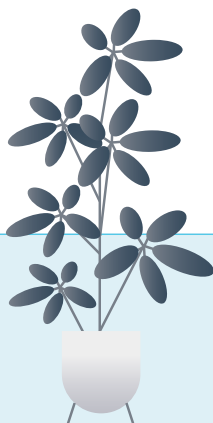
the continuity of service to the Bank's customers and the Bank's operations in the emergency format.

In addition, on the eve of the Passover holiday, all the Bank's employees were paid an additional half month's salary as an advance on account of the award that is contingent on the return on equity for 2019.

**ICC.** On June 29, 2020, ICC's Management reached accords with the employees representative committee, which relate to remuneration during the corona crisis. Within this framework, an agreement was signed with the employees representative committee regarding ICC's participation in funding half the vacation days of employees compelled to remain at home and not come to work due to the corona pandemic. It was also agreed that ICC would allow employees to go into minus on their accrued vacation days account, on account of future vacation, without offsetting the salary in respect of that period.

**ORGANIZATIONAL COMMUNICATIONS  
DURING THE CORONA CRISIS**

Working in an emergency format set a challenge regarding establishing organizational communications specifically at the time of the corona crisis, when many employees were prevented from coming to the Bank's offices. "FaceBank Comes to You" was launched - the employees' "FaceBank" website, in a version adapted for mobile devices, which allows the Bank's employees to keep themselves updated regarding diverse information as well as enabling them to upload content at anytime and anywhere. As soon as the crisis broke out, the Bank's Management took pains to update the employees with a situation report and have distributed, almost daily, update notices for employees by means of various media. The Bank's President & CEO has held a weekly update conversation with the Bank's managerial echelon, from branch manager grade and higher, and within this framework an opportunity was provided to present questions and subjects for discussion.



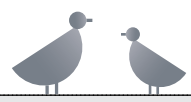
# GOALS

## GOALS PRESENTED IN PREVIOUS REPORT

Discount Bank	✓ Achieved	The translation of the multi-annual strategic plan into a human resources strategy, including specific planning of resources the definition of new engagements, identification of redundant engagements, changing the recruitment profile.
	✓ Achieved	The adaptation of leadership and management concepts for the implementation of the strategic plan, to the continuation of the realization of the "Discount spirit" and to the management of the change in the digital environment.
	✓ Achieved	Encouraging the concept of organizational learning and personal responsibility for development and qualification. Encouraging significant career changes, training for changing tasks and development of digital skills.
	✓ Achieved	Creating an open, clear and structured dialogue for the construction of personal goals for employees. Assistance in identifying opportunities for development and professional growth.
	✓ Achieved	Creation of employment opportunities in peripheral areas, including training and apprenticeship enabling successful integration into the banking world.
Mercantile Discount Bank	✓ Achieved	Continuation of effective management of human resources and their cost - The central challenge for the years 2016-2018 was the strict and restrained management of human resources and their cost, in a manner ensuring increased efficiency and restraint in the payroll expenses.
	✓ Achieved	Assistance for the branches in the processes for the continuing upgrading of services to customers - Accompaniment of the procedures at the branches aimed at creating maximum availability of the bankers for the furtherance of the Bank's business and at providing an upgraded service experience for customers (by continuing to upgrade and improve the service level and the professional level of the bankers).
	✓ Achieved	Providing supportive tools to the bank's units. Development and enrichment of employees by means of training, mobility and personal development.
	✓ Achieved	Efficiency and cost-savings - Continuing to support efficiency and cost-saving measures conducted at the Bank, from the aspect of human resources.



## FUTURE GOALS



Discount Bank	Completing the deployment of the "Taltan" (clover) system and beginning the implementation of Stage "B" of the project.
	Preparation for the upgrading of the reporting system regarding employee volunteering.
	The structuring of work plans for the implementation of improvements to employee voyage, with an emphasis on employee experience and agreement with the transfer to the Discount Campus.
	Defining the listening strategy.
	Early retirement effort and the personal escorting of retirees.
	Transition to learning and organizational development in a hybrid manner.
	Structuring work and training routines and remote management tools.
	Implementing reskilling & upskilling programs for employees.
Mercantile Discount Bank	Assimilating one service center for all Bank employees.
	Structuring innovative programs for the training of volunteers for the remote instruction on subjects of financial education and "another lesson".
	Implementation of a collective labor agreement regarding the separation of MDB from the Bank Leumi labor agreement.
	The continuing effective management of the workforce and its cost – a strict and restraining management of the workforce and its cost, in a way which would secure efficiency and restrain of payroll expenses.
	Upgrading customer service – closely following processes at the branches in order to create maximum availability of bankers for the continuation of the development of the bank's business and for providing an upgraded customer experience.
	Efficiency and saving – the continuing support of efficiency and savings measures in practice at the bank, from the aspect of the human resource.
	Continuing the development of the human capital, including administrative and executive reserve development.
	Implementation of an employee rotation program – in accordance with the Bank of Israel instructions and the needs of the bank.
	Optimal merger of Municipal bank.
	Impact of the Corona – intensified leverage of the digital powers to customers and within the bank itself, including remote work, remote learning and leverage of the digital capabilities.

# 06 SUPPLIERS

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# SUPPLIERS

DISCOUNT BANK VIEWS WITH IMPORTANCE THE LONG-TERM CREATION OF VALUE FOR ALL ITS STAKEHOLDERS, AMONG WHOM ARE ALSO ITS SUPPLIERS, AND THEREFORE THE BANK TREATS THEM WITH INTEGRITY, FAIRNESS, CONCERN AND RESPECT



## PROMOTION OF RESPONSIBLE PROCUREMENT

Discount Bank has made a commitment to conducting business fairly and to acting on the basis of professional and personal integrity. Discount Bank views with importance the long-term creation of value for all its stakeholders, among whom are also its suppliers, and therefore the Bank treats them with integrity, fairness, concern and respect.

The Bank strictly honors its agreements with suppliers and non-adverse utilization of its position towards them, endeavors to prevent damage to integrity, prohibits the granting of benefits and favors, promotes transparency and fair competition, maintains confidentiality and data protection and does everything possible to prevent corruption and improper conduct.

Discount Bank chooses suppliers on the basis of professional, objective and businesslike considerations, while striving for engagement with suppliers meeting the following requirements:

- > Compliance with and maintenance of the provisions of the law;
- > Strict observance of legal and fair employment conditions;
- > Maintaining the quality of the environment;
- > Having an ethical code and a commitment to its values;
- > Adhering to the norms and standards described in the Bank's Code of Ethics.

These requirements are backed up by the Bank's code of ethics, and upon placing a purchase order, the supplier is referred to the code of ethics and is required to act in

accordance therewith. In case of violation of these principles and non-compliance with conditions, Discount Bank discontinues the engagement with the supplier.

The base of suppliers of Discount Bank includes different suppliers operating in various areas and having different volumes of operation. The Bank purchases products and services on a current basis and in accordance with demand.

Procurement at Discount Bank is mostly performed in a centralized manner for all units of the Bank, by means of the Central Procurement Department, operating as part of the Planning, Strategy and Finance Division. The Department is responsible for the formation of a procurement specification for the internal customers, where required, and for locating suitable suppliers, screening them, obtaining offers, conduct of negotiations, engagement and ongoing servicing of relations with them.

The Procurement Department is responsible for both technological purchases and general purchases, including procurement of manpower services in the technological field. The procurement of property or its rental is the responsibility of the construction and real estate wing, of the Operations and Assets Division.

As part of the department's ongoing operations, existing agreements are

re-examined and new procurement requirements are challenged.

The procurement process is fully mechanized, from the stage of setting-up the request and until the stage of issuing the order to the winning supplier, thereby bringing transparency to the whole process, including the commercial discourse with the suppliers. The making of the information accessible to the functions at the Bank who approve the issue of the order allows an insight at all stages of the commercial negotiations, from the stage of the primary price offer and until the conclusion of the transaction, including an in-depth assessment of the alternatives.

In the course of 2019, the Bank has prepared for the introduction of a mechanized service for submission of invoices for payment. This process makes the information accessible to the supplier, presenting to him at each stage with the status of the invoice awaiting payment, as well as upgrades the management and monitoring of payments to suppliers, contributing to the promotion of the goal of a "paperless bank". Introduction of the system started in 2020.

### ETHICAL CONDUCT REGARDING SUPPLIERS

Discount Bank approaches suppliers inviting them to submit price offers. The Bank chooses providers of services under bidding processes, while strictly maintaining

About  
**92.4%**  
OF THE PURCHASES  
made by the Bank  
are from suppliers  
operating and  
employing workers  
in Israel.

About  
**4.7%**  
OF ICC'S  
total purchases are  
foreign purchases.

About  
**47%**  
OF THE BANK'S OPERATING  
AND OTHER EXPENSES  
excluding payroll  
expenses,  
in 2019<sup>1</sup>.

About  
**2,350**  
SUPPLIERS  
suppliers with whom  
the Bank conducted  
business in 2019, in a  
total amount of approx  
NIS 1.24 billion.

**Note:** 1 A major part of the non-payroll expenses is with respect to the acquisition of products and services from entities in Israel – local manufacturers and service providers, and importers of products that are manufactured overseas.

the confidentiality of the submitted offers, beginning with the identity of the offeror and ending with the contents of the offer, while aspiring to increase the trust of the offeror in the procurement processes.

Already during the bidding stage, the Bank agrees with its suppliers the terms of payment, in accordance with the date of delivery of the goods or services. Furthermore, the Bank strictly adheres to the agreed payment dates, in order to maintain proper business relations and cooperation with its suppliers. It is noted that the payment process is controlled and that it is being conducted in accordance with the commercial terms agreed upon when ordering the products and services.

The content of this section applies also to MDB and ICC.

**FAIR EMPLOYMENT AND  
SAFEGUARDING RIGHTS OF  
CONTRACTORS' EMPLOYEES**

➔ Within the context of its purchases, the Bank also acquires labor services.

In 2012, the Intensification of Enforcement of Labor Laws Law, 2011 took effect, the aim of which is "to intensify enforcement of labor laws and make them more effective". The Law imposes a broad responsibility on employers, as purchasers of services, for the enforcement and safeguarding of the rights of personnel engaged on their premises in guard, security, cleaning and catering duties. Moreover, the Law prohibits entities ordering services from entering into contracts with contractors where such contracts do not guarantee basic wage terms for the personnel involved.

The Bank strictly observes the fair employment of persons working at its premises and the violation of rights of outsource workers is taken seriously. The engagement contracts with companies providing cleaning and security services

comply with the provisions of the law. In the engagement agreements of the Bank with providers of services, the contractors are required to confirm, among other things, that they abide by the provisions of the Intensification of Enforcement of Labor Laws (including youth employment, equal opportunity at work, vacation and rest time, security and safety). Furthermore, upon placing a purchase order, the Bank provides the details of the purchase manager, in case that the supplier wants to complain against conduct that does not abide by the corporate governance aspects of the Bank, as detailed in the code of ethics.

The Bank has appointed an officer to be responsible for this matter and has engaged the services of an independent accountant in respect of monthly sample tests to be performed according to the law. Where deficiencies are found, these are rectified by the suppliers and the Bank monitors the actual rectification thereof.

It should be noted, in particular, that upon changing service suppliers in these areas, a comprehensive examination is performed to ensure that contractors' employees whose employment had been terminated, receive the full rights due to them in respect of their period of engagement with the Bank.

In 2019, a complaint was received by the Bank, submitted by a contractor's employee in respect of the termination of his employment. The complaint was referred to a payroll inspector who found that the contractor had acted in a proper manner. No complaints by contractors' employees were submitted in 2019 to MDB and to ICC.

**PROMOTION OF A RESPONSIBLE  
SUPPLY CHAIN**

➔ In recent years, Discount Bank, in conjunction with the "Maala" Organization, has approached selected suppliers, having a medium size scope of operation, with an offer to join the activities of the Organization and to increase their

commitment to the raising of standards and their potency, and to increase their responsibility all along the supply chain, while at the same time maintaining quality and excellence in the services/products being supplied. It should be noted that a number of suppliers have responded favorably to this initiative. In 2019, the Bank continued approaching its suppliers suggesting that they join the initiative, and ultimately two companies joined the "Maala" rating.

**SOCIAL PROCUREMENT**

➔ To the extent possible, the Bank, MDB and ICC engage with parties employing handicapped persons or those with special needs. The Bank's procurement of gifts for the holidays is done through a supplier ("Hameshakem") that employs employees with disabilities. Individual and welfare gifts are bought from companies and associations that promote the integration of employment of persons with disabilities. Wine is bought from the "Tulip" Winery, which is defined as a supplier that operates according to a social business model and employs persons with disabilities. As a rule, the Bank stringently endeavors approach suppliers that show an affinity for this topic. MDB and ICC purchase from associations, such as AKIM, Beit Issie Shapiro and others, at Chanukah and Purim, personal packages of sweets, which are distributed by employees of MDB during their different activities in aid of the community. The total scope of this type of procurement is not material.

ICC has worked consistently over many years with "Hameshakem" Company, engaging it for work suitable for handicapped workers and those with special needs.

No complaints regarding discrimination were raised in 2019 on the part of suppliers. The content of this section applies also to MDB and ICC.

**PROMOTION OF  
RESPONSIBLE  
PROCUREMENT  
AT THE  
PRINCIPAL  
SUBSIDIARIES**

**MERCANTILE DISCOUNT BANK (MDB)**

Purchases by MDB are made in four main groups: technological purchases – IT, marketing purchases, office premises and maintenance purchases and general purchases. The general purchases are generally made centrally for all units of the bank by means of the administration and payments department of the Human Resources and Administration Division. Most of the purchases are made jointly with the purchases of the parent company. The department is responsible for drawing up the purchase specifications as required by the internal customers, where applicable, finding appropriate suppliers, their screening, obtaining offers, negotiating the purchase, engagement and ongoing servicing of relations with them.

Acquisition of manpower services, including manpower in the technology field, is the responsibility of the Human Resources and Administration Division. The purchase or rental of buildings and the purchase of technology is the responsibility of the Operations and IT Wing. Marketing procurement is the responsibility of the Marketing and Business Promotion Wing.



ICC

Purchases by the company are mostly made in a centralized manner (about 97%), by means of the procurement department, operating within the framework of the Comptrollers Division. The central procurement at ICC is responsible for technological purchases, general purchases, purchases of property and its maintenance, the rental or purchase of buildings, engaging manpower and consulting services, including manpower in the technology field, credit cards purchase, purchase of sales promotion and marketing services, excluding advertising and media.

ICC conducted business in 2019 with 997 suppliers, in a total amount of approx. NIS 515 million.

Also at ICC, the submission of offers for transactions in significant amounts is done through a "quasi- tender" process, into a locked box or by an electronic offer box. The time for opening the envelopes is determined in advance and is done in the presence of at least three participants. The contents of the offers are documented in a protocol, and where these are complex and not easily documented in a protocol – the original offers are signed to preserve their authenticity.

IDB BANK

IDB Bank currently operates a decentralized procurement model whereby departments are responsible for making procurement decisions for the acquisition of goods and services. Under this model, departments and their designated Vendor Relationship Managers (VRM's) are responsible for the entire Source to Pay (S2P) process of their respective area except for the Purchase Order (P.O) generation. The P.O generation process falls exclusively under the responsibility of the procurement department which reports to the Chief Financial Officer.

The "Large Purchase Committee" was formed in 2016 but became active in 2017. The Committee's primary goal is to support the procurement process at the bank by ensuring the bank's funds are committed appropriately and are in line with the bank's policies. The Large Purchase Committee meets on an ad hoc basis and is comprised of the bank's Chief Financial Officer, Chief Operations & Information Officer, Chief Internal Audit, Head of International Private Banking, Controller, and Head of Procurement (the Committee's Secretary).

IDB Bank conducted business in 2019 with 785 vendors with a spend of US\$87.6 million.

Under the guidance of the CFO, the procurement department is currently working with IDB Bank's senior management in centralizing the procurement function at IDB Bank.

As part of the 2019 efforts of centralizing procurement activities the Vendor Risk Management Team and Procurement teams merged with each other to one point of have oversight of all vendor and procurement activities.

SUPPLIERS  
IN THE WAKE OF THE CORONA CRISIS

In the course of the month of March 2020, the Bank decided to advance payments to suppliers in respect of goods and services that had been supplied, in order

to assist and support providers of services to the Bank. ICC and MDB have adopted a similar policy.

GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

Discount	✓ Achieved	Continued cooperation with suppliers who employ employees with disabilities.
	✓ Achieved	Continuing strict integrity, fairness and transparency towards suppliers.
	✓ Achieved	Maintenance of a high service level (SLA) to internal customers.
	✓ Achieved	Replacement and refreshment of the active suppliers base in a scope of approx. 5%.
	✓ Achieved	Drafting and assimilating a Group procurement policy.
	✓ Achieved	Continuing the process of approaching the Bank's suppliers suggesting participation in the "Maala" rating.

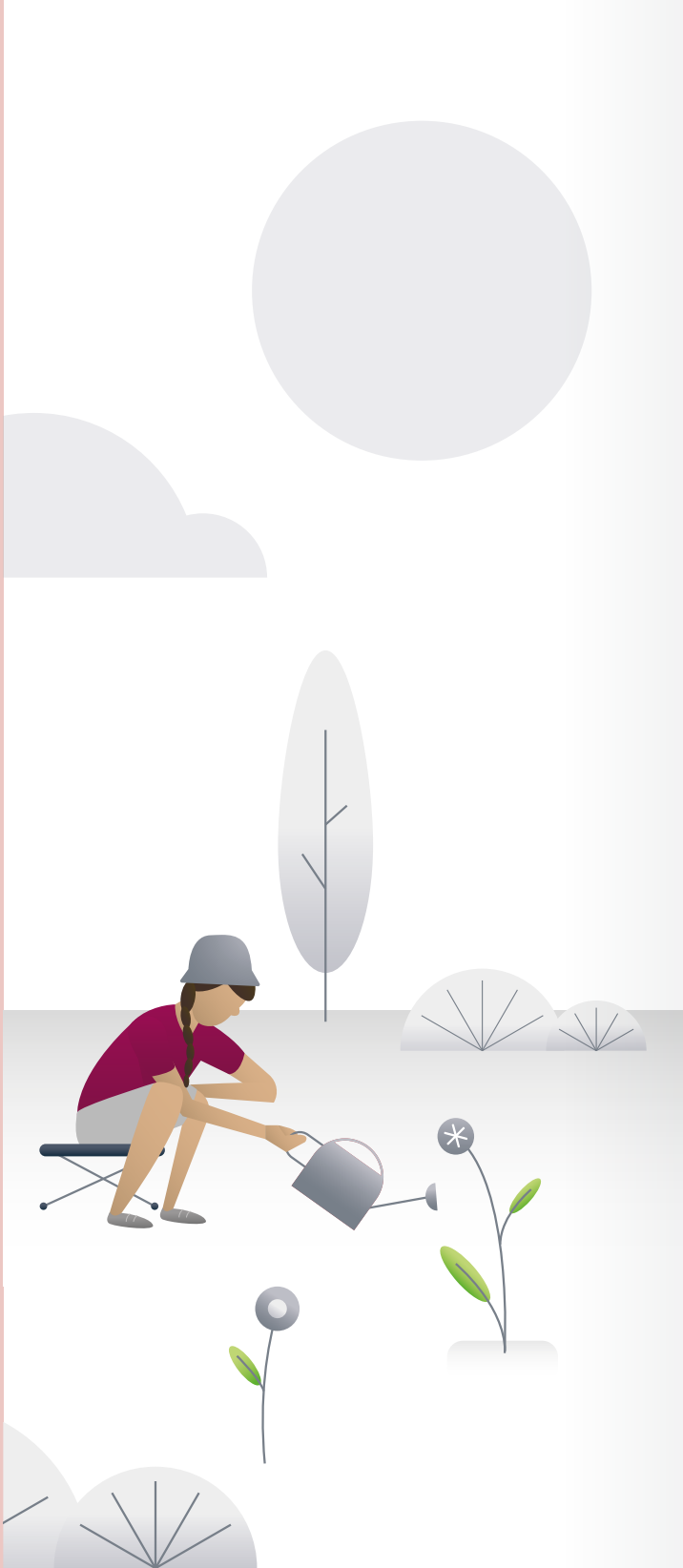
FUTURE GOALS

Discount	Continuing cooperation with suppliers who employ employees with disabilities.
	Continuing strict integrity, fairness and transparency towards suppliers.
	Maintenance of a high service level (SLA) to internal customers.
	Replacement and refreshment of the active suppliers base in a scope of approx. 5%.
	Continuing the process of approaching suppliers suggesting participation in the "Maala" rating.
	Completion of the introduction of the mechanized system for payment to suppliers.



# 07 DISCOUNT FOR THE COMMUNITY

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NIS  
**16.9** MILLION  
OF INVESTMENTS IN  
THE COMMUNITY

APPROX.  
**24.5**  
THOUSAND HOURS OF  
VOLUNTARY WORK

APPROX.  
**1,940**  
VOLUNTEERING  
EMPLOYEES

APPROX.  
**155**  
DIFFERENT  
VOLUNTEER SITES

**11,954**  
PARTICIPANTS IN THE  
"SPRINT" PROGRAMS SINCE  
THEIR LAUNCH, IN 315  
CENTERS OF OPERATION

APPROX.  
**96%**  
OF GRADUATES OF THE "SPRINT FOR THE  
ACADEMY" PROGRAM HAVE COMPLETED  
HIGH SCHOOL STUDIES WITH A FULL  
MATRICULATION CERTIFICATE

THE GRANTING OF  
**204**  
SCHOLARSHIPS  
ON BEHALF OF THE  
NISSIM ALAGEM  
FOUNDATION

# DISCOUNT FOR THE COMMUNITY

DISCOUNT BANK IS WORKING FOR THE COMMUNITY WITH A COMPREHENSIVE MANAGEMENT APPROACH THAT VIEWS THE ACTIVITY FOR THE COMMUNITY AS PART OF THE BUSINESS, SOCIAL AND CULTURAL COMMITMENT. IN 2019, THE ORGANIZATIONAL EFFORT TO INTENSIFY VOLUNTEERING CONTINUED, IN LINE WITH THE DISCOUNT SPIRIT



→ The Bank focuses human and financial resources on activities in aid of children and youth at risk situation, principally in the education and knowledge fields. This, arising from the concept that these fields comprise the generator for personal and social success of the said target populations, with a focus on social and geographic peripheral areas.

As an expression of this concept, Discount Bank operates towards the creation of social and economic prominence, encourages its employees to volunteer in aid of the community, and endeavors to tighten the bond with the community in the different projects. This by means of a designated unit within the Human Resources Division.

The social activity of the Bank in the community is expressed in three layers:

- > The flagship project "Discount Sprint for the Future";
- > Volunteering in the community;
- > Investment in the community.

Discount Bank, MDB and ICC have determined general principles regarding the granting of donations, while maintaining discretion of the subsidiary companies in accordance with their fields of operation.

## "DISCOUNT SPRINT FOR THE FUTURE"

DISCOUNT BANK'S FLAGSHIP PROJECT IN THE COMMUNITY

→ In 2005, the Bank joined the "Sprint for the Future" Association with a view of advancing education and schooling in the social and geographical periphery in the State of Israel, in favor of the various

sectors of society (Jews, Ultra-Orthodox, religious, secular, Arab, Druze and Bedouins) together with which it launched a program that became the Bank's flagship program "Discount Sprint for the Future". Over the passing years the Bank was an important partner in the growth in the scope of operations and budgets of the Association, assists in the structure of unique projects and partnerships with government agencies, such as the Israeli Ministry of Education and the Israeli National Insurance Institute, and also has founded a student scholarship foundation.

The "Sprint for the Future" Association initiates and operates unique and innovative programs for advancement of education and knowledge, Self-empowerment and for providing tools for social-economic leadership for weak populations of all social segments and strives to integrate them in the academy, in employment and in the society in Israel. The Association operates seven central programs:

"Sprint for Industry" program is designed to prevent youth in distress from dropping out of school, lead them to technological and professional studies and integrate them into the military and industry. The Program had begun as a "start-up" financed by the Bank and developed into a national program of the Ministry of Education with a budget of NIS 60 million, operating at 200 high schools all over the country;

"Sprint for Atidim" ("Sprint for Excellence") program leads students having a potential for excellence in sciences to obtain a high grade matriculation certificate enabling them entry into leading university faculties (engineering and science);

"Sprint for the Academy at high schools" program assists teens with a matriculation certificate track, having difficulties in studying, to complete their high school studies with a matriculation certificate and integrate in the academy;

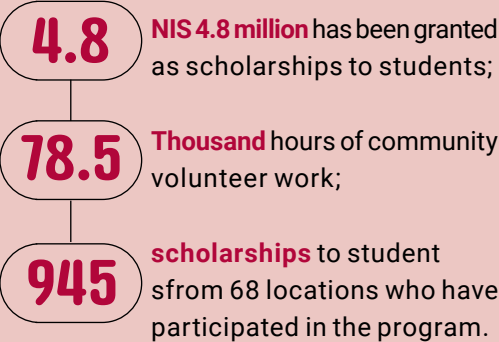
## SPRINT PROGRAM FOR THE ARAB SOCIETY

→ In 2008, Mercantile Discount Bank in participation with the Sprint Association, developed a unique program for the promotion of higher education in the Arab society. Within the framework of this program MDB grants annually to students over seventy scholarships for academic studies. MDB sees in this contribution an important pillar in the advancement of education in the Arab society, and in the younger generation in particular.

The scholarships are granted on the basis of socio-economic considerations and on the level of academic achievement, while ensuring geographical dispersion and providing response to all layers of the Arab society. In consideration for the scholarship, students volunteer in providing study assistance to children residing in their area. As a result thereof, 95% of the students improved their academic achievements.

MDB continued its contribution in 2019, granting 96 study scholarships at a total amount of approx. NIS 480 thousand.

Within the framework of the program to date:



THE BANK JOINED THE "SPRINT FOR THE FUTURE" ASSOCIATION WITH A VIEW OF ADVANCING EDUCATION AND SCHOOLING IN THE SOCIAL AND GEOGRAPHICAL PERIPHERY IN THE STATE OF ISRAEL, IN FAVOR OF THE VARIOUS SECTORS OF SOCIETY

"Sprint for engineers" program leads youth at risk of all segments of society from peripheral social and geographic areas, towards advanced technological and diploma studies; in required fields in the employment market;

"Sprint for the Academy" program assists graduates of the programs of the Association to integrate in the Academy. The students receive advice, mentoring and assistance in initial job placement. In 2007 the Bank established a scholarship fund, which grants hundreds of scholarships annually;

"Sprint for public technological service" program provides young persons engaged in National Service a wide cover of professional training and qualification in the computer and Internet fields, in the line of integrating cloud computing systems (Office 365). During their service, the youngsters engage in the communication field at educational institutions. At the end of their service, the program will promote and encourage the participants to continue in their studies and employment in the communication field, and will help them in integrating into the work circle;

"Open Valley Sprint" program (a new initiative) - The program is intended for young persons participating in the programs of the Association, and it's aim is to develop initiative and innovation among youth.

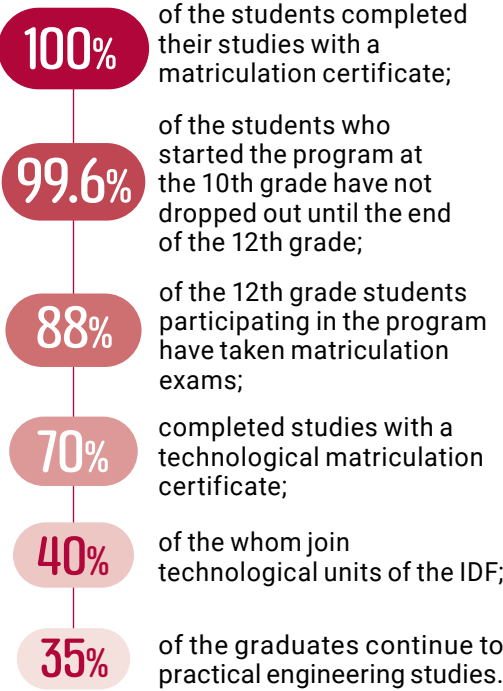
The Bank is a party to both the financial support of the Association and the promotion and advancement of its activities. Representatives of the Bank's Management

are members of the Association's executive board and in this framework participate, inter alia, in the design of the work plans of the Association. Employees of the Bank take part in voluntary activity within the Association's programs, including in the adoption by Bank branches and Banks units of schools and youth villages participating in the project, in the accompanying and mentoring of students by senior officers of the Bank ("Mentor Program") and in providing financial education for hundreds of young persons who are participating in the Sprint frameworks. Representatives of the Bank are members of the audit committee of the Association and the Bank's Accounting Division provides accounting and payment services for the Association.

All programs of the Association are being accompanied by evaluation and internal control researches that are based upon data of the Ministry of Education, the Ministry for Economic Affairs and schools. A part of these programs are being accompanied by an independent evaluation research performed by the "Szold Institute for Social Research". The results of the research made in recent years indicate a high level of achievements and compliance with the aims of the Association's programs. The results of the research regarding the "Sprint for Industry" program indicate a clear and proven turnaround in the prevention of the dropout of students at risk from the education system as well as directing them to a professional future in trades and profession required by the military and by industry;

- 98% of the high school academic programs graduates have integrated into further studies;
- 92% of the academic graduates have integrated into qualitative professional work;
- 75% of the graduates of technological education (youth at risk) integrated into work with the military and industry.

"Sprint for industry"



"Sprint for Atidim"

Over 97% were entitled to matriculation certificates complying with university entrance requirements; Approx. 87% of the students have completed their high school studies with science-orientated matriculation certificates with an average grade of 85 or over; 56% of the

abovementioned received a *summa cum laude* award and average grades of over 95.

"Sprint for engineers"

A dropout rate of less than 9%.

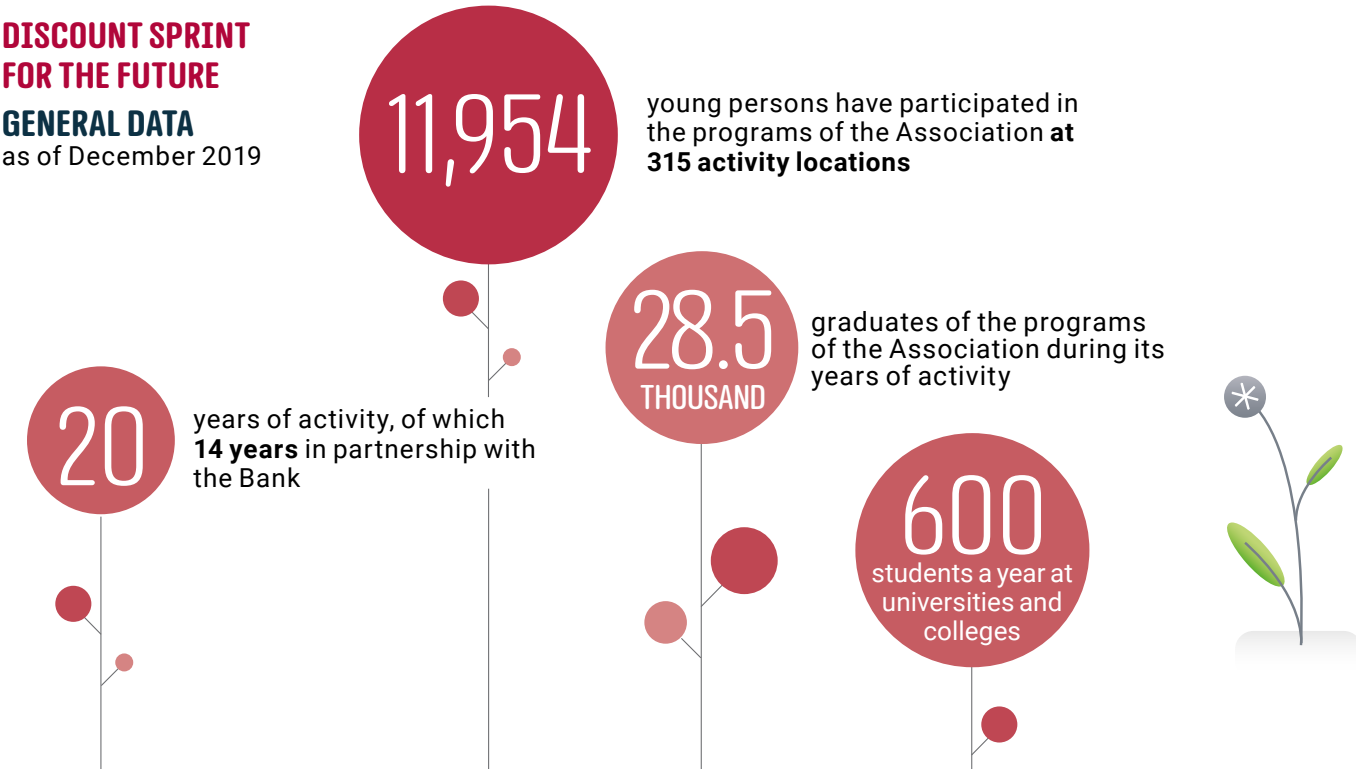
"Sprint for the academy at high schools"

96% complete studies with a matriculation certificate.

THE NISSIM ALAGEM FOUNDATION

The Foundation is named after the late Nissim Alagem, who passed away in 2006. Mr. Alagem has worked at the Bank for forty years, serving in his latest office as Executive Vice President, Head of the Commercial Division. Since the establishment of the Foundation 2,204 scholarships to students have been granted, in a total amount of about NIS 10.9 million. The said amount includes both scholarships funded by the Bank and by MDB as well as scholarships funded by private donors who requested that their donation would be used for scholarships granted through the Foundation. In 2019, some 204 scholarships were awarded in a total amount of NIS 1.3 million (including scholarships under the "Sprint" program for the Arab sector of society), compared to 215 scholarships in 2018.

DISCOUNT SPRINT FOR THE FUTURE  
GENERAL DATA  
as of December 2019





# DISCOUNT EXPANDING VOLUNTEERING IN THE COMMUNITY

→ The Bank sees the volunteering value as a leading organizational value, and strives to increase the scope of its volunteering activities, while encouraging its employees to take part in the different long-term voluntary activities. Many units of the Bank have adopted volunteering focuses, in respect of which they conduct different activities and encourage their employees to participate therein. The voluntary activity of the Bank's employees is diverse, providing assistance and support to a broad range of populations in Israel, including children and teenagers, persons with disabilities, soldiers, the infirm, the elderly and more. The volunteering activity was expanded and bolstered in 2019, within the framework of which volunteering Bank employees contributed their time and warm-heartedness.

Promotion, encouragement and the widening of the scope of volunteer work at the Bank, conducted by the social responsibility unit, includes initiation of projects, long-term accompaniment and the funding of voluntary activities in cooperation with unit volunteer coordinators. As a general rule, all voluntary activities are coordinated with the relevant social organization, in accordance with the special needs presented before the beginning of activity. At the end of the activity, its effectiveness is examined having in mind of additional activities. Concurrently, the Bank employees themselves are involved in selecting the voluntary program. Most of the voluntary activities of the employees are carried out after working hours.

The Bank takes pride in the number of

volunteers and in the variety of activities, providing them with a platform through publications on the different organizational media and is acting incessantly towards the expansion thereof.

Hereinafter are several examples taken from the variety of voluntary activities in different areas:

## ASSOCIATION FOR THE ADVANCEMENT OF EDUCATION IN TEL AVIV-JAFFA

→ This Association for the Advancement of Education in Tel Aviv- Jaffa acts in aid of weak populations from the aspect that everyone is entitled to live in dignity and have equal opportunity, with a focus on babies, children, youth, women, families, elderly persons and Holocaust survivors. The cooperation of the Bank with the Association continues over many years and is intensifying, and includes employee voluntary work and financial assistance. Units of the Bank adopt most of the clubs of the Association in Tel Aviv, Jaffa and Bat-Yam. In addition, significant and widespread voluntary activity involving the packaging of food parcels is conducted by employees of the Bank in the food center of the Association. Personal relations are also created with Holocaust survivors.

## "A DIFFERENT LESSON" ASSOCIATION

→ "A Different Lesson" acts to promote equal opportunity, widening of horizons and development of thinking for children at risk, and to encourage significant involvement by the public in the education system. This activity continued in 2019, and in the framework of which, Bank employees lectured on banking subjects and self-empowerment to fifth and sixth grade students at the "Ben Gurion" and "HaNasi" schools in Bat-Yam. Completion ceremonies were held at the private Herzlillianblum Museum, attended by the students, the school's managements and the volunteers, and included an experiential tour of the museum.

## VOLUNTARY ACTIVITY AT YOUTH VILLAGES

→ In 2019, divisional multi-participant activities were conducted at youth villages where the "Sprint for the Future" program is in operation. Employees of the Financial Markets Division volunteered at the Kanot Youth Village, employees of the Risk Management Division volunteered at the Johanna Jabotinsky Youth Village and employees of the Human Resources Division returned for the second time to the Ben-Shemen Youth Village. As part of these activities, the employees have renovated complexes at the youth villages, laid lawns, bedded plants and painted, as well as pampering the students with a variety of food stalls. This activity served also as a means for bonding the employees of the divisions and reinforcing unit pride. Many of the divisions' employees are longstanding volunteers of the units in which they are employed, who have elected to join also the divisional activity.

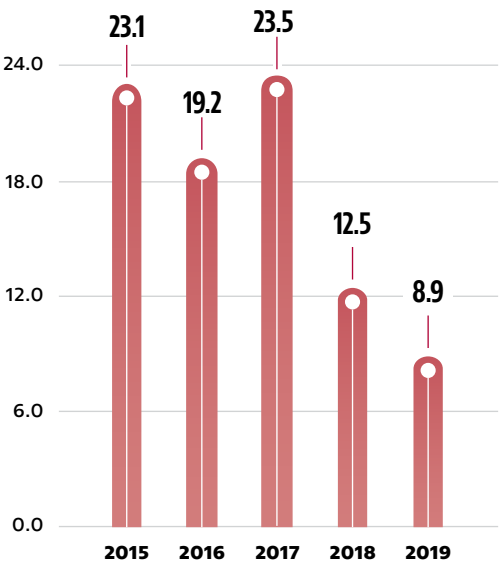
## "MAKE A WISH ISRAEL"

→ An international organization, the aim of which is to realize the wishes of children suffering from life threatening diseases.

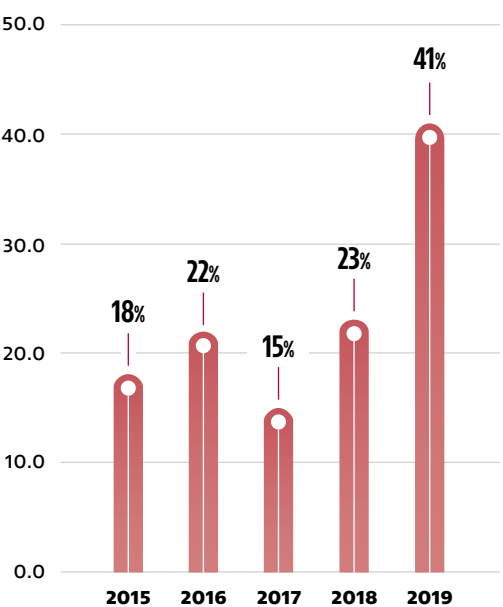
Through this organization, the Bank realized also in 2019, two wishes of sick children, and representatives of the Bank have participated in moving meetings with the children and their families, when the realization of their wishes was uncovered.

**1,940 employees<sup>(3)</sup> volunteered in 2019 at different volunteering centers. These volunteers worked at some 155 locations contributing a total of 24,538 volunteer hours<sup>3</sup>.**

## AVERAGE HOURS PER EMPLOYEE<sup>1</sup>



## RATIO OF VOLUNTEERING EMPLOYEES<sup>2,3</sup> (out of total employees of the Bank<sup>4</sup>)



### Notes:

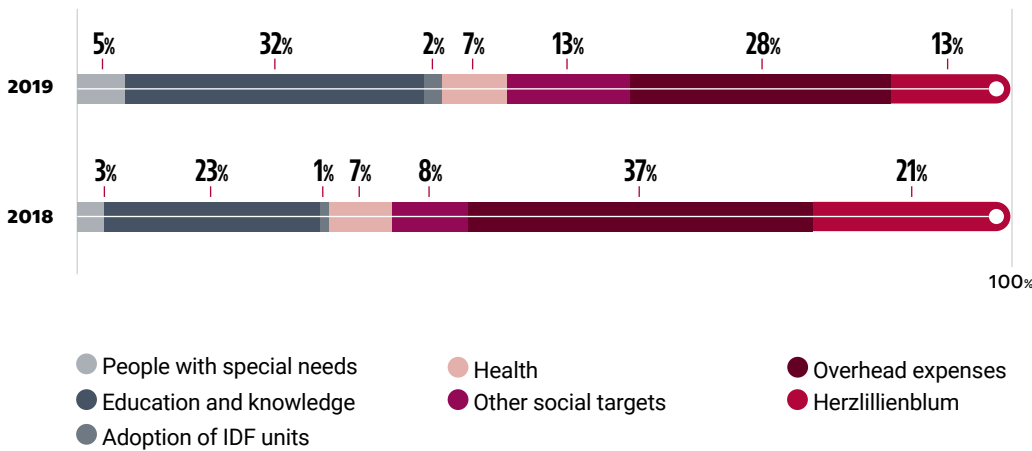
- 1 The calculation is based on total volunteer hours per year in relation to the number of volunteering employees in that year.
- 2 In 2017, measures were taken to improve data of post-retirement volunteering, as a result of which a decrease was reflected in the percentage of volunteering at the Bank.
- 3 In 2019, the method of estimating volunteer hours was changed, including adding in overhead hours of the Bank's volunteer coordinators and of employees of the labor relations wing who are engaged in organizing the volunteering. Data for the previous years have not been recalculated according to the new method, as it was not practicable to perform the recalculations.
- 4 Calculated out of the total number of employees, excluding outsourcing.



# INVESTING IN THE COMMUNITY

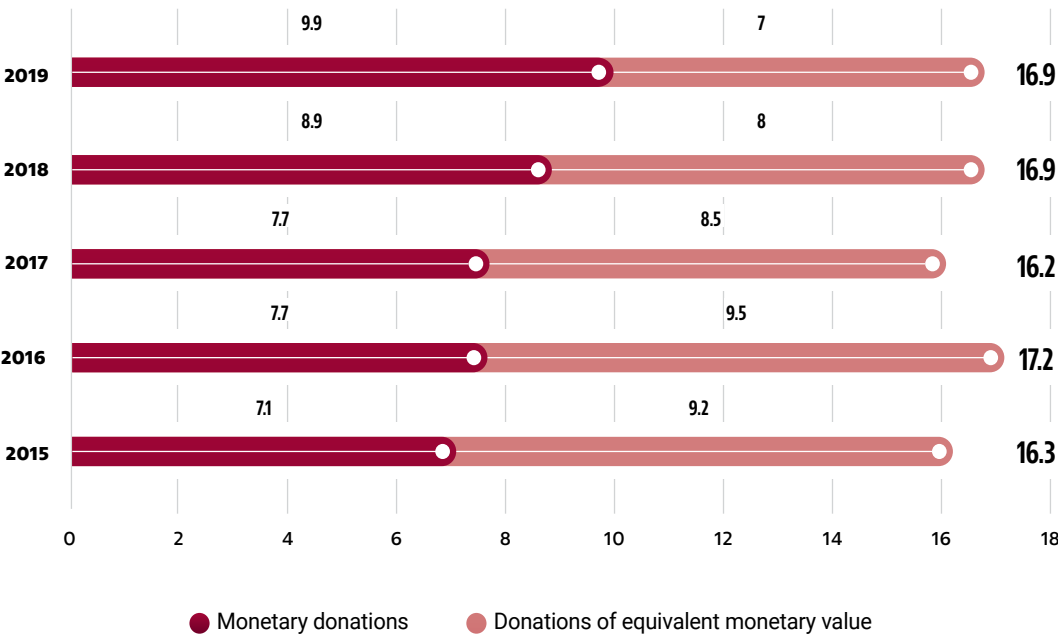
The scope of investment by the Discount Group in the community totaled NIS 16.9 million in 2019

## BREAKDOWN OF DISCOUNT’S GROUP INVESTMENT IN THE COMMUNITY



## TOTAL OF DISCOUNT’S GROUP INVESTMENT IN THE COMMUNITY

in NIS millions



**Note:**  
In 2019, the Bank's budget for monetary donations was increased by NIS 1.5 million. The total of the monetary donations of the entire Group in 2019 grew by NIS 0.9 million. For further details regarding the scope of investment in the community, see "Appendices - Community" in Chapter 10 below.

## DONATIONS AND SPONSORSHIPS

The Bank's Management annually allots a donation budget. Among the donations extended by the Bank in 2019, may be noted the donations to the following associations: "Sprint", "Desert Stars", "Access for All" program, Ezra LeMarpeh, Technoda, ELEM, the Ramon Foundation, Etgarim, Zichron Menachem, Shanti House, Zoharim Village, the Lotan Way, the Israeli Spirit, Aleh Negev, Tech Career, Larger than Life, the Association for the Wellbeing of Israel's Soldiers ("Adopt a Combat Soldier"), and more.

The control over the use of the actual contributed funds and its effectiveness is performed taking into consideration the nature of the project and the amount of the contribution. A high level of involvement and control exists with respect to projects where the contribution is of a significant amount, while the level of involvement and control regarding projects enjoying smaller contributions, is low.

The Bank also contributes, on a regular basis, office and computer equipment and furniture no longer in use by units of the Bank, to associations requiring it.

During 2019, the Bank granted sponsorship to entities and activities promoting goals in areas of community fields and in activities in aid of weak populations, as well as in health, sporting, cultural, artistic and educational, environmental protection and business. These sponsorships enable the relevant organizations to raise funds for their operations, expose their operations to the general public and pay respect to the factors involved in their operations.

## VARIOUS PROJECTS

Within the framework of the growth in the 2019 donations budget, the Bank selected several leading projects in which it concentrated its efforts in that year. Among the projects the following may be mentioned:

### The "Access to All" initiative

As part of the "Access to All" initiative, the universities (Tel Aviv, Haifa, Be'er Sheva and Jerusalem) have opened their gates to weak populations in the 18-65 age group, who are referred by the welfare and education authorities. This program makes it possible for people who have dropped out of the schools' framework and have educational gaps to acquire useful and essential knowledge in various academic fields, including psychology, medicine, business management and law. The lecturers on these courses are outstanding first-degree students, who are assisted by the pedagogic team and welfare parties.

This model program, which is the only one of its kind in the world, has opened the universities' gates to more than 20 thousand participants, most of whom have been integrated into employment, training and advanced degree programs, thereby improving their standard of living.

In 2019, the Bank donated NIS 300 thousand to the initiative.

### The "Desert Stars" Association – a technological education for groundbreaking leadership

The Desert Stars Association was founded in 2013 with the aim of developing a new generation of young Bedouin leadership, which would change the reality in the Bedouin community and in the Negev region. The organization is working to bring together young people, both boys and girls, from different settlements and tribes to create a unified leadership group, who together will lead the processes of change. The mission that the Association has defined for itself is to provide the students in the Association's program with the opportunity to develop and realize their potential, thereby assisting them to become change-makers and to promote the Bedouin community as a significant and leading part of Israeli society.



The Association runs several educational programs, all of which are aimed at achieving its overall goal, including the Raidat ("Groundbreaking") program. These are personal empowerment and development programs for young women (ages 18-19) with leadership potential, that are adapted to the strengths and unique needs of women from the Bedouin community. The program strives to foster identity, create initiative, encourage mediation expertise and teach life skills, while providing the tools for quality integration in the worlds of academe and employment.

In 2019, the Bank donated NIS 300 thousand to the "Raidat" project.

#### **Savyonim Association**

This association is engaged in the fields of health and saving lives, inter alia through assisting people with mobility problems who are unable to independently get to various medical tests and procedures at health fund clinics and hospitals throughout Israel. As part of a collaboration between the Bank and ICC, NIS 100 thousand was jointly donated for the acquisition of an ambulance for patient transportation.

#### **Meshi Association**

The Meshi Association (the Center for Rehabilitation of Children) works within the framework of the "LeMaanchem" Association to provide an education and rehabilitation solution for children with severe disabilities. In 2019, the Bank donated NIS 100 thousand for the purchase of motorized wheelchairs, individually customized for the children's disabilities.

#### **RAD Association for youth villages**

This association acts to provide access to higher education by raising donations, with the aim of promoting technological and musical education. As part of the collaboration between the Bank and the Association, the Bank donated NIS 41 thousand in 2019 to establish an advanced computer room at the Mikve Israel youth village.

In addition to the above, the Bank has continued its involvement with various projects, including:

#### **Assistance to families in need**

Also in 2019, the Bank rallied to assist families in need towards the Jewish New Year holiday. Within the framework of the "Something Huge and Good" project, hundreds of Bank employees and their family members packed and distributed food to families in need, in cooperation with scores of other associations around Israel. This broad-scope voluntary activity was accompanied by a monetary donation to the associations.

#### **Social products bazaar**

In 2019, two social products bazaars were held at premises of the Bank, where Bank employees were able to buy different products made by persons with disabilities acting within the framework of various associations, such as: "Beit Miriam", "Ramat Hadassah" Youth Village, "Hayim Association", "ALUT", "AKIM", "Yeladudes", "Shaalei Tikva" and others. All income from sales is dedicated towards the continued activities of associations supporting and employing population with special needs.

#### **"Discount Fund" at the "Ezra LeMarpeh" Organization**

The Discount Fund was established in 2007 as a collaborative effort between the Bank and the "Ezra LeMarpeh" Association, and its objective is to provide financial assistance in cases of acute and exceptional medical conditions. Since then, the Fund has operated continuously, including in 2019. Applications for help received by the Bank are referred to the Ezra LeMarpeh Association for examination of the case and its various aspects. In cases where the Association approves the request, assistance is given from the Discount Fund in the association.

#### **"Ezer Mizion" Association – Personal Registry**

This is the second year that the Bank has made a donation of NIS 100 thousand to a

"Personal Registry" in the name of Discount Bank at the "Ezer Mizion" Association. The Registry assists in the financing of the examination of bone marrow samples, thus helping to save life. In the case that compatibility is found with bone marrow of donors included in the registry, the patient requiring bone marrow implant is informed, and the Bank will receive the moving information that life had been saved through its donation.

#### **Ramon Foundation**

Since 2013, the Bank is a copartner of the "Ramon Award" program, marking quality, excellence and leadership, founded by the late Rona Ramon in memory of Ilan and Asaf Ramon. Within the framework of the program, young persons excelling in their studies and especially outstanding in their community volunteer work are chosen as leaders of social change. The elected youth undergo a several months' course increasing their proficiency and skills, during which they obtain tools for leadership as well as meet figures having influence over Israeli society. In honor of her activity, the late Rona Ramon was awarded the Israel Prize for Life Work for 2019.

#### **Woman2Woman program**

For the fifth consecutive year, Discount Bank provides sponsorship for the Woman2Woman program, operated by veterans of the 8200 Intelligence Unit Forum. The program is designed to promote young women having a potential for excellence, by connecting them to impressive and influential women holding key positions in all areas and professions.

A female member of the Bank's Management serves as a mentor in this program, and the Bank is promoting additional co-operations, including participation in professional panels and conventions creating added value in the advancement of women's professional careers.

#### **"Adopt a combat soldier" Project**

For the past 15 years, Discount Bank has been a partner in the Friends of the Association for the Wellbeing of Israel's Soldiers "Adopt a Combat Soldier" Project. The Bank adopts "Squadron 916" of the Israel Navy, which is responsible for the security of Israel's southern coast, and the "Tiger" Regiment of the Artillery Corps. The Bank supports the said units with a monetary contribution of NIS 100 thousand per year for each unit for the welfare of the soldiers as well as with volunteer work by branches of the Bank located in the areas adjacent to these units. The Bank maintains regular contact with these combat units.

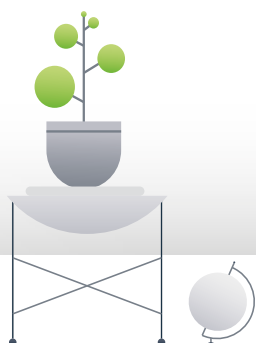
#### **"Zoharim Village" (Rabbi Grossman Enterprises)**

An educational therapy village that was established to accept youth from the ultra-orthodox community, between the ages of 14-18, who are at risk due to being unable to find their place in the regular ultra-orthodox educational frameworks. Students at the village learn practical professions such as: carpentry, agriculture, therapeutic horse riding, etc., and also benefit from an education fostering values and a rich curriculum adapted to them.

Since 2014, the Bank has been supporting an army service preparation course that is run within the framework of the village and it makes an annual donation that ranges between NIS 50 thousand and NIS 70 thousand.

#### **Employment of visually impaired teenagers "Ofek Liyladenu" (Our Children's horizon) Association**

- for 15 years the Bank has been partnering with the "Ofek Liyladenu" Association, which accompanies families of blind or visually impaired children and teenagers. The "Work in the Horizon" program trains teenagers for work including employment during the summer vacation. Within this framework, the Bank employs these teenagers during the summer months at the branches and at units of





the Bank, after providing them with training at the Discount College. **As part of this partnership, 28 teenagers were employed by the Bank in 2019.**

**A school bag for each pupil**

Every year since 2017, the Bank has participated in the "School bag for each pupil" social project, the aim of which is to create a bond between citizens of this country through mutual guarantee and joint responsibility for the benefit of the public. Each year, at the end of every academic year, the Bank promotes this project by encouraging its employees to donate school bags, thus assisting pupils coming from weak populations to begin their academic year on an equal footing with no feeling of being different.

**ARTS**

Discount's art collection comprises a fascinating and varied assortment of making over more than fifty years and includes sculptures, paintings, tapestries, video art and photographs.

The collection is managed by an advisory committee numbering four external experts (museum curators and such like) and two representatives of the Bank. The committee convenes several times a year discussing new acquisitions and the structure of the collection. The committee operates since 2004 and its members are appointed on a voluntary basis for a period of three years. In recent years the collection has been

mapped and examined by the committee, with emphasis on acquiring works that will complete the collection and represent young artists.

In 2019, seven new works by a young contemporary artist were acquired, at a total cost of approx. NIS 206 thousand.

The Bank's art collection is considered one of the quality collections of Israeli art and guided tours of the collection are conducted at the Discount Tower. **54 tours were made during 2019, in which some 1,100 visitors participated (as compared to 68 tours during 2018, in which some 1,700 visitors participated).**

In 2019, the Bank continued cooperation with various museums, lending them works from the art collection of the Bank.

**Additional activities in 2019 relating to the art collection:**

In December 2019, an event was held in New York – in partnership with the subsidiary IDB Bank at which numerous artists raised, through the sale of works of art that they donated, more than US\$ 40 thousand as a donation to "the Israeli Spirit";

**"Painting Life"** - in October 2019, a fundraising art event for Magen David Adom was held at the Tel Aviv main branch, attended by some 280 guests –Private Banking and Retail Banking Division customers of the Bank, guests from Magen David Adom and art collectors, and in which original paintings all of a uniform size, which had been commissioned from 120 leading Israeli artists were sold. The proceeds from the sale of the paintings was designated for the acquisition of two emergency rescue motorcycles;

**"Credit point"** - Within the framework of the sponsorship granted by the Bank to the annual support event of "the Israeli Spirit" Association, a sponsorship was

granted also in 2019, for the seventh year in succession, for the exhibition by providing professional assistance and attracting artists who donated their works to the event. The Association raised an amount of approx. NIS 120 thousand from the sale of the art works;

**Sweet Art** - the Bank partnered and provided sponsorship for a fundraising event for the benefit of children suffering from juvenile diabetes, at which works of art was sold. The event was held at the Nahum Gutman Museum in December 2019 and succeeded in raising approx. NIS 100 thousand for the children.

**"A stage for the Artist" project** - In 2019, Discount Bank continued the project intended to support and provide exposure to artists and to encourage creativity and original art of different classes. **Seven exhibitions were held in 2019 within the framework of the project.**

**Donations from the collection** - the Bank donated two works of art by David Adika from its collection for the "2019 Red Evening" fundraising event of the "Education and Society Enterprises" Association to benefit the Soroka Hospital. In addition, the Bank donated some 50 prints to the hospital from the Bank's collection.

**"HERZELILINBLUM"**

Banking and Tel Aviv Nostalgia Private Museum



The "Herzlilinblum" Museum was established by the Bank in 2009 in Schiff House, one of the first houses in Ahuzat Bayit. The museum was opened

**SINCE THE OPENING OF "HERZELILINBLUM" PRIVATE MUSEUM UNTIL THE END OF JUNE 2019, THE MUSEUM HOSTED 377 THOUSAND VISITORS**

to the general public free of charge and exhibited the economic history of Israel simultaneously with the development of the city of Tel Aviv by showing original historical objects together with films and advance technological means.

The building, declared as preserved building under strict limitations, has undergone over three years a detailed restoration and preservation process. In 2011, the building was declared a heritage site by the Society for Preservation of Israel Heritage Sites and is one of some one hundred similar sites around Israel.

The museum closed in June 2019.

During the years it was open, the activities conducted at the private Herzlilinblum Museum included:

**Tours and workshops** - Tours and different workshops were conducted, led by a skilled team of guides, all of them employees of the Bank. Inter alia, economic tours for children and adults, and workshops for middle and high school students on subjects of economics and civics were conducted.

**Since its opening in May 2009 and until the end of June 2019, the Museum hosted 377 thousand visitors.**

In addition, the Museum hosted social organizations, associations and business entities and enabled them to hold conventions, seminars and lectures in conjunction with guided tours. **From the beginning of January until the end of June 2019, some 35 events were held for corporations, business forums and organizations.**

**PROMOTION AND NURTURING OF ISRAELI ART THROUGH THE ACQUISITION OF WORKS OF ART AND CONDUCTING GUIDED TOURS OF THE ART COLLECTION OF DISCOUNT BANK NUMBERING SOME 2,200 ORIGINAL WORKS AND ABOUT 3,800 LITHOGRAPHS OF THE BEST OF ISRAELI ARTISTS. SOME 1,100 VISITORS TOOK PART IN THESE GUIDED TOURS IN 2019**

**Exhibitions at the Museum** - Herzlilblum presented permanent exhibitions and changing exhibitions on varied and different subjects relating to the characteristics of the house.

As mentioned, the museum was closed in June 2019. Following its closure, specific activities continued on a limited basis until the end of the year.

**Visits** - the museum is closed to the public for organized visits. Nevertheless, the museum opened its doors, by prior arrangement, to individual visitors who wanted to visit the visitor center and the building. During the second half of 2019, several dozen visitors visited the museum.

**Events for the benefit of the public** - several events took place during the second half of 2019. Below are some examples of these:

> **Bulgarian Embassy** - a learning meeting about the establishment format of the

visitor center in general and the story of how Herzlilblum was founded in particular;

> **Tel Aviv Municipality** - as part of a fruitful and ongoing partnership, representatives of the municipality came to learn how the story of the birth of the city of Tel Aviv was told at the Herzlilblum visitors Center while also considering the transfer of collections to the Tel Aviv Municipality;

> **A seminar for executives from the Tel Aviv Municipality on the subject of gender** - as part of the ongoing partnership with the municipality;

> **An event for the Periphery Employment Initiative** - which included a lecture on the topic "where is the future labor market going?";

> **A visit to the exhibition "The Zionist Side of the Coin"** for the company "Pro Strategy".

# MDB - INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

The work for the community of MDB is an integral and significant part of its overall activity and organizational culture. The activities in the community are diverse and include financial contributions, sponsorships and participation in community projects, as well as activities of employees in the community.

MDB has chosen to focus on the promotion of education and knowledge, alongside diverse activities in other fields also. This is in pursuit of advancing the future generation and contributing to an advanced and valued society.

The activity includes several central projects:

**"Sprint Mercantile" project** - MDB has been partnering with the "Sprint for the Future" Association for 12 years. Within the framework of this partnership, the bank donates every year dozens of scholarships for academic studies to students from the Arab community. In return for a scholarship, each student commits to help school students from his/her village with their studies and in preparing for the matriculation exams. For further details, see above under "Sprint Discount".

**"Computer for each child" project** - For the past decade MDB has participated in this project involving the contribution of computers, software and instruction for children of low means families.

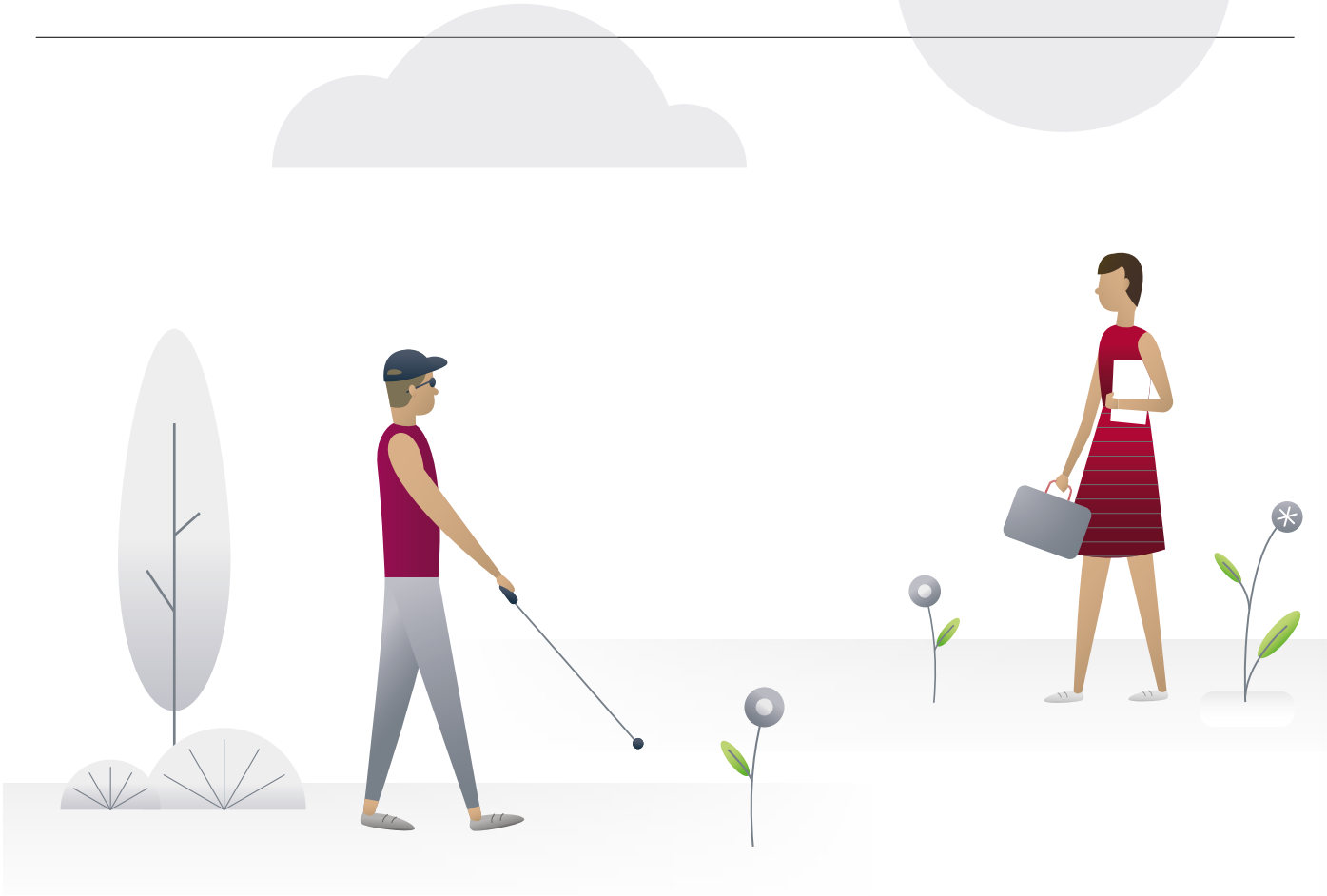
Over the years, the Association has distributed thousands of computers to children and in addition, provided them with software, instructions and study courses regarding the different software. **In the years in which MDB participates in the project, it has donated approximately 1,700 computers.**

**"Yad Eliezer" project** - MDB has joined the "Yad Eliezer" Association, engaged in providing assistance and support to thousands of families in need (single parent in particular) in the ultra-orthodox sector. The Association provides support in various fields including education, and in this activity the bank participates. **Within the framework of this cooperation, the bank granted in 2019 some 300 scholarships to mentors of the ultra-orthodox community,** who in consideration for the scholarship assist in their studies school children of second to eight grades, who are orphans or belong to a single parent family.

**Cooperation with the "A Different Lesson" Association** - During 2019, employees of the bank conducted enrichment study courses at schools of the Arab sector. As part of the courses, the pupils acquired basic practical concepts of banking subjects, with a focus on issues such as management of a responsible budget and the importance of savings.

**Sponsorship for excelling athletes** - In 2019, MDB sponsored Israel's high jump champion - Chanin Nasser from the village of Arabe.

**Activity in aid of the community conducted by employees of MDB** - Employees of the bank participate in voluntary work, including: distribution of food baskets prior to the major holidays of members of different religions, financial education workshops for school pupils and young adults, participation in holiday parties at welfare homes, nursing homes, hostels, hospitals, etc. As part of these activities,



Bank employees distribute gift parcels purchased within the framework of social purchasing, collecting medication in cooperation with the "Friends for Health" Association, and more.

## ICC – INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

→ ICC sees itself as being committed to giving to the community and invests considerable resources to social work with weak populations within Israeli society. The sphere of social responsibility at ICC is based on two principles: the connection to the core business and the allocation of financial resources along with human resources, by integrating employees' voluntary activities. ICC leads numerous social projects that connect the company's business activities to contributing to the community, through creating partnerships with many associations and social organizations. Presented below are some examples:

**"ICC is to wish and dream"** – ICC's flagship program in the community, which aligns with ICC's business vision and emphasizes the realization of dreams, needs and wishes. The program was conducted in 2019 for the seventh consecutive year, for the benefit of children and youth at risk. Within the framework of the program, ICC employees volunteered for work at boarding schools of the "Fair Chance for Children" Association around Israel, with the aim of realizing the dreams and providing a response to the needs of children living residential group homes with no family support. Over the years, ICC has realized dreams for thousands of children and youth at risk.

**"ICC for a Fair Chance"** – a social initiative which intertwines ICC credit card holders together with various merchants and the "Fair Chance for Children" Association. Within the framework of the initiative, a discount is granted to the credit card holder in respect of any transaction made through an ICC credit card at merchants participating in the program, and concurrently, a donation is made to the association.

**"A Different Lesson"** – ICC works to promote equal opportunities in education and participates in the project of the "A different lesson" Association. ICC's employees and managers arrive at schools at which pupils from low socio-economic neighborhoods study, and present series of lessons to the pupils, mostly on matters of financial education, the credit card world and more. At the conclusion of the activity and toward the end of the academic year, an "ultimate activity" is held for the pupils at the offices of ICC, as part of which they are invited for an enriching and experiential tour.

**"Synergy"** – ICC participates in the "Synergy" program – powerful leadership alongside contribution to the community, together with the Israel Joint organization, and integrates senior ICC managers (of both sexes) in executive boards of social organizations and associations. The connection between the parties takes into account the needs of the social organization and the qualifications of the volunteers, with a view of bringing to the associations and the different organizations their professional and administrative skills, fully volunteering.

**I BELONG ISRAEL (Masa Israeli)** – ICC works in aid of IDF disabled veterans as part of a joint program with the IDF Disabled Veterans Organization and the "Masa Israeli" organization. ICC employees and a group of IDF disabled veterans who are associated with the fighters' centers

throughout Israel embark on a social values journey to empower Israelis and deepen their sense of belonging at significant landmarks. As part of the challenging activities and the collective measures, the employees provide support and assistance to the disabled veterans.

**"Round-Up"** – ICC participates in the social initiative of the "Round-Up" Association, and offers ICC customer credit card holders the option of rounding-up to the nearest shekel the amount of a credit card transaction not in whole shekels, and to contribute the difference to chosen associations. Over the years, ICC has worked to increase the number of round-up cards and encourages its customers to join the circle of donors.

**"Savyonim"** – ICC works with the "Savyonim – Assistance to Any Person at Any Time" Association, which provides the general public with life-saving services, transportation and a first response in saving lives by means of emergency rescue motorcycles and transport ambulances that operate 24 hours a day, 6 days a week, free of charge. ICC provides the association with financial support that enables ongoing maintenance of the emergency rescue motorcycle that has been in operation for more than three years and provides a first response in numerous emergency situations. Moreover, as part of the cooperation between ICC and Discount Bank this year an ambulance was jointly purchased to transport the elderly and persons with mobility disabilities who are wheelchair bound (see above).

**Assistance to lone soldiers** – ICC has formed a partnership with the Lone Soldier Center in Memory of Michael Levin, which provides a support structure for lone soldiers serving in the IDF. The company provided financial support to the association and volunteering support for the soldiers that runs from transporting donated furniture and household utensils,

through to ICC's employees accompanying and assisting the lone soldiers' studies.

**Collection of costumes for those in need** – ICC calls on its employees to volunteer to collect Purim costumes for families in need, together with the Ramat Gan-Givatayim "Ladies Circle" – a voluntary women's organization for giving to the community.

**Distribution of learning equipment to those in need** – ICC has joined the "Fidel" Association, which is engaged in education and the social integration of Ethiopian origin persons and has donated to children of the community's families schoolbags and learning equipment bought at the beginning of the 2019-2020 school year.

**Purchase of Chanukah candles as a donation to sick children** – as a donation to the "Hayim" Association, which is active in improving the quality of life for children with cancer, ICC purchased packets of candles for the Chanukah Holiday. All this being done in the belief and with the hope that this would brighten the Holiday for sick children and their families.

## "ICC IS TO WISH AND DREAM", THE FLAGSHIP PROGRAM OF ICC, WHICH EMPHASIZES THE REALIZATION OF DREAMS AND NEEDS AT ANY TIME AND PLACE, HAS MARKED THE SEVENTH YEAR OF OPERATION

**Visiting the sick** – ICC has formed a partnership with the "Happy Friday" Association, which works to brighten up the daily routine of the sick and those hospitalized throughout Israel, and has called on its employees to volunteer to visit and cheer up patients in the Sheba Medical Center at Tel Hashomer.

**The Orly and Guy line** – A voluntary project founded by Orly Vilnai and Guy Meroz and



is run to provide assistance and a response to persons entangled in bureaucratic red-tape or in economic distress. ICC provides assistance on a current basis to customers referring to the Orly and Guy line with the request for assistance in matters such as the spreading of debt repayments, the granting of rebates, etc. In the course of 2019, ICC helped many customers through the line.

**Supporting sport** – ICC supports Israeli athletes throughout their training with the aim of attaining new achievements and records. The company grants sponsorship to Noga Geller, a windsurfer and member of the Israeli team on her way to the Tokyo Olympics and, through providing financial support, it makes it possible for her to devote her time to training for competitions. This support is in line with the vision of the company, focusing on the realization of dreams needs and wishes.

**Company employees initiate for the community** – The company is open to any employee wishing to offer ideas and to lead social initiatives. ICC assists in advancing ideas through providing budgets and by assisting with the actual work. Of the various activities led by employees, the following should be mentioned: Chanukah parties for the elderly, visits to hospital patients, the distribution of learning equipment to families in need, collecting costumes of needy children, the donation of furniture to lone soldiers, the distribution of Chanukah candles to hospital patients, and more.

**Granting sponsorships and purchasing tickets for fundraising events** – ICC supports associations and social organizations by providing sponsorships and the purchase of tickets for fundraising events, to which employees involved in ICC's ongoing social work are invited from time to time. All this with the aspiration of reinforcing employees' sense of belonging and "unit pride".

## DISCOUNT CAPITAL – INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

➔ **"Pitchon-Lev" Association** – The association is working to break the cycle of intergenerational poverty in Israel. Discount Capital contributes several times a year to finance food baskets that are distributed before Holidays by the association to families in need.

**"Fair Chance for Children" Association** – The association operates therapeutic, rehabilitative and educational programs for children of the boarding schools and graduates from dysfunctional families having to cope with addictions, serious illnesses, periods of imprisonment, abandonment or being orphaned. The association's goal is to assist the boarding schools children and their graduates to escape from the harsh life cycle in which they are trapped and to boost their confidence and independence to enable them to grow up to be independent adults capable of contributing to society. Discount Capital Underwriting (a subsidiary of Discount Capital) assists with monetary contributions to promote the association's objectives.

**The National Library of Israel Ltd.** – The National Library is a product of the intellectual and cultural works of the Jewish people over the generations and of all strata of Israeli society and is a national cultural center for the public and for researchers from Israel and elsewhere in the world. The Library collects, distributes, endows and preserves the cultural and historic heritage of the

nation and the state for all its citizens, and specialized in the fields of Judaism, Israel and Islam. Discount Capital Underwriting contributes to financing the activities of the Library and the comprehensive renewal process that the Library is undergoing, while maintaining its uniqueness.

## TAFNIT – INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

➔ Tafnit Discount Asset Management Ltd. (hereinafter: "Tafnit"), as part of its vision, has set its sights on partnering significant and valued endeavors for the benefit of the community. In addition to making monetary donations and financing community welfare activities, Tafnit places considerable emphasis on the voluntary involvement of Tafnit's employees and managers. The main associations to which the company contributes are presented below:

**"The Association for the Advancement of Education in Tel Aviv-Jaffa" (the Jaffa Institute)** – The Institute is engaged in providing social services to children in distress, running after school clubs, awarding scholarships, helping Holocaust survivors and distributing food to those in need. Tafnit is involved in helping the Institute from a variety of aspects, such as: awarding scholarships to students who are graduates of the Institute's activities and who come from disadvantaged families, providing a safe and warm framework for children at the Institute's after school clubs in a summer-camps project, and funding basic products for inclusion in packages for those in need at the Jewish New Year and the Passover Holidays.

Moreover, participation in producing the Institute's annual Gala Evening, whose aim is to raise the funds essential for the Institute's activities. In addition to such monetary contributions, Tafnit's employees contribute their time and energy to helping prepare packages for those in need and then distributing those packages to the elderly, Holocaust survivors and to others in need. Tafnit's employees also help in transporting the elderly to cultural centers, where they enjoy enrichment activities.

**"Friends of Schneider"** – The Friends Association works for the benefit of the Schneider Children's Medical Center in Israel. Its objective is to assist the hospital in everything relating to its development and advancement by means of making donations, financing building projects, purchasing medical equipment, awarding research grants, as well as responding to special needs of the patients population, including advancing the humanitarian topic of helping sick children and their families. Tafnit assists the association in everything relating to monetary donations which advances the association toward its most important overall objective for which it was established.

**"ALUT"** – The Israeli Society for Children and Adults with Autism is an association of parents that is active in treating and advancing children, teens, and adults on the autistic spectrum. During the year, Tafnit donates to the association and finances activities for the wellbeing of the association's children and their families.



DISCOUNT BANK IN THE COMMUNITY  
DURING THE TIME OF CORONA VIRUS

- ➔ Against the background of the Corona crisis, the Bank has worked to assist with several main measures:
- > The Bank assisted in acquiring ventilators and intensive care stations in a total amount of NIS 1,651 thousand, for 14 hospitals: Sheba, Ichilov, Hadassah, Schneider, Assaf HaRofeh, Rambam, Hillel Yaffe, Meir, Soroka, Kaplan, HaEmek, Ziv, Mayanei HaYeshua, and Herzog (a geriatric hospital in Jerusalem);
  - > The Bank worked, together with El-Al, to repatriate backpackers from South America, and granted assistance in an amount of NIS 175 thousand;
  - > Donations were made to associations that assist Holocaust survivors, the elderly and families in need: "Latet", "Lasova" and "Yad Ezer La-Haver" to buy food baskets and to "Co-Impact" to buy special food baskets for the Ramadan period, to "the Israeli Spirit"

employees to provide assistance and telephone support to alleviate the isolation of Holocaust survivors and the elderly who live on their own, and also a baking project for the Shavuot holiday in which Bank employees donated about 1,500 cakes to associations and social organizations throughout Israel;

- > As part of the global trend of "balcony paintings" that has been galvanizing the world's children, in which messages of support, encouragement and hope are shared, the Bank recruited a professional illustrator who prepared 10 coloring pages for children that could be downloaded from the Bank's website. The campaign was promoted on social media during the first weeks of April.

MDB IN THE COMMUNITY  
DURING THE TIME OF CORONA VIRUS

- ➔ Mdb rallied its employees to participate in various activities in partnership with city mayors and the heads of local councils

DISCOUNT GROUP IN THE COMMUNITY  
IN THE WAKE OF THE CORONA CRISIS

for children in boarding schools, to "WIZO" for families leaving shelters, and to "Magen David Adom" to buy EMT bags. The total of the donations made to the aforesaid associations as support during the Corona period amounted to NIS 474 thousand (through July 7, 2020);

- > At the start of the period, the Bank and ICC, in partnership with the Savyonim Association, launched an ambulance to transport the elderly and persons with mobility disabilities who are wheelchair bound. The ambulance service was operational 24 hours a day, 6 days a week during the Corona period, free of charge. The donation to acquire the ambulance amounted to NIS 100 thousand;
- > Also during this challenging period, the Bank's employees worked on various voluntary initiatives, the most noteworthy of which were – the recruitment of Bank

and donated a total of approx. NIS 400 thousand to various activities:

- > Employees visited the Corona teams at hospitals and presented them with flowers and confectionary;
- > Employees, together with the "Ruach Tova" association, city mayors, heads of local councils and local police distributed hundreds of games to children confined at home for a long period with no access to the educational framework;
- > Hundreds of gift packs to children prior to the Passover holiday, were given together with the Federation of Local Authorities;
- > The bank made donations to medical institutions for the purchase of equipment;
- > The bank donated computer equipment to students to allow them access to remote learning and also increased its donation to the "A Computer for Every Child" initiative;

- > Employees went to retirement homes, distributed – from a distance – gifts and cheered up elderly residents who were in isolation;
- > The bank donated protective and hygiene equipment to settlements where there had been massive outbreaks of the Corona;
- > Prior to the Passover and Shavuot holidays, during the Ramadan period and prior to the Id-el-Fitr holiday, the bank donated thousands of food baskets throughout Israel.

ICC IN THE COMMUNITY  
DURING THE TIME OF CORONA VIRUS

- ➔ ICC rallied its employees to participate in remote voluntary work for weak populations:
- > ICC volunteers acted to alleviate the isolation of the elderly and Holocaust survivors by making weekly telephone calls to them, together with the "Lev Chash" Association, which operated an emergency call center during the lockdown to assist the elderly population;

- > ICC also worked to assist the elderly and Holocaust survivors within the framework of the "Social Baking" initiative at the Shavuot holiday. ICC employees baked and packed cakes in the spirit of the holiday and distributed them to sheltered housing residences throughout Israel, together with "the Israeli Spirit";
- > Together with the "A Different Lesson" association, which works to provide equal educational opportunities, ICC employees gave learning assistance to students in doing their homework by means of video chats via WhatsApp/Zoom, aimed at maintaining the learning infrastructure of the students;
- > ICC has also worked to help abandoned pets, following the rise recorded in the abandonment of dogs and cats as a result of the crisis. Together with the "Let the Animals Live" association, ICC has been encouraging and inviting its employees to adopt abandoned pets that need a loving home.

GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

Discount Bank	✓ Achieved	Increasing the contribution of the Bank to the community.
	✓ Achieved	Increasing the rate of volunteering of employees, on a personal and collective basis, by at least 10%.
	✓ Achieved	Creating a favorable and appreciative atmosphere regarding the volunteering value and its importance.
ICC	✓ Achieved	Expanding the number of employees involved in social work initiatives at ICC, and increasing the total of volunteering hours of company employees by at least 5%.

GOALS FOR THE FUTURE

Discount Bank	Enlarging the Bank's donations to the community.	
	Increasing the number of volunteering employees and increasing the number of volunteering hours, by at least 5%.	
	Appreciating the volunteering value and its importance.	
ICC	Expanding the number of employees involved in social work initiatives at ICC, and increasing the total of volunteering hours of company employees by at least 5%.	

# 08 GREEN DISCOUNT

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↓ 6.3%

ENERGY  
CONSUMPTION (GJ)

All data relate to the rate of change compared to 2018

↓ 7.1%

ELECTRICITY  
CONSUMPTION (KW-H)

↓ 12.2%

PAPER CONSUMPTION  
(TONS)

↓ 10.4%

CARBON FOOTPRINT (IN CARBON  
DIOXIDE EQUIVALENT TONS)

APPROX. NIS  
6.75 MILLION

INVESTMENT IN ENERGETIC  
EFFICIENCY PROJECTS

NIS  
890 MILLION

CREDIT EXPOSURE TO PROJECTS  
INVOLVING SOLAR ENERGY



# GREEN DISCOUNT

THE BANK ENDEAVORS TO CREATE A POSITIVE IMPACT THROUGH ENVIRONMENTAL RISK MANAGEMENT IN ITS BUSINESS ACTIVITIES AND THROUGH SAVINGS AND EFFICIENCIES IN ITS OPERATIONAL ROUTINE



## POLICY

Discount Bank attributes importance and relevance to the subject of the environment, from the social aspect and economic aspect. The Bank endeavors to create a positive impact through environmental risk management in its business activities and through savings and efficiencies in its operational routine. The Bank adopted a policy of **maintaining the proper balance between business activity and environmental protection** and it is committed to present an ongoing improvement in its environmental performances, without compromise regarding the quality of services provided to its customers.

As a corporation that provides financial services, the Bank's direct environmental effects result from its consumption of office materials, primarily electricity and paper. Accordingly, the Bank focuses its efforts on managing, measuring and monitoring and on making savings and increasing efficiency in these areas.

### ULTIMATE OBJECTIVES

- > The Bank is committed to the principle of sustainable development;
- > The Bank is committed to preventing environmental damage and ongoing improvement in contribution to the environment;
- > The Bank supports an entrepreneurial and proactive approach to reducing the harmful effects on the environment in the area of assets;
- > The Bank continuously examines energy-saving alternatives, in the operation of electrical equipment and air conditioning.

### ENVIRONMENTAL ACTIVITY PRINCIPLES

- > The Bank strives to comply with all environmental laws, regulations and governance and received no complaints in 2019 regarding its environmental conduct

and no penalties were imposed regarding violation and/or environmental hazard issues;

- > The Bank allocates manpower and financial resources to examine and mitigate as much as possible its direct and indirect environmental impact;
- > The Bank integrates environmental risk management within its business activity;
- > The Bank is committed to identifying the environmental impacts in the construction and properties field. The Bank's Management appointed a senior officer, the manager of the construction and properties group, who reports directly to the Head of the Operations and Assets Division;
- > The Bank strives to involve its employees and the community in its activities on behalf of the environment.

## "GREEN CREDIT"

### POLICY REGARDING ENVIRONMENTAL RISKS

In recent years, there has been a significant increase in the global awareness of ecological and social damage caused as a bi-product of the development of projects, mainly in the industrial, real estate and infrastructure sectors. As a result thereof, the widening legislation on the subject and the claims by those who had suffered damage which were admitted by courts around the world, corporations engaged in these areas began taking into account environmental criteria in considering the feasibility of projects. Legislation in this field has widened also in Israel, though it is not yet wide-ranging compared to Europe and the U.S.

Banking corporations may be exposed to environmental risks in the various aspects of their operation; such risks may be included with other risks, such as: credit risk, market risk, operational risk, legal risk and liquidity risk.

The Bank's policy as regards environmental risks relating to credit is focused on the identification of the risks, evaluation thereof and reporting it to the decision makers, as well as conducting a continuous monitoring of borrowers having a high environmental risk potential.

The aim of this policy is to identify borrowers having a high risk potential, and making specific decisions with respect to cases where the risk is viewed as material (having a high probability of materialization and upon the potential materialization the credit loss, may be material).

In this framework, the Bank has defined an evaluation process with respect to the level of environmental risk and of the quality of risk management regarding business customers upon the granting of credit and upon performing the periodic evaluation of customer quality, with special reference to customers having a high environmental risk potential. The monitoring of the credit risk exposed to significant environmental risks is performed on an ongoing basis during the year.

For further details regarding the risk management at the Discount Group, see the 2019 Annual Report (pp. 54-92) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks" for 2019.

### EXTENDING "GREEN CREDIT"

As part of the overall process of environmental risk management, the Bank offers credit to "green" businesses, everything subject to adherence to the credit granting rules in effect at the Bank, including the examination of the repayment ability of the borrower.

"Green credit" - credit extended for:

- > Financing the operations of a company producing green products that contribute to the protection of the quality of the environment;

- > Credit to a company that has a green production process protecting the quality of the environment;
- > Credit extended for the establishment of a green operation, including the purchase of green equipment (machinery);
- > Upgrading of production systems of those protecting the quality of the environment.

### FINANCING IN THE SOLAR ENERGY FIELD

→ A relevant field, which has become relatively significant to the Bank's activity, is credit extended for the installation of solar systems.

The sub-sector engaged in photovoltaic installations (PV) is a part of the renewable energy field. This field is based on regulations under power of the Electricity Market Act, designed to regularize the establishment of electricity production installations using solar and wind energies. These systems have many advantages when it comes to promoting environmental quality and clean electricity generation through the use of renewable energy. In addition, the Bank extends credit for projects in the CSP (thermo solar) field.

The Bank has a specific policy for the granting of credit to the solar energy systems field, both to business and private consumers. Among other matters, the processes for granting credit, controls and specific collateral for this field are established within the framework of the policy.

**The Bank's credit exposure in respect of financing solar energy projects amounted as of December 31, 2019, to NIS 890 million, compared with NIS 822 million as of December 31, 2018. This, in excess of the financing extended by the Bank to corporations engaged in this field.**

### MANAGEMENT OF ENVIRONMENTAL RISKS INVOLVED IN EXTENDING CREDIT

→ The Discount Group implements a policy according to which examination of environmental risk comprises a layer in all the risks examined by the corporation upon extending credit and in the ongoing management of the credit. Within this framework the Bank operates in accordance with the guidelines of the FDIC<sup>31</sup> and the FED<sup>32</sup>.

The financing agreements signed by the Bank require customers to declare that they operate and conduct their businesses in accordance with the provisions of the legislation regarding the environment, and that they commit to continue doing so all through the period of the loan.

Furthermore, customers undertake to inform the Bank immediately upon receiving notice of any action brought against them regarding the environment, as well as of any circumstances that may constitute violation of any of the environment laws.

As part of the management of environmental risks involved in extending credit, the Bank has identified economic sectors having a high potential for environmental risks, among which are: credit financing the purchase of land or financing a real estate construction project; the heavy and light chemical industries; the food industry; manufacturing/quarry of building material; production and refining of oil and natural gas; refuse treatment plants; the textile industry; paper mills; and the distribution of dangerous materials.

In respect of corporations included in the above sectors, the financing agreement includes an additional item regarding the management of their material environmental risks. This, with the aim

of raising awareness of the customers to the issue of protecting the environment and hedging of the environmental risks of the Bank as part of its credit granting activity.

In addition to that, the Bank conducts, once a year, an examination of customers, in which they are queried regarding compliance with regulatory requirements, and it is clarified as to whether environmental hazards exist and what are the measures applied by the customers in confronting such hazards.

With respect to loans exceeding NIS 50 million in sectors having potential for high environmental risk, customers have to complete a questionnaire assessing the environmental risk.

Furthermore, in cases of large credit transactions having potential for environmental pollution, the Bank, at its discretion, requires performing an environmental survey by an independent company specializing in the identification and assessment of environmental risk factors, with the aim of examining the environmental risk involved in the operations of the borrower and the extent of his compliance with the relevant Regulations.

## PROMOTING GREEN BUILDING

### ESTABLISHMENT OF THE DISCOUNT CAMPUS

→ In 2016, the Discount Group, through Discount Leasing, began to promote the Discount Campus project in Rishon Le'Tzion, in the framework of which, the Group acquired a piece of land of 21 dunums in that city. The campus is intended to house in the future the Head Offices of Discount Bank, MDB and ICC, including computer installations. This project constitutes the principal non-banking investment of the Group for the coming years.

## GRANTING OF GREEN CREDIT BY THE PRINCIPAL SUBSIDIARIES

### MERCANTILE DISCOUNT BANK

→ MDB provides from time to time, credit for the financing of solar systems, mainly to corporations specializing in joint ventures with Kibbutz settlements (where control is in the hands of the Kibbutz). The volume of credit to this type of activity amounted in as of December 31, 2019, to NIS 40 million, compared with NIS 35 million as of December 31, 2018, a relatively insignificant amount in relation to the operations of this bank.

**Loans secured by State guarantees for the purpose of increasing energetic efficiency.** In October 2018, MDB participated in the tender for the operation of a Fund for increasing energetic efficiency secured by a State guarantee, and soon afterwards began preparations for its execution. This Fund, the first of its kind in Israel, is intended to support the effort for achievement of the national goal of increasing energetic efficiency and reducing the consumption of electricity. An inter-ministerial committee would examine the feasibility of loan applications prior to their submission to the bank, which would carry out the underwriting of the credit. Within the framework of the Fund, the bank will grant loans secured by State guarantees, at a rate of 75% of the amount of the loan, for a period of up to seven years. With respect to projects that mostly involve the integration of innovative Israeli technologies, the rate of the State guarantee would be increased to 85%. At the beginning of 2019, after being successful in the tender, MDB began the marketing of the loans. At this stage, the amount of loans granted within the framework of the Fund is not material.

**Project financing fund.** MDB has been chosen by the State Lottery to finance energetic efficiency projects in an amount of NIS 500 million.

31 The US Federal Deposit Insurance Corporation.  
32 The US Central Bank.



The Discount Campus is planned in accordance with strict environmental standards, while being based on green construction principles and qualified in accordance with the LEED V4 rating of the U.S. Green Building Council. The planning and execution team strives to obtain the high green rating of "Leed Gold".

By means of integrative planning work by all consultants engaged on the project, opportunities have been identified for the creation of healthy, convenient and resources saving work environment. Employees would enjoy improved air quality and daylight conditions, and would have a straight-line outside view.

Different garden areas are planned at the center of the Campus providing rest and leisure areas to the employees.

An examination is being conducted in order to obtain for the project the qualification for the international "WELL" rating, dealing with health and welfare in buildings.

In the Campus buildings would be integrated a set of advanced building fronts that include the planning of structured shadings developed with the assistance of energetic analysis, which would allow higher thermal and visual conditions in work spaces, efficient electrical and air conditioning systems, and the planning of an economical lighting system, that would create considerable savings in energy and reduce the carbon-dioxide emission of the Campus. Moreover, an infrastructure for the recharging of electric vehicles is planned for the Discount Campus. In addition to the above, the project includes a unique planning process based on the Integrated Design Process, which includes identification of opportunities and synergies for the creation of a qualitative environment in the project and the determination of measurable designing goals.

STUDY OF ENVIRONMENTAL EFFECTS IN EXISTING BUILDINGS

- The Bank studies the environmental effects also as regards existing buildings, as a basis for taking decisions in the field of construction and properties:
- The process of choosing and planning the head office and branch buildings integrates green criteria, both in engineering and in the choice of materials;;
- Environmental control is conducted, which includes the measurement and monitoring of radiation in the Bank buildings;
- The Bank, has a building which complies with Standard 5281 of the Standards Institute for green construction, at 17, Yehuda Halevi Street in Tel Aviv.

RESPONSIBLE CONSUMPTION OF RESOURCES

ENERGETIC EFFICIENCY

- As stated, Discount Bank's direct environmental effects are extremely limited, resulting mainly from office operations: the consumption of energy, water, paper, etc. Despite the nature of its environmental effects, the Bank strives to reduce the environmental effects stemming from its operations. In this respect the Bank has adopted measures for increasing the awareness regarding sensible consumption, including the saving of electricity. Inter alia, a monthly report regarding the consumption of electricity is delivered to all unit and branch managers. With the aid of the report, electricity consumption data is brought to the attention of the managers, encouraging energy saving. Furthermore, a summary report is produced half-yearly and yearly, which is analyzed by the properties and construction wing, and insights in respect of which are delivered, where required, to the unit managers at the Bank.

In 2019, additional measures were taken to reduce electricity consumption, including:

- Replacement of air conditioning systems at 13 locations of the Bank with advanced VRF air conditioning systems;
- Energetic efficiency of lighting in 23 locations of the Bank through the installation of LED lamps;
- Allotment of approx. NIS 6.75 million for energetic efficiency measures at branches and head office premises.

In 2019, Discount Bank's fuel consumption recorded a reduction at a rate of approx. 1%.

ENERGY CONSUMPTION

- In 2019, the Bank's total energy consumption<sup>33</sup> amounted to 144,585 GJ, and the Bank managed to achieve a 6.3% saving in energetic consumption compared to the previous year.

Reducing electricity consumption - in 2019, Discount Bank managed to reduce total electricity consumption by approx. 7.1% compared to the previous year.

FUEL CONSUMPTION - EMPLOYEE SHUTTLE SERVICE

- The Bank provides to its employees a shuttle service available during the whole day (at specified hours), operating with respect to two central locations of operation: from the 160 Herzl Street location to the Discount Bank building in the center of Tel Aviv, and another shuttle service from Jerusalem to the Discount College in Rishon LeTzion. In addition, the Bank has installed in one of the buildings in Yehuda Halevi Street, shower cabins for employees who cycle to work, and also provided parking installations for bicycles, in order to encourage employees to use this means of transportation on their way to work.

IN 2019, DISCOUNT BANK WAS SUCCESSFUL IN REACHING SAVINGS OF 6.3% IN THE CONSUMPTION OF ENERGY COMPARED TO THE PREVIOUS YEAR

Furthermore, a wide range plan exists for the transition to and replacement of the motor vehicle fleet of the Bank to hybrid vehicles combining an electric motor, which allow the reduction in fuel consumption. 43 vehicles were replaced in 2019, and the replacement of 23 additional vehicles is expected in 2020. This move is expected to reduce the volume of fuel consumption by the Bank and allow the reduction in carbon dioxide emission.

WATER CONSUMPTION

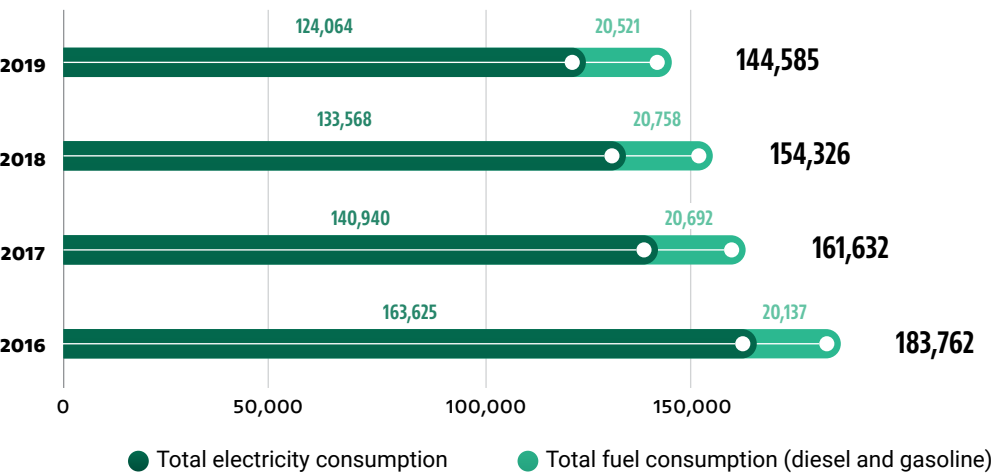
- Discount Bank acts to reduce water consumption at Head Office and at the branches, and starting with this Report, reports the annual consumption data. In 2019, the Bank succeeded in reaching the saving of approx. 12.4% compared to the consumption of water in 2018.



33 Discount Bank's total energy consumption is the sum of its total electricity consumption added to the total fuel consumption at the Bank.

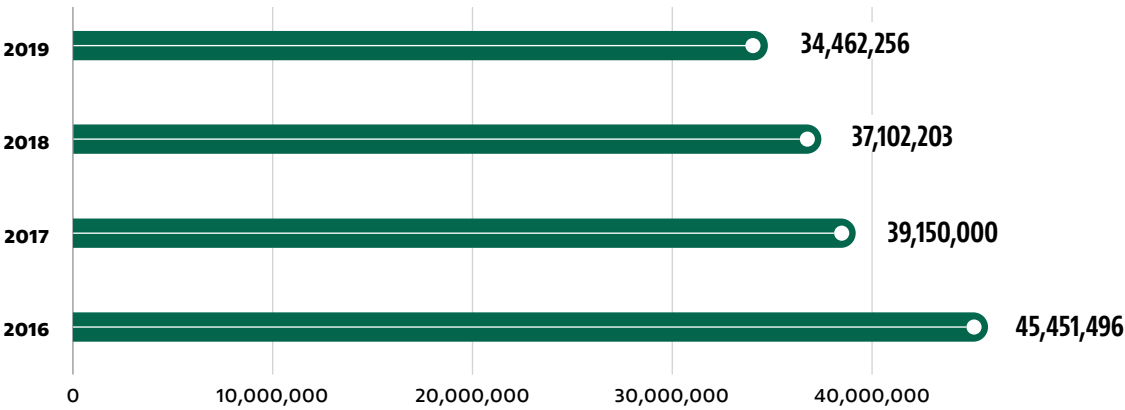


BREAKDOWN OF THE CONSUMPTION OF ENERGY FROM VARIOUS SOURCES - DISCOUNT BANK  
in GJ, in the years 2016-2019

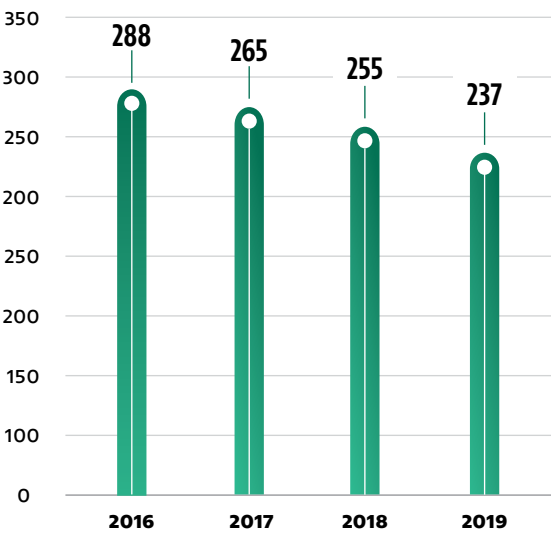


Notes:  
1 GJ - Energy measurement unit (Gigajoules).  
2 The total energy consumption of Discount Bank is the summation of the total consumption of electricity and total consumption of fuel by the Bank.

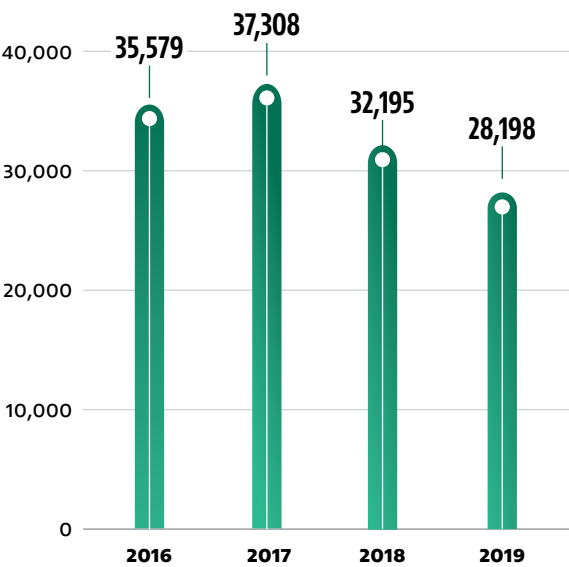
DISCOUNT BANK'S ELECTRICITY CONSUMPTION  
kW-h, in the years 2016-2019



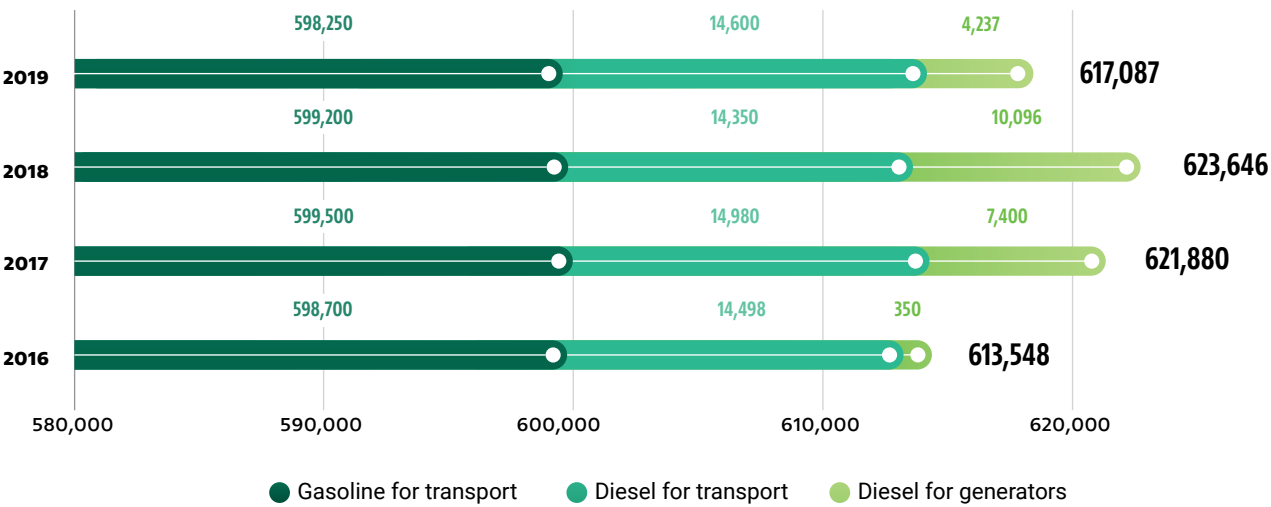
DISCOUNT BANK'S ENERGETIC INTENSITY  
total kW-h/sq.m. in the years 2016-2019



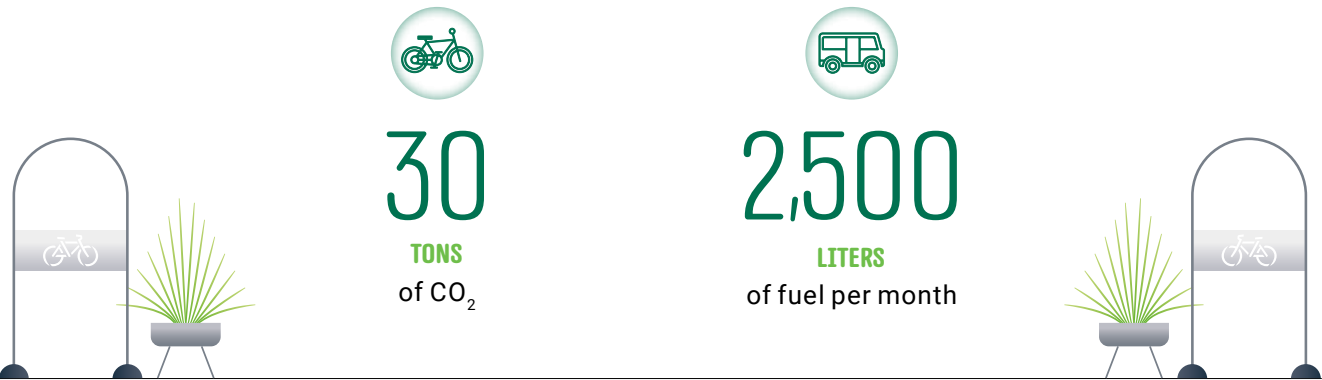
DISCOUNT BANK'S WATER CONSUMPTION  
m³, in the years 2016-2019



DISCOUNT BANK'S FUEL CONSUMPTION  
in liters for employee travel and generators, in the years 2016-2019



SAVINGS IN DISCOUNT BANK'S ARRAY OF SHUTTLE SERVICES



DATA REGARDING THE ESTIMATED SAVINGS RESULTING FROM THE PROVISION OF A SHUTTLE SERVICE FOR EMPLOYEES IN DISCOUNT

Leaves from	Destination	Frequency		Average number of passengers per circuit	Average number of passengers per month	Length of journey (in minutes)	Estimated savings in travel time (in hours)
		Days per week	Circuits				
Central Jerusalem	Discount College Rishon LeTzion	4	2	6	192	60	192
Within Tel Aviv	Discount Tower, 160 Herzl St.	5	9	10	1,800	20	600
Total monthly savings							792
Total annual savings							9,504

Note: For the purpose of the calculation, an estimate has been made of the distance travelled, the cost of fuel and the refueling coefficient taken from the data of the Central Bureau of Statistics.

PAPERLESS ACTIVITY

→ The Bank promotes measures for the reduction in paper consumption, as part of several projects, **and with the aid thereof, the Bank managed to reduce its consumption of paper by 12.2% in 2019.**

Digitalization of the archives

The Bank has completed the task of emptying the central archive and the scanning of all its material, and it is now presented in the customer's digital file. This move enabled savings in work and storage space, and reduced the quantity of paper reports produced, as well as a transition to producing digital reports.

The Bank continues to reduce the use of basic documents by way of upgrading the primary agreement with the customer. Furthermore, the scanning of current material is continued. The Bank is completing the scanning at the business centers and at the investment banking.

Computerized forms system

Banking work uses a large number of forms. In the past, the forms were printed in advance, requiring extensive storage space. The inventory of forms was destroyed whenever they were updated. The Bank switched to a computerized forms system, which enables each employee to print the updated form when needed, while it contains the particulars of the specific customer, thereby avoiding recording errors. This process also saves space for storage of the blank forms, and enables customers to receive faster and more efficient service.

System for managing and distributing procedures and circulars

The Bank has an internal communications network, the "intra-net", which is used in distributing circulars and procedures to the employees, thereby enabling the Bank's procedures to be readily accessed and retained for long periods, while making savings in the cost of printing and distributing circulars to employees.

Discount mail service in the Internet

The Bank contacts its customers and enables them to receive updates about their account activity by means of a secured mailbox on the Bank's website. This process makes it possible to reduce the distribution of notices and letters to the customer's home by mail. Furthermore, the service allows the safekeeping of mail messages and management of a personal archive, where mail may be retrieved during a period of up to seven years. Concurrently, the Bank has conducted the mapping of prevalent notices sent to customers, examining their regulatory requirement, and reduced the number and frequency of such notices.

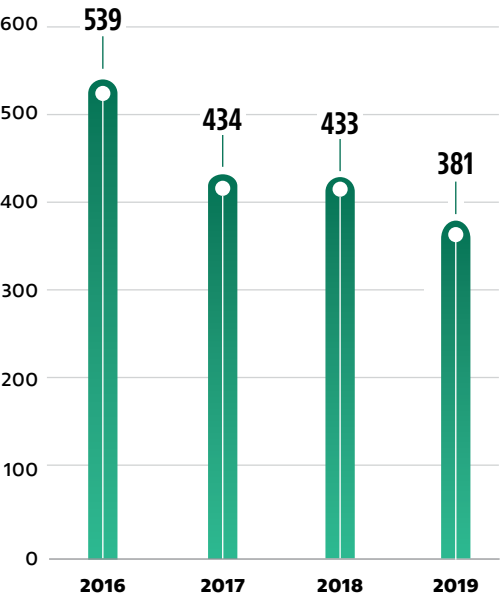
Envelope savings

Replacement of inter-office envelopes with multi-use envelopes. In addition, documents sent for scanning are delivered in expendable nylon envelopes as an alternative to paper envelopes.

Use of the "Fax to Mail" software

Cancellation of the need to print fax notices, and the keeping of documents sent to the Bank as computer files.

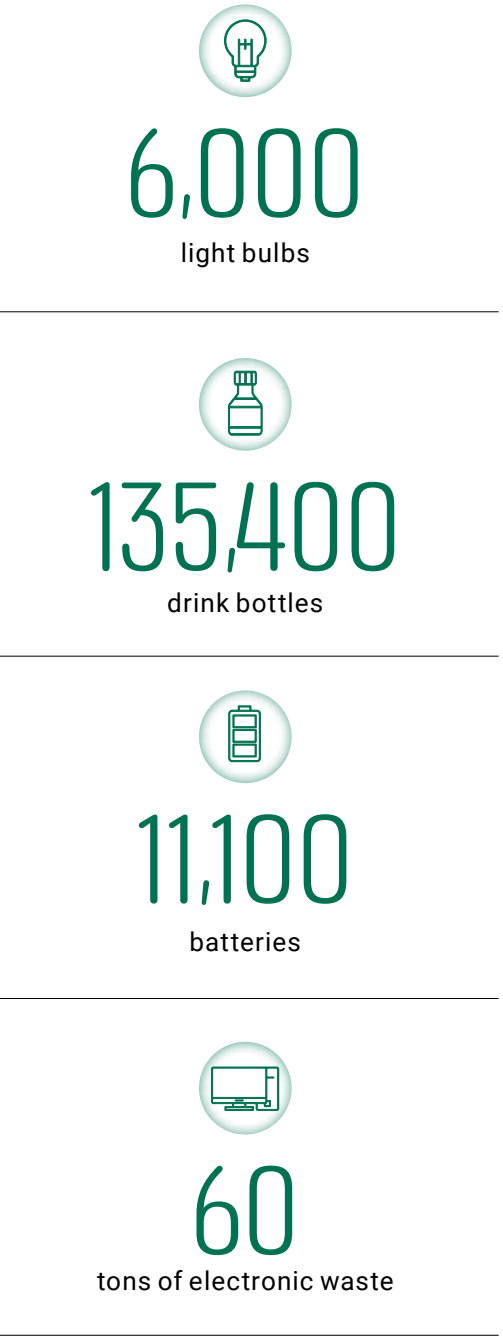
DISCOUNT BANK'S PAPER CONSUMPTION in tons, in the years 2016-2019



Note: The data for the years 2017-2018 has been improved.

RECYCLING AND USE OF RECYCLED MATERIALS

→ The Bank promotes the recycling of materials by its employees. In 2019, some 355 tons of paper were sent for recycling, comprising 100% of the Bank's paper waste. In addition to paper, the Bank sends used light bulbs, bottles, batteries and electronic waste for recycling. In 2019, some 6,000 light bulbs, 135,400 drink bottles, 11,100 batteries and 60 tons of electronic waste were sent for recycling.



CARBON FOOTPRINT

→ On its own initiative, the Bank has committed to a reduced greenhouse gas emissions target and is working accordingly to gradually reduce its carbon footprint, through energetic efficiencies at its branches and head office. In each year, the Operations and Properties Division monitors the progress in this area by collecting performance data in the various areas and formation of a comprehensive report. In addition, in each year the Bank voluntarily reports emissions created by it to the reporting and recording center of the Israel Ministry of Environmental Protection.

The carbon footprint of Discount Bank and its principal subsidiaries in Israel, whose data are presented below, comprise three scopes:

- > **Scope 1** - Total direct emissions, originating in the consumption of fuel and refrigerant gases;
- > **Scope 2** - Total indirect emissions deriving from electricity consumption;
- > **Scope 3** - Total indirect emissions affected by the operations, but not resulting there from. Business flights, paper consumption and its recycling and water consumption are included in this scope.

**In 2019, Discount Bank managed to achieve a reduction of approx. 10.4% in its overall carbon footprint,** compared to 2018. The reduction results mainly from approx. 7.1% decrease in electricity consumption and from the reduction in indirect emissions in Scope 2 accordingly.

EMISSION OF ADDITIONAL MATERIALS

→ Discount Bank makes use of refrigerant gases for the air conditioning of its branch and head office buildings. In 2019, the Bank consumed approx. 460.7 kg. of R-22 type refrigerant gas and approx. 160.3 kg. of R-410 type refrigerant gas. The Bank is acting for the replacement of a major part of its old air conditioning systems with the more economical VRF systems.

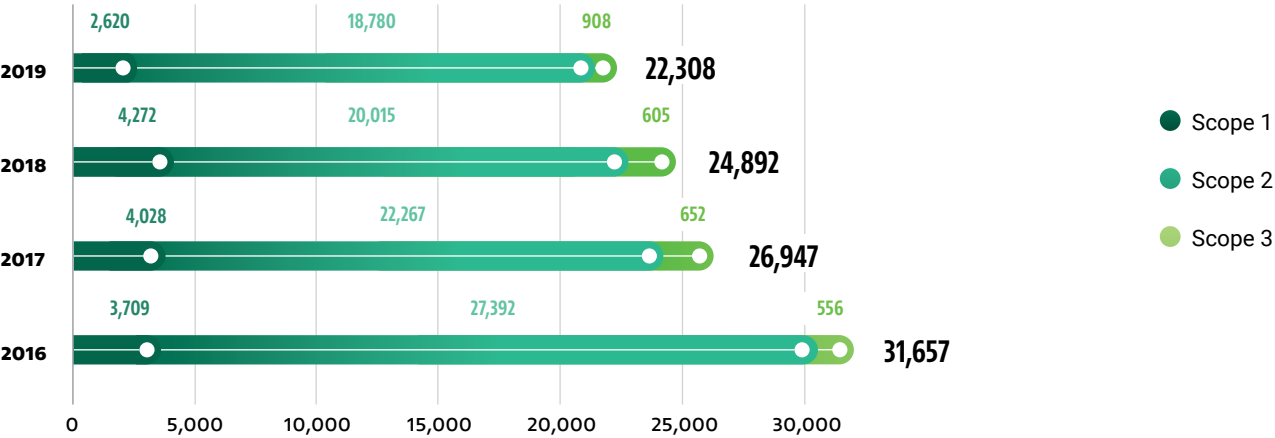
INCREASING THE AWARENESS OF EMPLOYEES

The Bank uses the Intranet system for operating an organizational environmental portal, where all information and activity in this respect is being published. The portal also serves as an address for employee questions and approaches in the matter.

Additionally, in the offices and conference rooms, stickers are affixed to the switches, reminding to shut off the lights at the end of the work day and, all of the cafeterias have hung banners calling for saving resources and encouraging employees to make use of the recycling bins placed in them.

DISCOUNT BANK'S CARBON FOOTPRINT ACCORDING TO SCOPES

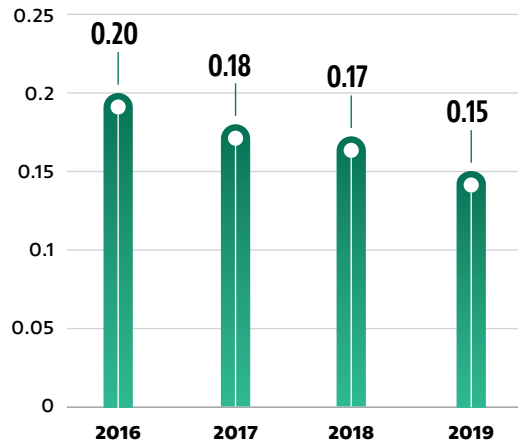
Carbon dioxide equivalent tons, in the years 2016-2019



**Notes:**  
1 The computation of the greenhouse gases emission in scope 1 and 2 are based on emission coefficients published by the Israel Ministry of Environmental Protection for the years 2016-2019.  
2 The computation of emission in scope 3 is based on the emission coefficients of DEFRA and GHG Protocol.  
3 As from the year 2016, the calculation of Scope 3 includes also water consumption, paper consumption by the Bank and paper sent for recycling.

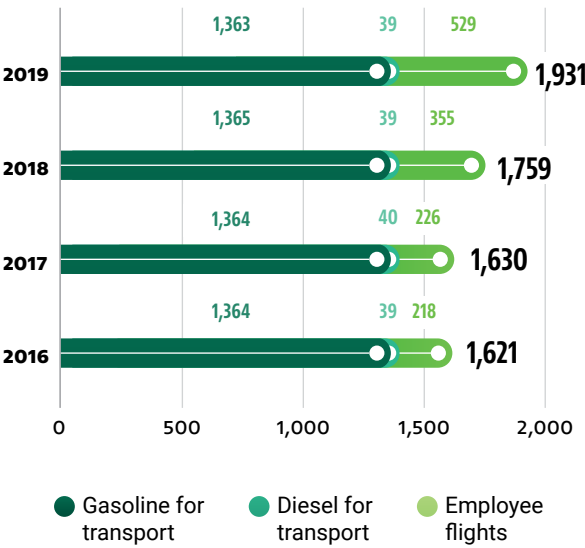
THE INTENSITY OF DISCOUNT'S GREENHOUSE GAS EMISSIONS

Carbon dioxide/sq. m. equivalent tons in the years 2016-2019



DISCOUNT BANK'S TRAVEL EMISSIONS

Carbon dioxide equivalent tons in the years 2016-2019



**Note:** Emissions caused by employee travel taken from the carbon footprint data of the Bank. Emissions from diesel oil and gasoline are part of the emissions in Scope 1; emissions caused by employee flights are part of emissions in Scope 3.

RESPONSIBLE CONSUMPTION OF RESOURCES AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

**MERCANTILE DISCOUNT BANK**  
Similarly to Discount Bank, MDB has also adopted many and varied energetic efficiency measures.

**Cutting down electricity consumption**  
MDB has taken a number of actions aimed at increasing energetic efficiency, including use of electricity saving light bulbs and the installation of efficient air conditioning systems (VRF) in new branches. Furthermore, presence sensors have been installed in meeting rooms, and at the Management premises the automatic turning-off of lights and air conditioning is activated as from the afternoon hours. A main switch exists at the branches for the general turning-off of electric power at the end of the working day.

MDB monitors its electricity consumption and examines frequently the electricity consumption per square meter of space, in order to identify opportunities for higher energetic efficiency.

**Cutting down fuel consumption**  
MDB acts towards the reduction in the consumption of fuel and in greenhouse gases emission. Available to employees is a shuttle service from the Management building in Holon to the Jubilee Tower in Tel Aviv and back, performing two rounds per day, for six days weekly. In addition to that, motor vehicles were put at the





disposal of employees for joint travel for work purposes. In 2019, hybrid vehicles comprised 25% of the vehicle fleet, following the preference given to economic leasing vehicles on having a low pollution level. Furthermore the bank started to hold meetings by way of video conferences, while increasing the number of conference rooms enabling such meetings.

"Paperless project"

A designated project for the savings in paper was put into operation since the beginning of 2017, inter alia, with the aim of turning MDB into an environment friendly green bank. Processes using large quantities of paper and processes in which the use of paper is superfluous have been identified within the framework of the project, and following the mapping and examination of such processes, digital processes have been created and/or such that obviate printing, to the extent possible, within the framework of the regulatory requirements and procedures.

Following are a number of examples of paper reducing: encouraging customers to change to the use of alternative digital

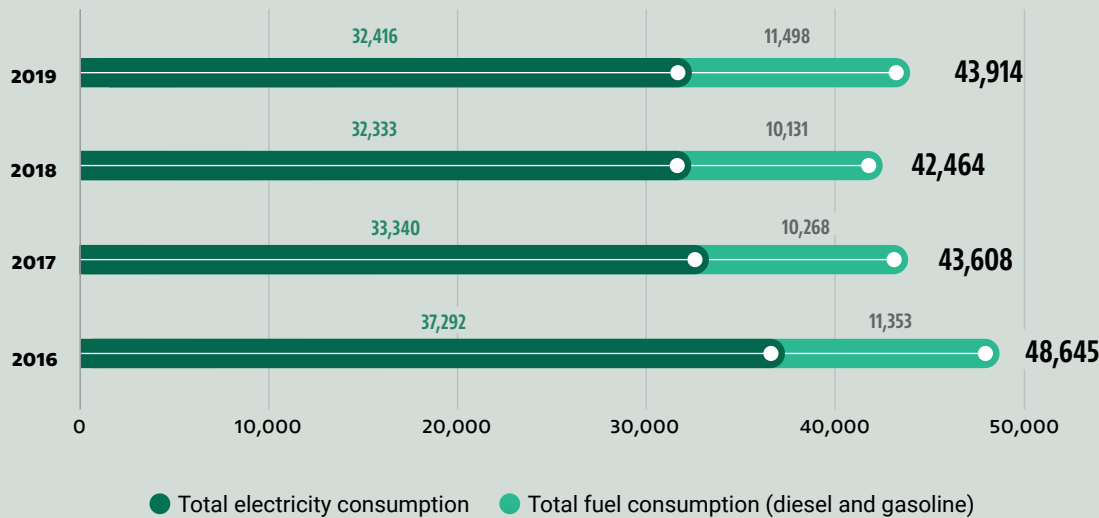
channels (green mail, the Application, a designated SMS system, etc.); purchase of laptops and tablets for use in meetings; installation of two monitors in each work position enabling the parallel use of two systems, with no need for printing; a digital interface with credit companies and insurance companies allowing the delivery of forms in an easy manner; the printing of forms only if required by regulation.

Presentation of proper disclosure at information desks

MDB is required to publish daily proper disclosure at each of its branches. All paper based notice boards have been replaced by designated digital screens.

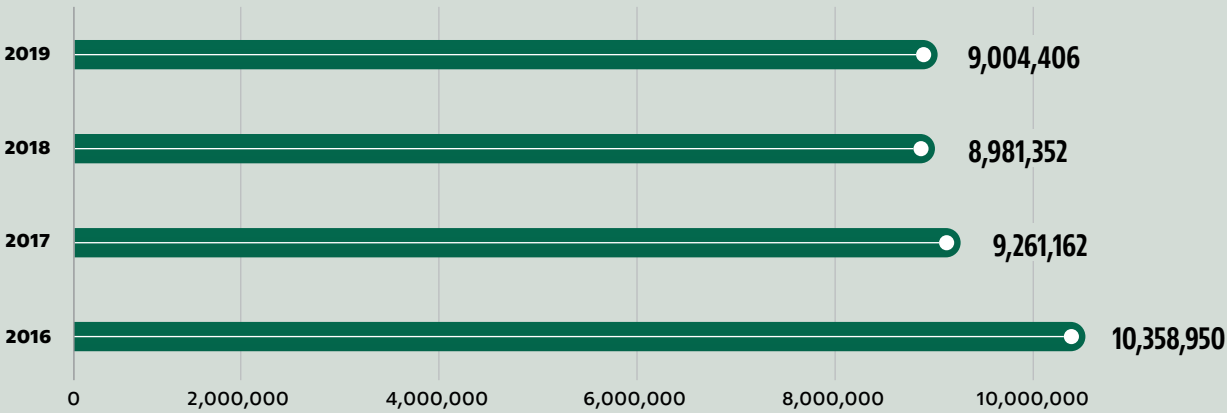
The project introducing the digital signature upon screens at the branches is planned to become operative in 2020, thus obviating the printing of very large quantities of paper. A wide range move for the scanning of documents is planned for 2020, which would allow the reading and deciphering of the scanned files (using the OCR technology) and the automatic transmission thereof to a digital archive.

BREAKDOWN OF MDB'S CONSUMPTION OF ENERGY FROM VARIOUS SOURCES<sup>34</sup>  
in GJ units, in the years 2016-2019



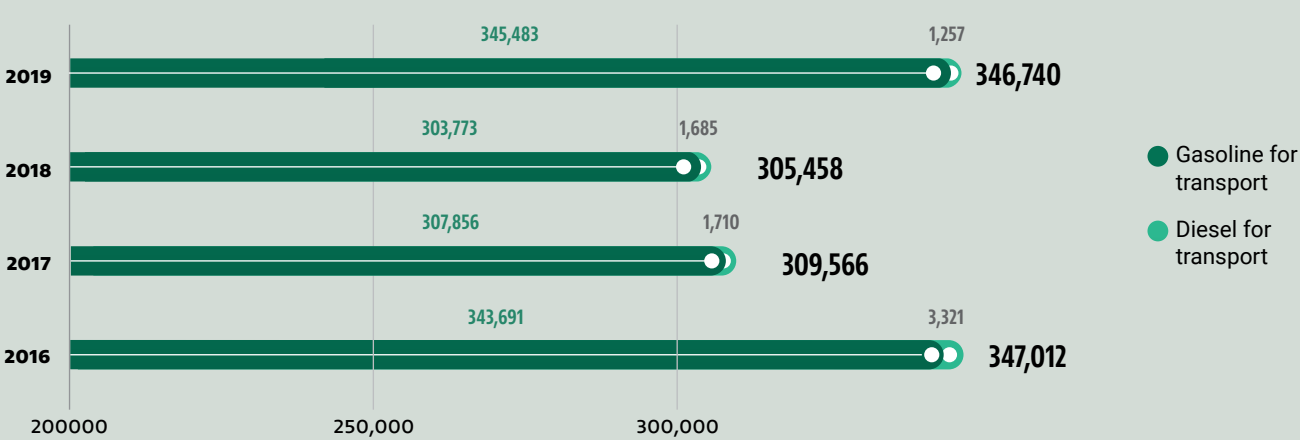
34 102-48.

MDB'S CONSUMPTION OF ELECTRICITY  
in kW-h, in the years 2016-2019



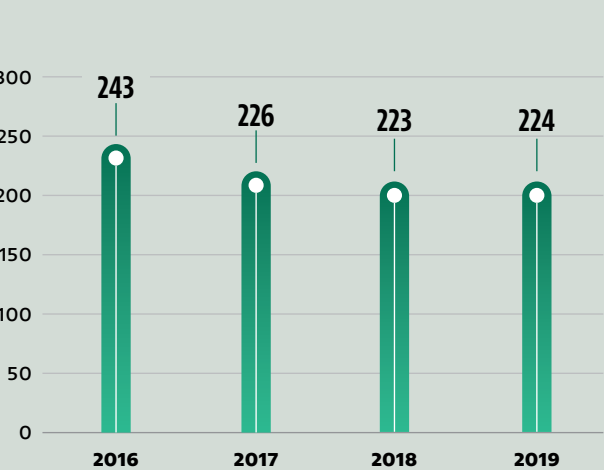
Note: The electricity consumption at the rental properties of MDB is assessed on the basis of the average kw/h price.

MDB'S FUEL CONSUMPTION<sup>35</sup>  
in liters, for employee travel and generators



Note: MDB does not consume diesel oil for generators.

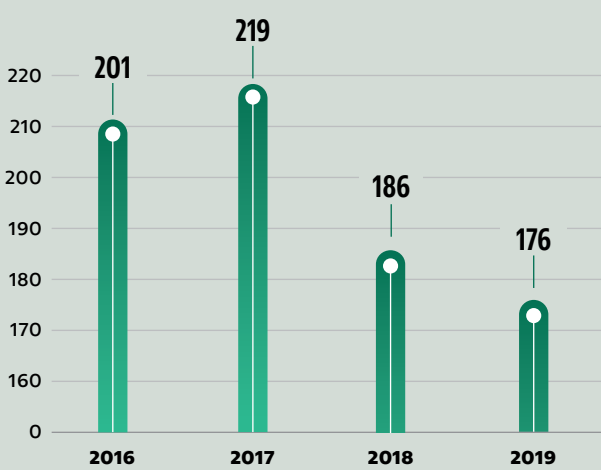
MDB'S ENERGETIC INTENSITY  
total kW-h/sq.m., in the years 2016-2019



Note: The energetic intensity data for the year 2018 have been changed due to data improvement.

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MDB'S PAPER CONSUMPTION  
in tons, in the years 2016-2019



ICC

→ ICC is also promoting the responsible consumption of resources and the improvement of its environmental performance, as an integral part of its work for the implementation of sustainable development principles, with responsibility, fairness and transparency comprising the basis for its operation. Striving to reduce negative environmental impacts that might arise from the services provided by the company, ICC includes environmental considerations in its decision making processes. To the extent possible, ICC utilizes natural light for the lighting of its offices, and in planning new premises and operational locations, use is made of materials that are not harmful to the environment, while adhering, to the extent possible, to green building principles.

Reduction in electricity consumption

ICC operates an automated control system designed to locate electricity sources left switched on, such as lighting and air conditioning, and to turn them off automatically during the hours in which the company does not operate continuously. Moreover, once yearly, ICC renews the coating of roofs of buildings owned by it with a white sealing material, contributing to the reduction in the warming-up of the buildings during the summer months, and to the saving in energy required for air conditioning.

Furthermore, the company has changed to the use of "lean" work stations instead of computers, within the framework of which some 1,100 ordinary work stations had been replaced by "lean" work stations. This move reduced electricity consumption from 280 Watts for a regular station to 36 Watts for a "lean" station. Furthermore, the company's computer screens are turned off automatically after a break in use of 20 minutes. The company stands for the promotion of awareness and responsibility for protection of the environment by its employees, and encourages patterns of conduct and professional skill to ensure work conditions friendly to the environment.

Reduction in fuel consumption

The motor vehicle fleet of ICC has been replaced during the recent years, and includes at present vehicles having smaller engines, which consume less petrol and cause lesser pollution. Replacement of the company's vehicle fleet led to a 5% saving in the company's fuel consumption. ICC discontinued in 2019 the transportation service for employees, and encourages the use of public transport, with a view of reducing the use of private vehicles.

Environmental control

ICC conducts environmental control activity, which includes measurement and monitoring of radiation in company premises. Current monitoring of the work environment is conducted, including attendance and radiation surveys, performed annually by outside independent companies in all premises of the company countrywide.

USE OF MATERIALS AND THE TREATMENT OF WASTE

→ ICC promotes the recycling of materials at its offices. 100% of the paper waste and electronic waste was sent for recycling in 2019.

Reducing paper consumption

Since the year 2015, ICC is encouraging its customers to receive their monthly transaction statements by e-mail instead of by regular mail. As of the end of 2019, 50% of the transaction statements of the company's customers are related to the CalMail service, and are delivered to customers as digital statements by e-mail. ICC has also reduced the consumption of paper in respect of the forms filled upon the issuance of credit cards or upon the joining of customer clubs, allowing a digital signature on tablets. Smart printers are installed at the company's offices requiring employees to slide their employee card in order to obtain paper prints. The major part of the company's waste comprises paper and carton, which is sent for recycling on an ongoing basis.

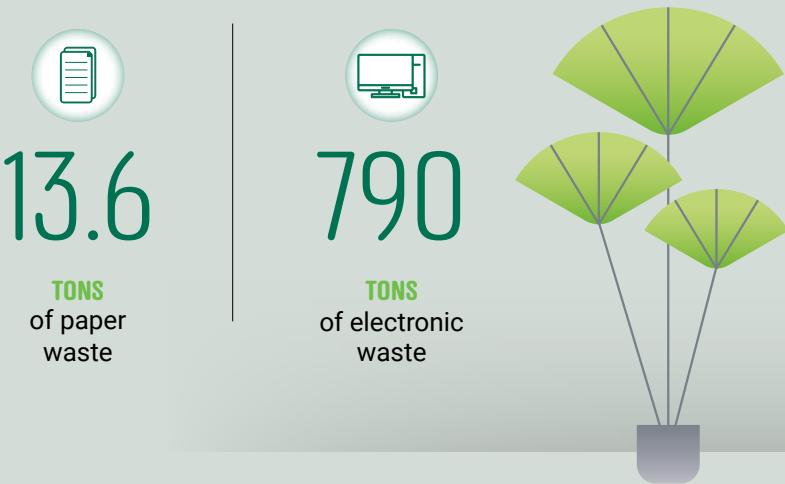
Reducing the consumption of plastics

In order to reduce the waste created by use of the company's products, the validity of a part of the credit cards issued by the company has been extended to five years. This move will contribute in the long run to the reduction in plastics consumed by the company. In each year, ICC performs an orderly shredding of surplus plastic cards and of defective cards, sending the shredded material for recycling.

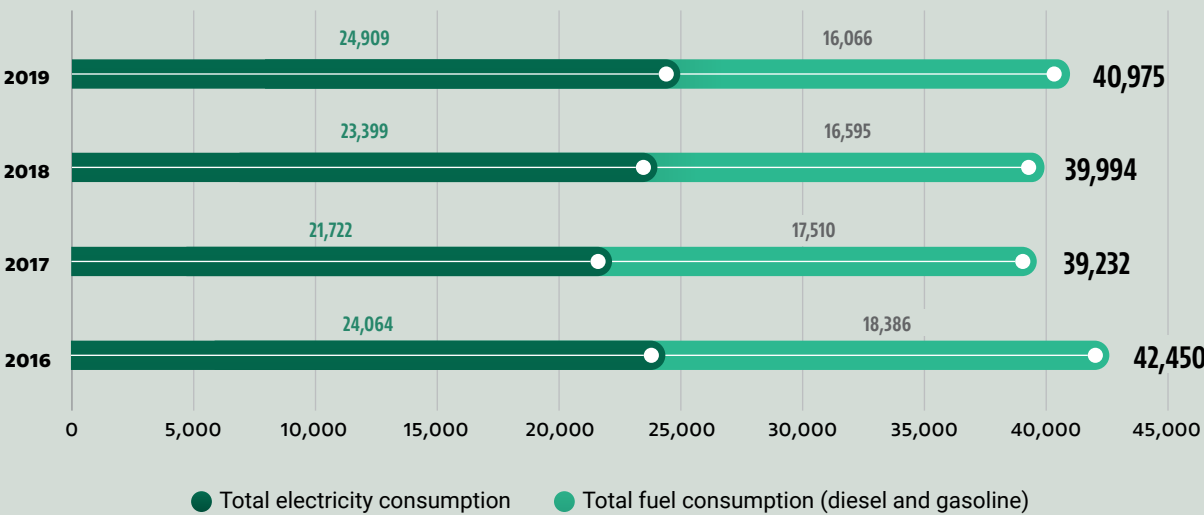
Reducing electronic waste

ICC sends for recycling in each year large quantities of electronic waste.

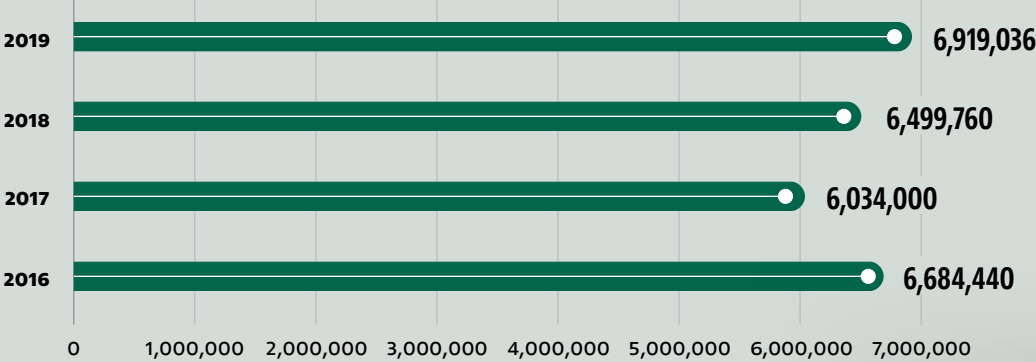
QUANTITY OF WASTE SENT FOR RECYCLING



ICC'S CONSUMPTION OF ENERGY FROM VARIOUS SOURCES<sup>36</sup> in GJ, in the years 2016-2019



ICC'S CONSUMPTION OF ELECTRICITY kW-h, in the years 2016-2019

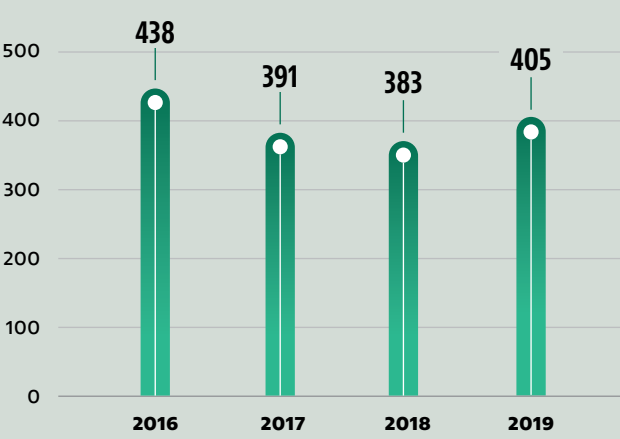


Note: The increase in 2019 stems from the growth in areas used by the company.

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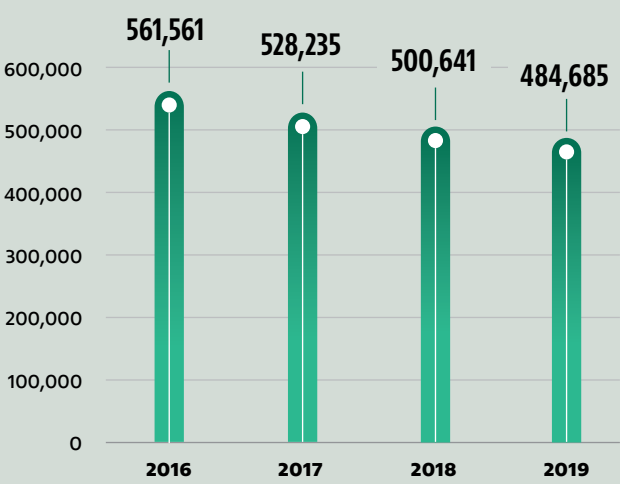
ICC’S ENERGETIC INTENSITY

total kW-h/sq.m., in the years 2016-2019



ICC’S FUEL CONSUMPTION<sup>37</sup>

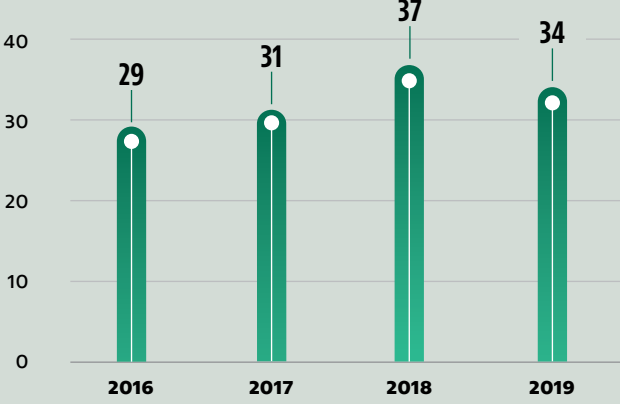
in liters, for employee transport and for generators in the years 2016-2019



Notes: Use of emergency power generators by ICC is negligible (a few tens of liters per year).

ICC’S PAPER CONSUMPTION

in tons, in the years 2016-2019



IDB BANK

Recycling project

➔ All businesses in the city of New York are required by law to recycle certain materials and do their utmost to verify that recyclable material is properly treated by their suppliers of waste removal services.

IDB Bank has engaged a private authorized waste removal supplier IESI (Waste Connection) and has developed a waste removal plan.

The Municipal Authority of New York has issued to IDB Bank Business Integrity Commission (BIC) stickers, which identify the authorized private waste removal service supplier of the bank. The sticker is attached to a front window and is clearly visible from the sidewalk edge at the entrance to the building.

IDB Bank is authorized to collect recyclable waste with no prior sorting. Recycling with no prior sorting means that all recyclable material (metal, glass, plastic [MGP] and paper) may be placed in the same waste bin.

IDB Bank's building Management has provided at least two waste bins on each floor (in a storage room / pantry and other public areas): one of the waste bins with a black plastic bag is labeled for general garbage. The other bin (blue) with a clear plastic bag is labeled for all recyclable materials (MGP and paper).

In addition, Management of the building has posted (at eye level, as required by law) guiding posters detailing the type of waste to be placed in the recycle bin and the waste intended to the general waste bin.

Management of the IDB Bank building has also placed posters intended for the cleaning staff at the waste collection area and at the loading ramp at the back of the building. The recyclable waste and the other waste is collected and transported separately during the night by the waste removal service supplier of IDB Bank.

GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

Discount Bank	✓ Done	Energy - reducing electricity consumption - 2% annually.
	✓ Done	Reducing the carbon footprint in Scope 1 and Scope 2 by 1% per year.
	✓ Done	Planning of the "paperless head office" project and the "paperless branch" project and bringing them for the approval of the Bank's Management.
	✓ Done	Preparation for the implementation of digital signature on documents at the branches, to be carried out during 2020.
MDB	✓ Done	Preparation for the implementation of digital signature on documents at the branches, to be carried out during 2020.

FUTURE GOALS

Discount Bank	Reducing electricity consumption by 2% annually.
	Continuing the replacement of vehicles by hybrid vehicles – replacing 23 additional vehicles.
MDB	Introducing the digital signing of documents at the branches.
	Introducing the scanning of documents project and storing them in a digital archive.



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# 09

## CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE

WITHIN THE BANK'S CORPORATE GOVERNANCE CODE, IT HAS BEEN DETERMINED THAT THE BOARD OF DIRECTORS IS RESPONSIBLE FOR PRESCRIBING HIGH STANDARDS OF CONDUCT, DESIGNED TO ENHANCE PROFESSIONAL CONDUCT AND INTEGRITY AND FOR THEIR ASSIMILATION THROUGHOUT THE ORGANIZATION. THE BANK ACTS AND WILL ACT IN ACCORDANCE WITH AN ETHICAL CODE THAT IS INTENDED TO REFLECT THE VALUES OF THE BANK AND TO DETERMINE PROPER STANDARDS OF BEHAVIOR AND FAIR AND TRANSPARENT CONDUCT WITH RESPECT TO THE CUSTOMERS



## CORPORATE GOVERNANCE CODE FOR THE DISCOUNT GROUP

➔ The Corporate Governance Code, approved by the Bank's Board of Directors in October 2009, reflects the implementation of a "best practice" policy in the corporate governance field. The Code is based on the provisions of the law and various regulations applying to the Bank in the corporate governance field. In December 2017, the Board of Directors approved updates to the document. The updated document is available for review on the Bank's website.

This document is designed to present the corporate governance rules that guide the activity of the Discount Group. These rules are intended to govern the conduct of the Discount Group, inter alia, with the aim of ensuring that the Group will manage its risks in a proper and useful manner, will increase its earnings in favor of its shareholders and will act to maintain the interests of its customers. The corporate governance rules detailed in the document reflect the perception of the Discount Group regarding everything relating to the values of the Group, to the decision-making processes, risk management and proper and adequate control and supervision procedures.

Within the framework of the implementation of the corporate governance plan, the Board of Directors approved a work procedure vis-à-vis the subsidiary companies. Moreover, the Bank's Board of Directors approved a procedure for the approval of transactions with interested parties in the Bank.

IDB Bank's Board of Directors reviews and approves the Corporate Governance

Guidelines from time to time, but at least annually. The Guidelines were first approved in 2008 and most recently in 2018.

The Corporate Governance Code of MDB was approved by the Board of Directors of MDB in January 2013 and was updated most recently in June 2018.

The Corporate Governance Code of ICC was approved by the Board of Directors of ICC in November 2014 and was most recently validated in June 2020. The Code is available for review on the company's website.

### CORPORATE GOVERNANCE QUESTIONNAIRE

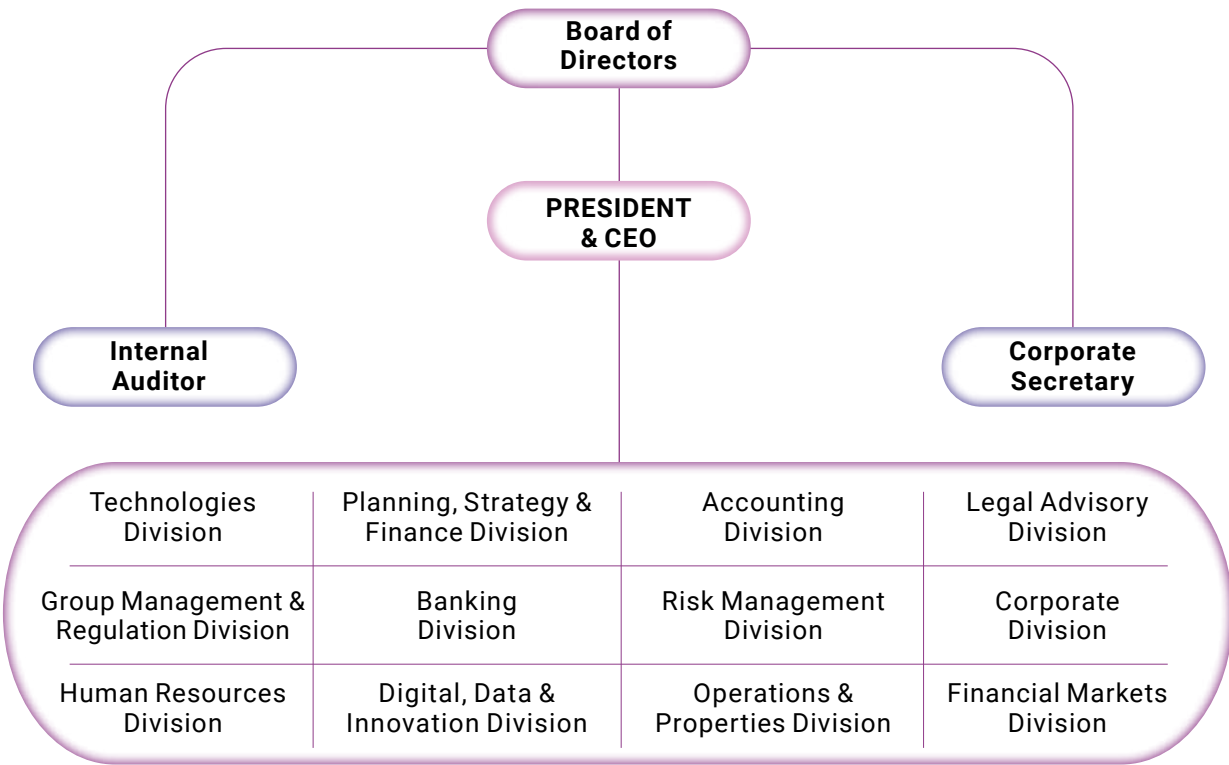
➔ The Bank's corporate governance questionnaire for 2019 is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel-Aviv Stock Exchange Ltd. together with the Bank's 2019 Annual Report.

## THE GENERAL MEETING OF SHAREHOLDERS

➔ The Agenda for the general meeting of shareholders is determined by the Board of Directors, however, according to the Companies Act, a shareholder who holds at least one percent of the voting rights in a general meeting of shareholders, may request the Board of Directors to include an item on the agenda of a general meeting to be convened in the future, on condition that this item merits a discussion at the general meeting of shareholders.

In accordance with the provisions of the law, the Bank has to publish a notice at least twenty-one days prior to the notice convening a general meeting of shareholders, when a proposal for the

### DISCOUNT BANK'S ORGANIZATIONAL STRUCTURE CHART



Note: Discount Bank's organizational structure chart in 2019

appointment of directors or the termination of their office appears on the agenda of the meeting. The preliminary notice includes details of the subjects on the agenda of the coming general meeting. In the notice convening a general meeting of shareholders, the Bank provides details of the agenda of the meeting being convened, the proposed resolutions and the majority required for the different resolutions.

Voting at the general meeting is done using a voting ballot, personally by the shareholder or his legal representative or, alternatively, using an electronic voting system.

Under the provisions of the law, an extraordinary general meeting is to be convened by a resolution of the Board of Directors and also at the demand of two directors or of a quarter of the serving directors or of shareholders holding five percent of the issued capital, or five percent of the Bank’s voting rights.

The above stated, excluding the determination of the agenda by the Board of Directors, does not apply to MDB and to ICC, both being private companies.

# THE BOARD OF DIRECTORS

## PROCEDURE OF APPOINTMENT OF DIRECTORS

➔ The appointment of members of the Bank’s Board of Directors is made by the general meeting of shareholders, and everything according to the provisions of the law applying to the Bank as a public company and as a banking corporation having no core controlling interest and in accordance with the Bank’s articles. The provisions determine special qualifying conditions regarding the qualifications and experience required from whoever serves as director of a banking

corporation. According to the Banking Ordinance the Supervisor of Banks has to be informed in advance of the intention to appoint a director, and the Supervisor has the authority to oppose such an appointment.

The Bank is a banking corporation without a core controlling interest, subject to special provisions regarding the appointment of directors, their service and termination of service. In accordance with these provisions, voting on the appointment of directors shall take place only at the annual general meeting or at a meeting convened under Section 35A of the Banking Law (Licensing), 1981 (hereinafter: “the Banking Law”); the period of service of a director who is not an external director is limited to three years, and the cumulative period of his service is limited to nine years; the number of directors who are to be replaced in each year shall not exceed one half of the number of the serving directors.

According to the Banking Law, an external statutory committee was established for the appointment of directors in a banking corporation not having a core controlling interest, the duty of which is to propose to the general meeting candidates to serve as directors. According to the Law, the Governor of the Bank of Israel appoints the committee, which has five members. The committee is chaired by a retired Supreme Court or District Court judge, who is proposed by the Minister of Justice in consultation with the President of the Supreme Court. Two of the members who serve on the committee are proposed by the committee’s chairperson, after consulting with the chairperson of the Israel Securities Authority. These members are persons from the business and economics field or persons from a senior academic faculty of higher education institutions, in a relevant sphere, or persons who were previously from such a faculty. In addition, serving on the committee are two external directors,

who serve on the board of the banking corporation that is the subject of the committee’s discussions, and which were proposed by the chairperson of the committee, and the two members previously referred to, in consultation with the Supervisor of Banks.

Concurrently with the committee, in the case of a banking corporation having no core controlling interest, a shareholder and/or a group of shareholders that hold more than two and a half percent of a certain class of means of control in the corporation, are entitled to propose to the general meeting candidates for election as directors.

## INDEPENDENCE OF THE BOARD OF DIRECTORS

➔ The independence of the Board of Directors is as prescribed in the Banking Ordinance, 1941, the Companies Act, The Banking Act (Licensing), 1981, and Proper Conduct of Banking Business Directive No. 301. Subject to the aforesaid, all of the members of the Bank’s Board of Directors are not officers of the Bank nor their relatives, nor do they have an affiliation to the banking corporation or to a corporation under its control or to a holder of means of control, nor do they have a business or professional relationship with any of the aforementioned, as these terms are defined in the law. For further details on this topic, see the “Corporate Governance Code” on the Bank’s website.

For additional details regarding the Bank’s Board members, see the 2019 Annual Report (p. 294) and the Periodic Report for 2019 (Regulation 26). For additional details regarding members of the Board of Directors of Mercantile Discount Bank, see the 2019 Annual Report of this bank (pp. 273-276 of the Hebrew report). For additional details regarding members of the Board of Directors of ICC, see the 2019 annual report of this company (pp. 196-199).

## PROCEDURE OF APPOINTMENT OF DIRECTORS AT THE PRINCIPAL SUBSIDIARIES

➔ MDB and ICC are private companies. The appointment of directors at MDB and at ICC is made in accordance with their qualifications and in accordance with Proper Conduct of Banking Business Directive No. 301. Appointment of members of the Board of Directors in ICC is made in accordance with the ratio of holdings between Discount Bank and FIBI and in accordance with guidelines set in the shareholders agreement and the company’s articles. The Bank’s Board of Directors approves the decision regarding the appointment of directors of MDB and of ICC.

The appointment of a director at MDB and at ICC requires the approval of the Bank of Israel, following a full “fit and proper” (F&P) process, with this also applying to external directors according to Directive No. 301. The appointment and the renewal of the approval is done every three years.





COMPOSITION OF THE BOARD OF DIRECTORS<sup>1</sup>

The Corporation	Discount Bank	Mercantile Discount Bank	ICC	IDB Bank
Number of directors	10	9	8	10
Directors qualified as external directors	10	3	3	6 <sub>-</sub>
Of which: External directors <sup>2</sup>	3	5 <sub>-</sub>	5 <sub>-</sub>	6 <sub>-</sub>
External directors in terms of Directive 301 <sup>3</sup>	4	3	3	6 <sub>-</sub>
Directors with professional qualifications <sup>4</sup>	10	8	7	7 <sub>-</sub>
Directors with accounting and financial expertise	10	4	7	7 <sub>-</sub>
Women	3	2	4	2
Men	7	7	4	8
Age: Up to 50	1	1	2	3
51-60	1	1	3	2
61-70	6	7	3	2
Over 70	2	-	-	3

**Notes:**  
1 The data is updated through the date of publication of the 2019 Annual Report.  
2 In terms of the Companies Act, 1999.  
3 External directors in terms of Directive No. 301 of the Proper Conduct of Banking Business Directives, and as such also qualify as external directors in terms of the Companies Act.  
4 Within the meaning of the term in the Companies Regulations (Conditions and Tests for Directors Having Accounting and Financial Expertise and a Director Having Professional Qualifications), 2005.  
5 The duty to appoint external directors in accordance with the Companies Act does not apply to MDB and to ICC, both being private companies.  
6 The provisions of the Companies Act and of Proper Conduct of Banking Business Directive No. 301 do not apply to IDB Bank. This notwithstanding, IDB Bank's corporate governance guidelines require that a minimum of one-third of the directors be independent and define the criteria for that independence. In actual fact, six of the directors meet the aforesaid requirements.  
7 The provisions of the Companies Act and of Proper Conduct of Banking Business Directive No. 301 do not apply to IDB Bank. This notwithstanding, the three members of IDB Bank's Audit Committee all have general financial literacy, as required by the Audit Committee's deed of authority. Two of them have expertise in banking or in financial management matters. All directors, pursuant to IDB Bank's corporate governance guidelines, must have experience or expertise in one or more of the following fields: banking, finance, economics or business, law, management or accounting.

SEGREGATION OF THE CHAIRMAN OF THE BOARD'S DUTIES

Mr. Shaul Kobrinsky serves as the Chairman of the Bank's Board of Directors since December 3, 2018. Mr. Kobrinsky does not hold any other office at the Bank. The Chairman of the Board of Directors of MDB through March 31, 2019 was Mr. Yair Avidan; since April 1, 2019, Ms. Esther Deutsch, a Senior Executive Vice-President of Discount Bank, has held this position. Neither Mr. Avidan nor Ms. Deutsch held any other office at MDB. The Chairman of the Board of Directors of ICC through August 15, 2019 was Mr. Ran Oz; since August 16, 2019, Ms. Esther Deutsch, a Senior Executive Vice-President of Discount Bank, has held this position. Neither Mr. Oz nor Ms. Deutsch held any other office at ICC.

ACTIVITY OF THE BOARD OF DIRECTORS

In accordance with the Companies Act, the Board of Directors will outline the policy of the corporation and will supervise the activities and duties of the CEO.

Proper Conduct of Banking Business Directive No. 301 prescribes that the Board of Directors bears responsibility for the business of the banking corporation and for its financial strength. Within this framework, the Directives provide, inter alia, that:

- > The Board of Directors will outline the strategy of the banking corporation, including the risk strategy and risk appetite, and will approve the banking corporation's policy that will guide the banking corporation in its ongoing activities;
- > The Board of Directors will supervise the activities of management and their consistency with the policy of the Board of Directors;
- > The Board of Directors will ensure the establishment of clearly defined spheres of responsibility and accountability within the banking corporation;
- > The Board of Directors will outline the organizational culture of the banking

corporation, which requires the implementation of high standards of professional conduct and integrity;

- > The Board of Directors will ensure that the banking corporation operates in compliance with the law and regulations.

The Board of Directors appoints the President & CEO and approves the appointment of the members of management by the President & CEO. The Bank's Board of Directors also approves the appointment of directors at the Bank's Material subsidiaries.

It should be noted that the corporate governance code of the Discount Group, has determined, among other things, principles regarding the duties of the Board of Directors, the manner in which it operates and its independence.

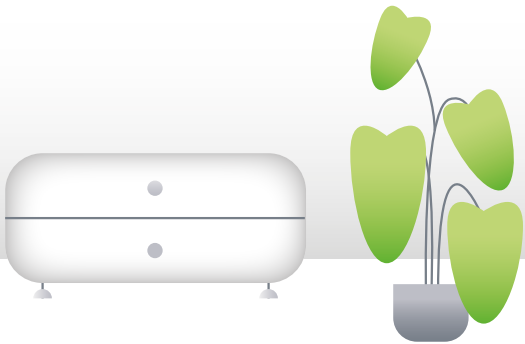
Determination of the agenda of the Board of Directors

The agenda for the meetings of the Bank's Board of Directors is determined by the Chairman of the Board, taking into consideration the different regulatory requirements, including corporate legislation, the Proper Conduct of Banking Business Directives, etc.

Issues concerning risk management, corporate governance and social responsibility are discussed by the Board and/or by the Board's committees, where required and/or in accordance with regulatory duties and the Bank's policy.

Work procedure of the Board of Directors and its committees

The Board of Directors and its committees operate in accordance with a procedure determined for their work, within the framework of which are prescribed, among other things, the duties and powers of the Board itself and of the various Board committees, their manner of operation, the reports that have to be submitted to them and their frequency, and issues and transactions that require their approval.



The Board of Directors updates the procedure from time to time, as required.


#### Assessment of the effectiveness of the work of the Board of Directors

In accordance with Proper Conduct of Banking Business Directive No. 301, the Board of Directors performs, once every two years, for internal purposes, a process of self-assessment. This is intended to test the efficiency of the Board of Directors' work, to identify weaknesses in its work and make the necessary changes where required.

The self-assessment process is conducted by means of questionnaires relating to aspects of the work of the Board of Directors and its committees, including: the commitment and independence of the Board of Directors, outlining the strategy of the Bank and of the Group and monitoring its implementation, the activities of the subcommittees and the coordination between them, supervision and control over the performance of the Bank and management, and so forth. The process at Discount Bank is conducted with the assistance of an external party, which, among other things, assists in the formation of the questionnaire and in the gathering and analysis of the findings stemming therefrom. The process was last performed in October 2018 (at MDB – in December 2019, at ICC – in April 2018).

**Training and refresher courses for members of the Board of Directors** – The Bank runs a training program for new directors concerning the Bank's activities and the laws that apply to the Bank and its directors. The Bank takes pains to conduct a follow-up training program for the serving directors, which is customized, inter alia, to the position that the director fills within the corporation. As part of the ongoing reporting and discussions, reviews and updates regarding banking activities and the related regulations are brought before the directors, as are various other matters with which the Board of Directors and its committees are engaged.

## COMMITTEES OF THE BOARD OF DIRECTORS

 The Bank's Board of Directors acts, inter alia, through subcommittees. As a general rule, all committees are permanent committees, some of which are in accordance with statutory requirements. Ad-hoc committees are formed from time to time to deal with certain matters. The composition of the Board of Directors and its committees and their duties are determined in accordance with the relevant legislation and the Proper Conduct of Banking Business Directives. The duties of the Board of Directors and of its committees are also defined in internal procedures, and the work procedures of the Board of Directives and of its committees. The following are the main duties of the subcommittees:

#### Credit Committee

The Committee is authorized to deal with various matters concerning the credit operations of the Bank and the Group. Inter alia, the role of the Committee is to support the Board of Directors in outlining the credit management strategy, as well as to discuss and make recommendations to the Board of Directors with regard to the Bank's credit policy document.

The Committee discusses, inter alia, the following matters: the Bank's credit policy; the Group and the Bank's (on a standalone basis) credit risks document; compliance with the credit policy document; effectiveness of the credit policy; retail credit portfolios of the Bank, and of the subsidiaries ICC and MDB; debt collection procedures policy and the periodic report of the head of the function that handles debt collection; the Bank's policy regarding its activity with external mortgage consultants; drawing conclusions with regard to default cases; and so forth. The Committee discusses the yearly and multiyear credit control work plan and the annual report of the credit controller. The Committee also holds a discussion with the credit controller on his own.

The Committee is authorized to discuss and approve credit applications that deviate from the credit policy, as well as applications under conditions and amounts exceeding the minimum determined by the Board of Directors from time to time.

#### Audit Committee

The Committee discusses the annual and multiyear internal audit work plan, makes recommendations regarding such plan to the Board of Directors and monitors the plans' implementation.

The Committee discusses material audit reports of the internal audit, the quarterly and semi-annual reports submitted by the internal auditor, which, inter alia, include a summary of the audit reports prepared by the Internal Auditor and the annual report regarding the operations of the internal audit. The Committee discusses the audit reports of the Supervisor of Banks, of authorities and of the Bank's independent auditors, and the proposed response of management to the issues raised in such reports.

The Committee makes recommendations to the Board regarding the appointment of an internal auditor or his removal from office and also makes recommendations to the Remuneration Committee regarding the salary and remuneration of the internal auditor and his promotion. In addition, the Committee makes recommendations to the Board of Directors regarding the letter appointing the Internal Auditor/internal audit function and approves the plan for assuring the quality of the internal audit function.

The Committee receives on an ongoing basis reports regarding disciplinary events and regarding the manner in which management has dealt with such cases.

The Committee examines deficiencies in the business management of the Bank and proposes ways of rectifying them.

The Committee approves the annual

work plan of the Compliance Officer and conducts semi-annual monitoring of its implementation. The Committee discusses the annual work plan of the Anti-Money Laundering Officer and conducts semi-annual monitoring of its implementation.

The Committee approves the policy document regarding the handling of public complaints and the service charter and discusses the periodic report of the Public Complaints Commissioner.

The Committee discusses the independent internal audit review with regard to ICAAP (a document summarizing the internal capital adequacy assessment process).

The Committee holds discussions with the audit and control functions on their own, in the presence of the Committee members and the relevant officer alone.

The Committee discusses transactions with "related persons", as required under Directive no. 312 of the Proper Conduct of Banking Business Directives, and actions and transactions as required by the provisions of the Companies Act.

The Audit Committee is responsible for supervising the work of the Bank's independent auditors, including making recommendations to the Board of Directors regarding the remuneration of the independent auditors, as well as examining the scope of their work and their remuneration and presenting its recommendations to the Board of Directors. It is also responsible for bringing its position before the general meeting whenever the agenda of a general meeting includes the termination of office of the independent auditor or the non-renewal of its office. Once every three years, the Audit Committee holds a discussion regarding the possibility of replacing the existing independent auditors of the Bank.

The Committee discusses the Bank's draft of the annual report and the

quarterly reports to the public (“the Financial Statements”) and submits recommendations to the Board with respect thereto. As part of the discussions on the Financial Statements, the Committee discusses the matter of customers where the allowance recommended to be made with respect thereto in the relevant quarter is in an amount greater than that prescribed by the Board. Furthermore, the Committee discusses the matter of disclosures regarding the accounting policy on critical topics and regarding critical accounting estimates. Moreover, the Committee discusses and makes recommendations to the Board of Directors regarding the formal disclosure policy of the Bank.

Prior to the issue of a prospectus, the Committee discusses the draft prospectus before its submission for approval of the Board and makes recommendations to the Board regarding the draft.

Furthermore, the Committee makes recommendations to the Board in all matters relating to internal control over the financial reporting, in everything relating to the supervision over the current management of financial reporting risks, in accordance with Section 404 of the Sarbanes Oxley Act. The Committee approves the financial reporting risk management policy and the annual work plan for financial reporting risk management (SOX 404), and also monitors the progress of the plan's implementation.

The Committee receives an annual review from the independent auditors regarding the audit of the Financial Statements and regarding new developments in standards and regulation in Israel and the world over, as well as a quarterly review (the independent auditors' communications with the functions responsible for overall control).

The Committee also discusses the corporate governance questionnaire prior to its discussion in the plenum.

The Committee discusses and makes recommendations to the Board of Directors in matters regarding the existence of permanent conflict of interests of a director of the Bank. The Committee also discusses the issue of negligible relations regarding a director/candidate for office of director of the Bank, in accordance with the provisions of the Banking Ordinance and the Companies Act.

The Audit Committee has to approve whether and to what extent a candidate, who meets the qualification terms of an external director, also meets the qualification terms of an independent director under the Companies Act.

#### Risk Management Committee

The Committee is authorized to discuss and to make recommendations to the Board of Directors in any matter relating to the overall risk strategy, including the risk management and risk exposure policy, in the Bank and in the Group. Within this framework, the Committee's role is to exercise control and supervision over the manner in which Management implements the overall risk strategy, including the risk appetite, as outlined by the Board of Directors, and also to discuss the scope of the exposure to the various risks and limitations on exposure; organizational preparations and corporate governance for the implementation of the risk strategy for exposure management and control; and also updating of the Board of Directors' procedures in the risk management field.

Furthermore, it is up to the Committee to ensure that new or developing risks are managed as required, and that the Bank's Management allocates appropriate resources to these. Moreover, it is the Committee's task to exercise control and supervision over the risks involved in the activities of the Bank's investee companies from the perspective of risk-based materiality.

The Committee is in regular contact with the Chief Risk Officer (CRO) and with the other

audit and control functions so as to update the latest risk profile, the risk appetite, the limits and the deviation thereto, material default events, and the risk mitigation plans. In addition, the committee has established a work interface with the Audit Committee of the Board of Directors on material matters relevant to its sphere of responsibility.

The CRO submits immediate reports to the Committee and, if required, also to the Board of Directors, on any matter, finding or deficiency found in the area within the duty and authority of the Committee, which might have a material effect on the risk management at the Bank and the Group and/or on their business as well as other topics, at its discretion before the Committee for discussion (the aforesaid is also applicable in relation to MDB and ICC).

The Committee discusses periodic reports on the issues from the risk management field in the Bank and in the Group, in accordance with Proper Conduct of Banking Business Directives and according to need. Inter alia, annual discussions take place regarding the risk appetite declaration, the Bank of Israel's uniform stress testing, the results of the holistic stress testing and the effects thereof on the capital, within the framework of the ICAAP, and the SREP letter and the Group's preparations for its implementation.

The Committee holds discussions on the Group policy documents and on the core documents in the field of risk management, at the frequencies prescribed for such discussions, and approves them or makes recommendations to the Board of Directors for their approval. Inter alia, the Committee is authorized to discuss and make recommendations to the Board of Directors with regard to the internal capital adequacy assessment process (ICAAP), with regard to insurance of the Bank and the Group and with regard to business continuity. Furthermore, the Committee is authorized to approve, or recommend

that the Board of Directors approves, new products and activities.

The Committee holds a quarterly discussion as a secondary risk management committee in connection with activity in the United States (IDB Bank), inter alia, in accordance with the Proper Conduct of Banking Business Directives with regard to the supervision of overseas extensions.

#### Resources Committee

The Committee discusses matters relating to human resources, labor relations and labor agreements. The Committee monitors the process of updating the code of ethics and formulating the vision, values and rules of conduct of the Bank. It discusses the policy for social responsibility management, including reviewing the Bank's social commitment activity, and also the Corporate Social Responsibility Report.

The Committee ensures that a suitable plan exists for advancing a future Management pool, discusses the mobility policy for the Bank's officeholders and monitors the policy's implementation.

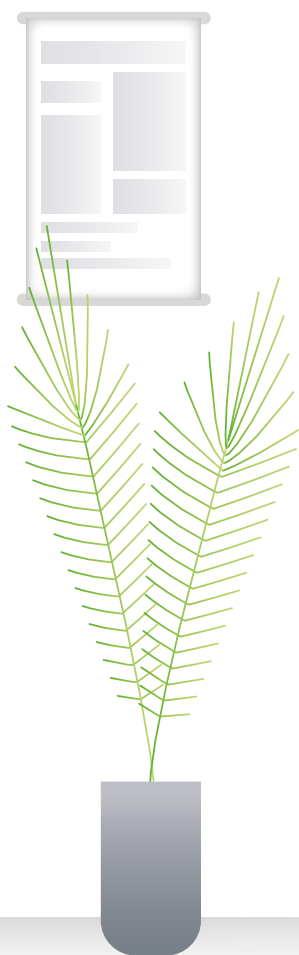
The Committee discusses matters pertaining to the relocation to the Discount Campus and the Bank's properties (real estate) management policy.

#### Remuneration Committee

This Committee has been given the duties and powers required pursuant to Amendment No. 20 of the Companies Act and under Proper Conduct of Banking Business Directives.

The Committee discusses and makes recommendations to the Board of Directors regarding the remuneration policy for the Bank's employees and its senior officers.

Where required, and prior to approval by the Board of Directors and the general meeting, the Committee approves the terms of engagement of the Bank with its senior





officers as regards their remuneration.

The Committee discusses the assessment of effectiveness of the remuneration policy and mechanisms.

The Committee approves the annual bonus to the officers.

The Committee holds discussions and makes recommendations to the Board of Directors regarding principles relating to the remuneration policy of principal corporations controlled by the Bank.


**Technologies & Innovation Committee**  
The Committee is authorized to discuss and approve and/or to make recommendations to the Board of Directors on the following issues: the IT strategy and policy and its management, including data security and cyber, the Bank's technological infrastructures, management and usage of databases, technological innovation in support of the business innovation and their alignment with the Bank's overall strategy and policy; how the Bank prepares for banking in the future and coping with the business challenges arising from technological innovation in general and disruptive innovation in particular; a framework for managing technological risks, including data security and cyber risks and innovation risks; annual work goals and plans; and, allocation of appropriate resources to achieve the planned activity of the banking corporation in the IT area, and data and innovation management.

The Committee discusses the following policy documents and makes recommendations to the Board of Directors regarding their approval: the IT management policy, the IT risk management policy, the IT risk tolerance declaration, the strategy and policy for cyber protection and data security management, the cyber risk tolerance declaration, the policy for using cloud computing technology and the policy for managing E-Banking risks.

The topic of privacy protection/customer privacy is discussed within the framework of the policy documents that are submitted to the Committee. Should there be technological aspects that relate to this topic, these are also brought before the Committee.

The Committee also approves projects and procurement agreements in the computer field, where the total amount of the investment therein exceeds NIS 35 million.

**MECHANISMS FOR THE PREVENTION OF CONFLICT OF INTERESTS AMONG DIRECTORS**

 In accordance with Proper Conduct of Banking Business Directive No. 301, it is not permitted to appoint a director whose current business interests create a permanent conflict of interest between himself and the banking corporation or where fear of such conflict exists. According to legislation, a director has a fiduciary commitment toward the corporation in which he serves, including a commitment to avoid any conflicting activity between his duties as director and any other office he may hold or between his personal interests and/or of any action constituting competition with the business of the company and avoiding the utilization of any business opportunity of the company with a view to obtaining benefits for himself or for another person. The Bank's Board of Directors has approved guidelines and quantitative criteria for the prevention, on a permanent basis, of conflict of interest, based on the scope of the business relations of the director, which raise suspicion of conflict of interest and the materiality of the business relations with the Bank. The Bank's Board of Directors has also approved guidelines for cases where a Director has a personal conflict of interests.

In addition, within the frameworks of the Companies Act and the Proper Conduct of Banking Business Directives, procedures

and mechanisms have been prescribed for dealing with cases where a conflict of interest exists, or may exist, between the corporation and an interested party therein. In this framework, the Law has determined the duties of disclosure, according to which a director is bound to declare any personal interest that he has in an existing or proposed transaction, to the extent required, for the purpose of determining a process of approval of a transaction, as stated, by the various organs (audit committee and/or the board of directors and/or a general meeting), as the case may be.

Inter alia, it has been prescribed that a director who has declared that he has such a personal interest regarding a specific matter, will not receive information from the banking corporation with regard to that matter, will not be present at a discussion pertaining to the matter in which he has a personal interest, and will not vote on such matter. The Directives also prescribe that a director who has an affiliation to a corporation in a secondary sector (a holding of at least 5% in one or more of the means of control over the corporation in the secondary sector, or serving as an officer of the corporation in the secondary sector), will not be present at discussions of the board of directors or of its committees that relate to a customer of the banking corporation, which is also a corporation in the same secondary sector, and will not receive information and reports with regard to that customer from the banking corporation.

The corporate governance code of the Discount Group, determines, among other things, that the Board of Directors shall determine a policy and principles for dealing with conflicts of interest, which are intended to protect the Bank from improper or illegal actions or from the influence of those who do not act in accordance with the best interests of the Bank.

Under the powers conferred upon it pursuant to the Companies Act, the Audit

**COMMITTEES OF THE BOARD OF DIRECTORS AT THE PRINCIPAL SUBSIDIARIES**

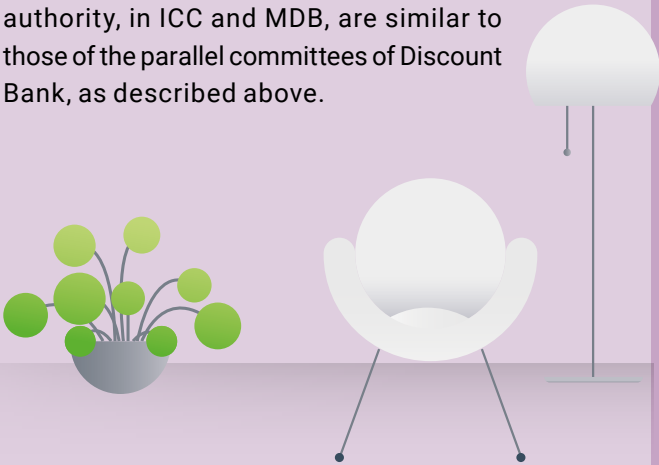
**MERCANTILE DISCOUNT BANK**

Operating at MDB are the following committees of the Board of Directors: Audit & Remuneration, Risk Management, Administration, Credit. The Administration Committee deals, among other things, also with the following matters: manpower, computerization, branches, organizational structure and efficiency. The Administration Committee receives reports from the President & CEO, from the VP Human Resources and Administration and from other parties in accordance with the subject matter. The Committee also receives reports regarding the bank's activity and employees in aid of the community and regarding the new code of ethics, which was deployed at the bank from 2017. The Committee monitors the implementation plan and the measures for assimilating the code.

**ICC**

Operating at ICC are the following committees of the Board of Directors: Strategy & Business Committee, Remuneration Committee, IT & Technological Innovation Committee, Risk Management Committee and the Audit Committee. The Remuneration Committee discusses also issues of manpower. The ICC's code of ethics was approved in July 2014 by the Board of Directors of the company. Reports regarding the social responsibility areas are submitted on a current basis to the Board of Directors of ICC.

The duties of the said committees and their authority, in ICC and MDB, are similar to those of the parallel committees of Discount Bank, as described above.



Committee of the Board of Directors has established yardsticks concerning transactions between the Bank and interested parties of the Bank, according to which decision would be made as to what transactions need to be brought before the Audit Committee for approval, whose duty it is to decide whether it is an irregular transaction that requires special approvals, in accordance with the Companies Act.

Furthermore, the Bank acts in conformance with the provisions of Proper Conduct of Banking Business Directive No. 312, in the matter of related persons, which sets requirements regarding obtaining approval of the Audit Committee for transactions between the Bank and persons related to the Bank, including transactions between the Bank and Officers of the Bank. In accordance with this Directive, the Audit Committee is required to confirm that the employment is not under preferential terms in relation to the customary terms of similar transactions that the Bank enters into with other parties.

In accordance with the aforesaid, a procedure has been prescribed for approving transactions with related persons and transactions in which an officer of the Bank has a personal interest. the aim of the procedure is to describe the manner of treatment required for transactions with related persons and transactions in which an officer of the Bank has a personal interest (whether transactions of the Bank with the officer himself or transactions of the Bank with others), in accordance with Proper Conduct of Banking Business Directive No. 312 and in accordance with the Companies Act.

It should be noted that according to Proper Conduct of Banking Business Directive No. 301, directors of the Bank are prohibited from serving also as directors of corporations controlled by the Bank, as well as from serving as directors of a financial body, the volume of whose assets exceeds NIS 2 billion.

The aforesaid applies also to the board of directors of ICC. Furthermore, it should be noted that, due to the membership mix of ICC's board of directors, which, inter alia, is composed also of directors who act as officers of the owner banks of ICC, discussions by the board which might expose commercial and business secrets, as well as a potential for the violation of the antitrust laws, are not held in the presence of the directors who act also as officers of the owner banks, which are also not exposed to the discussion materials, and – due to the complexity of the subject – these are actually brought before ad-hoc committees, composed of external directors, for an in-depth review of the matter.

## THE BANK'S MANAGEMENT

### THE PRESIDENT & CEO

→ The Bank's Board of Directors has the authority to appoint the President & CEO and is responsible for supervising and evaluating the performance of the President & CEO.

### MEMBERS OF MANAGEMENT

→ Members of management are appointed by the President & CEO, subject to the approval of the Board of Directors.

For additional details regarding the Bank's members of management, see the 2019 Annual Report (p. 295) and the Bank's periodic report for 2019 (Regulation 26A). For additional details regarding members of management of Mercantile Discount Bank, see the 2019 annual report of this bank (pp. 276-278 of the Hebrew report). For additional details regarding members of management of Israel Credit Cards, see the 2019 annual report of this company (pp. 199-201).

## DETAILS REGARDING MEMBERS OF MANAGEMENT\*

The Corporation		Discount Bank	Mercantile Discount Bank	ICC	IDB Bank
Number of members of Management		13	10	9	13
Women		4	2	3	5
Men		9	8	6	8
Age	Up to 50	8	5	3	8
	51-60	3	3	5	2
	61 and over	2	2	1	3

\* The data is updated through to the date of publication of the 2019 Annual Report.

## REMUNERATION OF SENIOR OFFICERS

### REMUNERATION OF DIRECTORS (EXCLUDING THE CHAIRMAN OF THE BOARD)

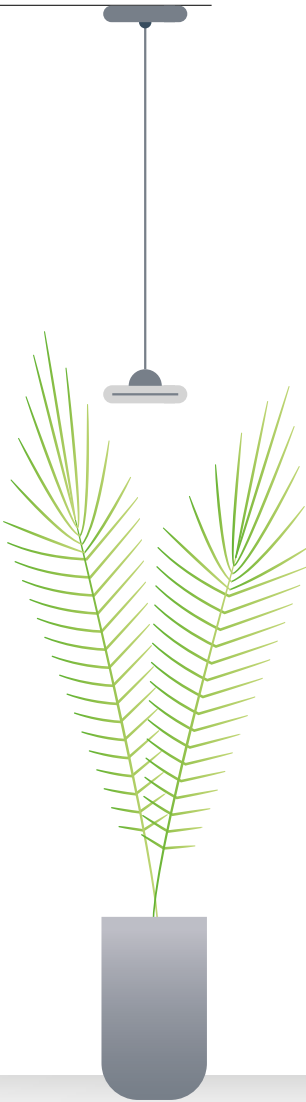
→ In accordance with Proper Conduct of Banking Business Directive No. 301A ("Directive 301A"), the remuneration for all directors of the Bank, excluding the Chairman of the Board, is to be determined in an identical manner and in accordance with the manner of determining the remuneration of an external director, in accordance with the Regulations. In addition, the Amendment to Directive 301A, from August 2015, prescribes that the remuneration of all members of the board of directors, including the chairman, will be fixed remuneration alone.

Directors' remuneration, excluding the chairman of the board, is determined in accordance with the Companies Regulations

(Rules Applying to Remuneration and Reimbursement of Expenses of External Directors), 2000 (in this section: "the Regulations").

The amounts of the remuneration for external directors and for other directors, serving with the Bank and defined in the Regulations as "expert" directors, are in accordance with the maximum amount determined in the Regulations for an expert external director. A director who is not defined as an "expert" director is entitled to remuneration in accordance with the remuneration to which an external director who is not defined as an "expert" is entitled. The remuneration is composed of a fixed annual amount with the addition of remuneration for participation in each meeting of the Board or of one of the committees of the Board. The remuneration does not include any component that is connected to the performance of the Bank.

Directors' remuneration at MDB is determined in accordance with the Regulations, based on the capital grading relevant to MDB. The annual remuneration of directors, who serve as officers of Discount Bank, is paid to Discount Bank.



Directors' remuneration at ICC is determined in accordance with the Regulations and is payable to directors who do not serve as officers of the owner banks. The remuneration is based on the capital grading relevant to ICC.

**THE TERMS OF SERVICE AND EMPLOYMENT OF THE CHAIRMAN OF THE BOARD AND THE PRESIDENT & CEO**

➔ For details regarding the terms of service and employment of the Chairman of the Board of Directors and of the President & CEO of the Bank, see Note 35 to the financial statements as of December 31, 2019 (pp. 275-283).

**The Supervisor of Banks's letter regarding "Principles for determining the terms of office of a chairperson of the board of directors of a bank having no core controlling interest".** The letter was published on August 1, 2019 and in it the Supervisor clarified, inter alia, that the terms of office of a chairperson of the board of directors are to be determined in accordance with principles that will ensure that the duties and powers of the chairperson do not deviate from the duties and powers conferred upon him/her by Law, and that the terms of remuneration do not create an "affiliation" and/or might impair the independence of the chairperson. Furthermore, the letter notes that the need to establish the status of the chairperson of the Board as being part of the board of directors and to segregate him from the Management of the bank, including by means of determining his remuneration in relation to the manner in which the other members of the board of directors are being remunerated, as stated in Proper Conduct of Banking Business Directive No. 301A, is of double importance in the case of a bank having no core controlling interest.

It should be noted that the terms of office that were approved for the Bank's Chairman of the Board comply with the principles

determined by the Supervisor of Banks, as stated in her aforementioned letter.

**REMUNERATION PLAN FOR OFFICERS**  
**Remuneration policy for officers of the Bank (2017-2019)**

The annual general meeting held on November 8, 2016, approved the remuneration policy for officers of the Bank, in accordance with Section 267A of the Companies Act. On September 16, 2019, the general meeting approved extending the remuneration policy for officers for a period of up to six months. On March 18, 2020, the general meeting approved a remuneration policy for officers for the years 2020-2022.

It should be noted, that the Companies Act (Section 267A) states, among other things, that the majority of votes at the general meeting, which approves the remuneration policy for officers, will comprise the majority of all the votes of shareholders participating in the meeting, who are not the controlling shareholders of the company or who do not have a personal interest in the approval of the remuneration policy.

For further details regarding the remuneration plan for officers of the Bank, see Note 23 to the financial statements as of December 31, 2019 (pp. 183-187).

**Mechanism for the reimbursement of variable remuneration**

Directive 301A states that variable remuneration paid to a key employee will be subject to the obligation of reimbursement in exceptional circumstances where the employee was involved in activity causing exceptional damage to the corporation, including: unlawful activity, violation of fiduciary duty, deliberate violation or disregard of gross negligence of the policy of the banking corporation, its rules and procedures, or in the event of fraud or deliberate inappropriate conduct, which caused the restatement of data in the financial statements.

For further disclosure regarding "remuneration", see the document "Disclosure according to the third pillar of Basel and additional information regarding risks", available for perusal on the Internet.

For details regarding remuneration at MDB, see "Additional disclosure according to the third pillar of Basel - as of December 31, 2019" (pp. 100-113 of the Hebrew report). The said report is available on the website of MDB. For details regarding the remuneration plan for the CEO of ICC, its managers and employees, see the annual report of the company for 2019 (pp. 147-150) and the "Additional disclosure according to the third pillar of Basel" - 2019 annual report (pp. 54-60 of the Hebrew report). The said reports are available for perusal on the website of the company.

**PRINCIPAL CONTROL FUNCTIONS**

**THE INTERNAL AUDIT**

➔ The Bank's Internal Auditor is Mr. Nir Abel, CPA (Isr.), who assumed office in May 2011. The Chairman of the Board of Directors is the organizational entity in charge of the Internal Auditor.

The internal audit operates according to an annual and multiyear work plan, focused on risks, which was designed on the basis of an overall risk survey, conducted according to new and accepted methodologies, and was influenced by local and international guidelines (including Basel, SOX, COSO and Proper Conduct of Banking Business Directive No. 307 regarding the internal audit function).

The internal audit is a function having Group responsibility and, therefore, emphasis is placed upon the existence of interfaces

38 On September 23, 2020, Ms. Lilach Zilber Tal started in office as the Internal Auditor of ICC, replacing Mr. Nir Abel who terminated his office.

**RISK MANAGEMENT HAS BEEN DEFINED BY THE BANK AS A FUNCTION HAVING GROUP RESPONSIBILITY. ACCORDINGLY, EMPHASIS IS BEING PUT ON TIGHTENING THE INTERFACES WITH THE SUBSIDIARIES IN ISRAEL AND ABROAD AND ON THE GUIDANCE PROVIDED TO THEM REGARDING THE ADOPTION OF PROCESSES AND TOOLS ACCORDING TO METHODOLOGIES DETERMINED BY THE PARENT COMPANY, MUTATIS MUTANDIS**

with the subsidiary companies that have their own internal audit units in the fields of methodology, approval of work plans, etc.

The internal audit is carried out according to the provisions of the Internal Audit Law, 1992, and of Proper Conduct of Banking Business Directive No. 307, "The Internal Audit Function".

For further details regarding the internal audit at the Discount Group, see the 2019 Annual Report (p. 297).

The Internal Auditor of MDB is Ms. Tsiona Cohen, who has served in this position since August 2012. For details regarding the internal audit at MDB, see the 2019 annual report of this bank (p. 279 of the Hebrew report).

The Internal Auditor of ICC is Mr. Nir Abel, who has served in this position since May 2011.<sup>38</sup> For details regarding the internal audit at ICC, see the 2019 annual report of ICC (p. 205).

The Internal Auditor of IDB Bank is Mr. Mario Lemos, who has served in this position since November 2017.

**RISK MANAGEMENT DIVISION**

➔ The Chief Risk Officer is Mr. Avi Levi who took office on July 21, 2016



THE RISK MANAGEMENT DIVISION IS INVOLVED IN MATERIAL PROCESSES, SUCH AS: SUPPORTING THE STRATEGIC PLANNING AND ACCOMPANYING STRATEGIC AND BUSINESS PROCESSES

and heads the Risk Management Division. The Chief Risk Officer is a member of management and reports to the President & CEO independently from the business lines that create the risk. The Chief Risk Officer assists the Board of Directors in fulfilling its duties regarding risk management, and he has full access to the Board of Directors and to the Board's Risk Management Committee. The Chief Risk Officer is responsible for the management of all risks at the Bank and the Group, within the framework of the second line of defense.

Risk management has been defined by the Bank as a function having Group responsibility. Accordingly, emphasis is being placed on tightening the interfaces with the subsidiaries in Israel and abroad and on the guidance provided to them regarding the adoption of processes and tools according to methodologies determined by the parent company, mutatis mutandis.

Among the main tasks of the Division:

- > Recommendations regarding the risk appetite and risk management policy, identification and correct evaluation of the risks and exposures;
- > Monitoring and current reporting to management and the Board of Directors, as a risk-based management and control tool;
- > Verification of capital adequacy, ensuring the long-term stability of the Group;
- > Involvement in material processes, such as: supporting the strategic planning and accompanying strategic and business processes, integration of new work procedures derived from regulation;
- > Leading the credit policy and the

integration of risk-based pricing, providing a second opinion on credit applications and on investments that involve a material credit exposure and approval of ratings, classifications and allowances, challenging of the capital planning, strengthening of risk-based remuneration aspects, improving tools, models and systems supporting risk management, identification of developing risks, etc. This, with the aim of verifying the integration of risk management aspects as an integral part of the business processes and testing their anticipated impact on the risk profile;

- > Active involvement in managing the processes regarding prohibition of money laundering and the financing of terror at the Bank, as well as management of the risk and conducting current controls regarding compliance matters, administrative enforcement and cross-border risks;
- > Active involvement in managing the processes relating to competition laws and the topic of privacy protection.

The Risk Management Division incorporates independent functions that support the risk management, comprising the units managing credit risks, market risks, liquidity and investment in securities, operational risk, including business continuity risks and fraud and embezzlement risks, IT risks and cyber risks, as well as compliance risks, prohibition of money laundering and finance of terror risks and cross-border risks.

The managers of the risk management units operate as the second line of defense and conduct a variety of processes for the identification, measurement, evaluation as well as control and risk mitigation. Furthermore, the Chief Risk Officer is responsible for control functions, including the credit controller, a second opinion unit for credit applications, as well as a supervision and evaluation function, which performs comprehensive assessment

processes of the risk profile of the Bank and of the Group, including management of the annual Internal Capital Adequacy Assessment Process (ICAAP), and also performs supervision and control processes over the subsidiaries in Israel and abroad from risk management aspects.

The above stated applies in essence also in relation to IDB Bank, MDB and ICC, mutatis mutandis.

For further details regarding the risk management at the Discount Group, see the 2019 Annual Report (pp. 54-92) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the MAGNA website of the Israeli Securities Authority, on the MAYA website of the Tel-Aviv Stock Exchange Ltd. and on the Bank's website.

The Chief Risk Officer of IDB Bank is Mr. Paul Caulfield, who has served in this position since July 2017.

The Chief Risk Officer of MDB is Mr. Gilad Alyagon, who has served in this position since May 1, 2012.<sup>39</sup> For details regarding risk management at MDB, see the 2019 annual report of this bank (pp. 59-105 of the Hebrew report) as well as the document regarding "Disclosure according to the third pillar of Basel and additional information regarding risks" of this bank (in Hebrew).

The Chief Risk Officer of ICC is Mr. Alex Beltush, who has served in this position since July 2013. For details regarding risk management at ICC, see the 2019 annual report of ICC (pp. 45-72), as well as the document regarding "Disclosure according to the third pillar of Basel and additional information regarding risks" of ICC (in Hebrew).

39 On October 15, 2020, Mr. Mohamed Awad started in office as Chief Risk Officer of Mercantile Discount Bank, replacing Mr. Elyagon who terminated his office.

PREVENTION OF CORRUPTION

The corporate governance code of the Discount Group states as follows: "The Board of Directors is responsible for setting high standards of conduct, designed to promote professional conduct and honesty, and for the integration thereof throughout the organization".

FRAUD AND EMBEZZLEMENT RISKS

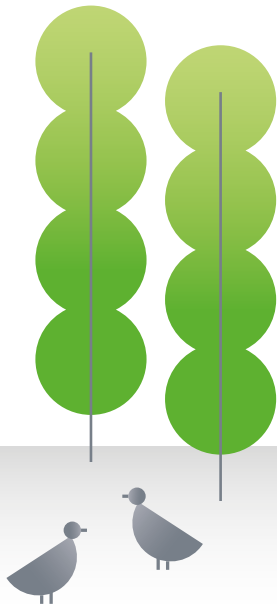
As a financial corporation, the Bank holds funds and financial assets of its customers. In operations of this nature, the most basic condition for conducting business is the trust which customers feel toward the Bank. Hence the importance of management of fraud and embezzlement risks.

The management of fraud and embezzlement risks is conducted by the Discount Group as part of the operational risk management. Management of the risk is achieved by three lines of defense:

First line of defense

The business units. The Bank and the Group conduct operating risk surveys on a current and dynamic basis and maintain, as a routine matter, the operational risk maps by means of a designated operational risk management system. Each risk center manager is responsible for the evaluation of the risks inherent in the operations of his unit. The risk maps contain, among other things, also embezzlement and fraud risks.

The risk survey conducted at the Bank and at companies in the Group, within the framework of which are examined, inter alia, fraud and embezzlement risks, covers a period of three years and is repeated every three years. The tri-yearly risk survey was completed in 2019. As part of the survey,



the operational risks were re-examined, including the fraud and embezzlement risks of the units of the Bank and of the Group. In addition, each manager of a risk center has the duty of updating the risk map on an ongoing basis, whenever there has been a material change in a work process, systems or in the effectiveness of the controls. This is in accordance with the risk assessment methodology, as defined by the Risk Management Division.

An independent control function operates at each division, which serves as a first line of defense and is used, inter alia to identify suspicious activity.

**Second line of defense**

The Risk Management Division, in its role as the second line of defense, defines the operational risk management policy, which includes a designated chapter regarding the management of embezzlement and fraud risks. The policy defines the manner of management, monitoring, mitigating and reporting of such risks. Furthermore, the Risk Management Division challenges the risk assessment that the first line of defense performs, which includes also assessing the effectiveness of the mitigation plans prescribed for them. The operational risk management department has established a designated unit – the embezzlement and fraud risk management unit. Among the unit’s duties are: increasing awareness of this issue, current monitoring of irregular transactions, reporting them, where required, to the internal audit function, etc. An advanced system for monitoring irregular activity and embezzlement by employees went into operation in 2019.

**Third line of defense**

The Internal Audit function. As the third line of defense, the internal audit function examines the risk surveys and the manner of challenging them, and also examines the effectiveness of controls. Clear procedures and guidelines have been established as regards the manner of reporting of events

suspected of being embezzlement. In this context, among others ways, a “hot line” to the internal audit function has been installed for the Bank’s employees to be able to report suspicious/irregular events. As part of this process, the internal audit function performs an extensive examination, which includes the issue of an audit report, and where required, submitting the case to the Disciplinary Committee.

The internal audit function taking explanatory procedures and an extensive drawing of conclusions in lectures in the field units, executive conferences and various forums, and distributes several times a year learning pages of extraordinary events to all Bank employees. The internal audit function at MDB applies similar procedures.

It should be noted that, in addition to the examinations made following reports being received, initiated examinations are carried out in order to monitor irregular transactions. The internal audit function examines on an ongoing basis the accounts of employees within the framework of audit work performed during the year or of specific audits. Some dozens of such accounts are examined yearly. Specific examinations of employee accounts are also conducted as a result of approaches made by customers, employees, public complaints or the intensification of current audit following audit findings.

In cases where irregular activities are found or where there is suspicion of actions contrary to employee work procedures, treatment of the case is conducted by the Disciplinary Committee, which may decide on termination of employment, reprimand, removal from office, transfer from the unit, etc.

The special examinations and the resulting findings are reported to the Audit Committee, within the framework of current

reporting and within the framework of the periodic reporting (quarterly and annual) with respect to the activity of the Internal Audit Division.

58 special examinations were conducted in 2019. In 23 instances, no irregular activity was revealed. Nine employees terminated their employment with the Bank. 45 special examinations were conducted in 2018. In 18 instances, no irregular activity was revealed. Six employees terminated their employment with the Bank. All other instances were concluded with either a reprimand in writing or with an oral reprimand, transfer from the unit, selective restriction of advancement and such like.

The instances examined in 2017-2019 included five cases of theft of money. The remaining cases referred to conflict of interests, personal privacy, transactions in accounts of related persons, prohibition on money laundering, investment consulting, accepting loans from customers, etc.

The internal audit function at the Bank, at ICC and at MDB, performs audits of the manner in which embezzlement and fraud events are handled, and of the drawing of conclusions and their assimilation.

**ADDITIONAL MEANS FOR THE PREVENTION OF BRIBERY, FRAUD AND EMBEZZLEMENT**

As part of the battle against bribery, fraud and embezzlement, the Bank has integrated a conflict of interests policy and different procedures, including procedures prohibiting situations of conflict of interests applying to employees in general, and acceptance of gifts from parties with whom they maintain relations in the course of their work, in particular. In accordance with the said procedures, the receipt or payment of “facilitation payments”, inter alia, are prohibited. Moreover, there is a wide assimilation of the code of ethics concerning, among other things, these issues.

**AS PART OF THE BATTLE AGAINST BRIBERY, FRAUD AND EMBEZZLEMENT, THE BANK HAS INTEGRATED DIFFERENT PROCEDURES, INCLUDING PROCEDURES PROHIBITING EMPLOYEES FROM BEING IN A SITUATION OF CONFLICT OF INTERESTS, IN GENERAL, AND FROM ACCEPTING GIFTS FROM PARTIES WITH WHOM THEY MAINTAIN RELATIONS IN THE COURSE OF THEIR WORK, IN PARTICULAR**

An update to the employees’ activity procedure was recently issued, which clarifies the definition of related persons and the duty to prevent conflicts of interest.

The payment procedures at the Bank involve strict approval and control procedures. Donations are approved by an internal committee (the Donations Committee), and with respect to each donation, an examination is performed regarding the substance of the receiving association, its objects and as to whether it has all the required approvals. For additional details, see below in “Compliance with the provisions of the law and regulations”.

**Mechanism for exposing corruption – “Whistle blowing”**

A “hot-line” was installed at the Internal Audit Division for reports to be made anonymously, and a circular was issued in this respect to all employees. The circular stated that the internal audit function would ensure that the identity of the complainant would not be exposed without his permission, unless so required by the Court. The circular also clarified that the Bank’s management shall not permit employment of any measures against employees whose complaint had been submitted bona fide.

The “hot-line” is intended for reports regarding the following matters: suspicion of fraud and embezzlement; concern regarding improper accounting operations;



# PREVENTION OF CORRUPTION AT THE PRINCIPAL SUBSIDIARIES

## MERCANTILE DISCOUNT BANK

In the course of 2018-2019, several special reviews were performed regarding the bank accounts of employees, wherein a number of cases irregular activity were revealed. As a result, six employees terminated their employment with the bank. As regards additional employees, measures were taken such as reprimand, either in writing or orally, transfer from the unit, restriction of advancement and awards. Of the instances examined, only three cases of money pilfering were found. The other cases mainly involved transgression of procedures and transactions in accounts of related persons.

## ICC

During 2019, ICC's security officer dealt with a number of exceptional events, including irregular activity by employees, improper activity by sales promotion companies at loyalty clubs and an irregular event of an external supplier. Regarding irregular activity by employees, disciplinary measures were taken, including termination of employment. Regarding improper activity by sales promotion companies and service providers, the employment of those involved was terminated and the companies were fined. All the events were investigated. Event conclusion reports were prepared and lessons learned by the security officer at the risk management division, and were submitted to the Management and to the Board committees. Conclusions from the lessons learned have been implemented at the company.

## ADDITIONAL MEANS FOR THE PREVENTION OF BRIBERY, FRAUD AND EMBEZZLEMENT AT THE BANK'S PRINCIPAL SUBSIDIARIES

### IDB BANK

IDB Bank adheres to all federal, state, and local laws, including but not limited to the federal Bank Bribery Act, and the Foreign Corrupt Practices Federal Act. IDB Bank has a Code of Conduct which all employees are required to sign and abide by, and which includes the Bank's rules regarding compliance with internal controls, conflicts of interest and receipt of gifts. IDB Bank also manages risk through a similar approach using three lines of defense: the business unit, risk management and compliance, and internal audit.

suspicion of violation of the law; material deviation from the Bank's procedures. The manner of reporting and treatment of complaints concerning financial irregularities has been established in the internal audit procedures.

In the aforementioned information sheets that it distributes several times a year, the internal audit function notes the existence of the "hot-line" and its number. In addition, as part of "FaceBank", the central tool for intra-organizational communication, details are provided regarding the "hot-line" and its aims, within the framework of "complaints and reporting centers".

A report concerning complaints received through the "hot-line" is submitted to the Audit Committee of the Board of Directors.

The Discount "hot-line" serves ICC too. The mechanism for reporting by means of the "hot-line" has been communicated to employees, including by means of a link on the employee portal for reporting via the "hot-line" of the internal audit function. MDB also operates a "hot-line", which operates in a similar fashion.

## PROHIBITION ON POLITICAL ACTIVITY

The Bank supports a social and environmental agenda in Israel, though it rigidly adheres to not acting politically. The Bank does not support political bodies nor does it make any contributions to political bodies, political parties or politicians.

The rules of the Bank prohibit the use by employees of the premises of Bank or of its resources for political purposes. Whenever general elections are declared in Israel, the said rules are refreshed by the Bank.

# COMPLIANCE WITH REGULATION

Discount Bank strictly manages its business in a legal and proper manner, diligently complying with the provisions of the law and regulation in its activities.

Within the Bank's corporate governance code it has been determined, that the Board of Directors is responsible for prescribing high standards of conduct, designed to enhance professional conduct and integrity and to integrate them throughout the organization. The Bank acts and will act in accordance with a code of ethics intended to reflect the values of the Bank, to determine proper standards of behavior and fair and transparent conduct with respect to the customers. This is achieved, inter alia, through creating an environment and organizational culture that places emphasis on high standards of business management – of integrity, decency, fairness and honesty – all while safeguarding the customer's privacy.

The duty of the Board of Directors and management was established to protect employees who report illegal actions, unethical actions or such that might impair integrity, against disciplinary actions or other negative implications toward them.

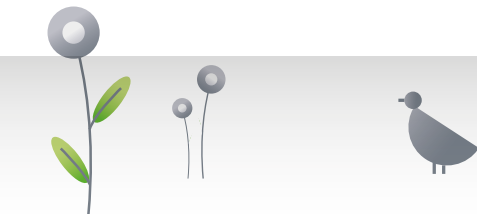
The Bank has stated in its policy documents and procedures the extent of tolerance with respect to deviation from compliance provisions and risk tolerance therefor. The Bank has established detailed processes and procedures for the implementation of requirements of regulatory instructions applying to the Bank and the enforcement thereof. Due to the fact that the provisions of the law and regulation are changed frequently, the Bank has established a process by which procedures and systems are updated from time to time, in accordance with requirements

resulting from such changes. The Bank also conducts processes regarding the drawing of conclusions from failure events, customer complaints and control and audit reports. At the same time, and where required, the Bank updates forms, control processes, systems, procedures, etc. that support relevant products and services. Furthermore, employee training and absorption activities are conducted. The code of ethics adopted by the Bank includes a declaration regarding the commitment to comply in letter and spirit with the provisions of all laws, regulatory guidelines and the Bank's procedures.

In accordance with Proper Conduct of Banking Business Directive No. 308, "Compliance and the Compliance Function at a Banking Corporation", compliance risk management is performed in an overall manner covering all compliance provisions applying to the Bank, which are relevant to its operations and which impose on it operative compliance duties, and not only provisions having bank-customer relations aspects.

In accordance with instructions of the Banking Supervision Department, the Bank has appointed a Chief Compliance Officer, who assists senior Management and the Board of Directors in the effective management of the statutory and regulatory provisions applying to the Bank, including with respect to anti-money laundering and terror financing and, since 2016, also with respect to internal enforcement fields in the securities laws, and the supervision over financial services (pension consulting)

THE BANK COMPLIES WITH STATUTORY AND REGULATORY PROVISIONS AND ALSO ACTS IN CONFORMANCE WITH THE CODE OF ETHICS IN WHICH THE BANK'S VALUES ARE ANCHORED AND WHICH PRESCRIBES APPROPRIATE STANDARDS FOR FAIR AND TRANSPARENT CONDUCT AND BEHAVIOR VIS-À-VIS THE CUSTOMERS





regulations, and cross-border risks, as well as in the fields of enforcing the competition laws and the privacy protection laws. This, at the Bank and at the relevant subsidiaries in the Discount Group. Among his other duties, the Chief Compliance Officer examines and verifies the Bank's readiness for any new operation, in order to verify the compliance and implementation of the provisions of the law and regulation within the area of his responsibility. The Chief Compliance Officer also conducts, through the compliance functions, a follow-up of the rectification of deficiencies concerning compliance, in order to avoid their repetition in the future, monitors audit reports and customer complaints brought to his attention, and initiates action for the detection of cross-organizational failures.

The Legal Counsel Division at the Bank assists in the implementation of the duties applying to the Bank, by interpretation of the law and by legal counseling in the course of the current business activity. The provisions of the law and procedures are also being enforced on an ongoing basis by the various control and supervisory systems, which are intended to ensure compliance with the provisions of the law and regulations applying to the Bank.

It should be noted that, in order to increase effectiveness of compliance at the Bank's branches and different units, employees of the first line of defense have been appointed to serve as compliance officers/trustees. Moreover, employees have been appointed to serve as compliance risk managers at

the different divisions. These employees assist in verifying the implementation of the statutory and regulatory in the different matters of compliance and prohibition of money laundering, which are under their responsibility, as determined in the Bank's procedures. Such employees serve as information centers and assist in the training and implementation of compliance, fairness and decency values among the Bank's employees.

Moreover, use is made of the "hot-line" that is operated by the internal audit function (see above) also for the purpose of reporting compliance issues.

Furthermore, the Bank's Internal Audit Group performs audits at the Bank's units and cross-organizational audits, within the framework of which, among other things, integrity, compliance with the law and compliance with various regulatory provisions and with procedures determined by the Bank, are examined. The Internal Audit Group also examines the functioning of the parties at the Bank entrusted with supervising compliance with the provisions of the law. A similar activity is conducted at ICC too.

Several times a year, the internal audit function distributes information sheets to all the Bank's employees regarding exceptional events. In addition, staff of the internal audit function give lectures at the various units of the Bank regarding, inter alia, exceptional events and material deficiencies revealed in the compliance field.

The aforesaid also applies with respect to MDB.

### INTEGRATION AND TRAINING

As a structured part of the compliance culture at the Bank, all bank employees, whether in senior or junior positions, undergo training in various matters of compliance, while designated employee populations undergo also training with respect to specific compliance

matters. Within this framework, also in 2019, the Bank held a group meeting on the subject of compliance, in which different contents relevant to the operations of the Bank and the Group were discussed, with special reference to urgent matters presently on the agenda, and to expected trends and developments both in Israel and globally. Another conference is planned to be held during 2020.

As part of the training for familiarization with the Bank, each new employee undergoes training in matters of ethics, which, among other things deals with various aspects of normative-ethical conduct.

Among the actions taken for assimilating the compliance culture at the Bank, significant use has been made of auxiliary training and learning tools in order to reach every last one of the Bank's employees. In executing these duties, the Chief Compliance Officer and compliance function employees visited also in 2019 many of the Bank's branches and held discussions with branch management teams and other employees with respect to different issues and the challenges which they face in their daily activities.

### PROHIBITION OF MONEY LAUNDERING AND THE FINANCE OF TERROR

The Bank acts to implement the requirements pursuant to the Anti-Money Laundering Law and the Fight Against Terror Law, and the regulations enacted under these laws. The Bank further acts to have the Bank's employees assimilate the directives relating to the prohibition of money laundering and the financing of terror. To this end, the Bank invests resources for the updating and development of systems supporting the fulfillment of the provisions of the law.

Within the framework of integrating the regulatory guidelines and international standards in the anti-money laundering field, a Group risk management policy was

## NO FINES IN MATERIAL AMOUNTS AND NO NON-MONETARY SANCTIONS WERE IMPOSED, DURING 2019, ON ANY OF THE CORPORATIONS THAT ARE COVERED BY THIS REPORT, WITH RESPECT TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

prescribed, which included also reference to the prevention of using accounts held with the Bank for offences of bribery and corruption.

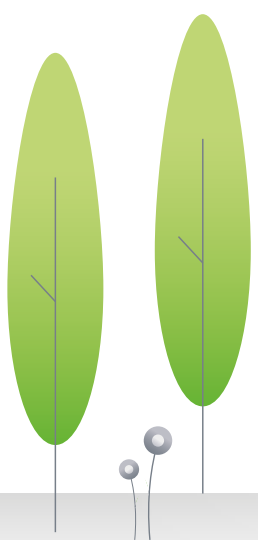
The subject of the prohibition of money laundering and the financing of terror has become in recent years one of the most important enforcement and prevention subjects in international and domestic legislation, and regulation on this topic is changing and developing, intensifying the requirements for monitoring, supervision and follow up. Work procedures are being updated on a regular basis. Concurrently, within the framework of integrating this subject into the compliance culture of the Bank, the Bank holds training and learning sessions for employees by means of frontal studies, computerized courseware made available to the branches and Head Office units, knowledge tests and case studies. Employees are also exposed to updated information via the Bank's Intra-net site.

In addition, the Bank uses effective control and supervisory tools in order to monitor irregular transactions and to fulfill the duties imposed upon the Bank according to the law.

The aforesaid also applies with respect to MDB and ICC, mutatis mutandis.

### FINES

No fines in material amounts and no non-monetary sanctions were imposed, during 2019, on any of the corporations that are covered by this report with respect to non-compliance with laws and regulations.



AS PART OF THE TRAINING PROGRAM FOR FAMILIARIZATION WITH THE BANK, EACH NEW EMPLOYEE UNDERGOES TRAINING IN MATTERS OF ETHICS, WHICH, AMONG OTHER THINGS DEALS WITH VARIOUS ASPECTS OF NORMATIVE-ETHICAL CONDUCT

# COMPLIANCE WITH REGULATION AT THE PRINCIPAL SUBSIDIARIES

## IDB BANK

The bank’s Code of Conduct (“the Code”) guides everyone at IDB Bank – employees, officers, and directors – in meeting their responsibilities to the bank and its customers, and in making ethical business decisions. It is designated to provide everyone at IDB Bank with guiding principles on how to apply its own common sense and how to exercise good judgment and conscience, for the purpose of assisting them in their work for the bank.

The Code is intended to prevent violations of the law and corporate policy, and is based on four main principles:

- 1. Honesty and candor in conduct** – Banking is a business based on mutual trust, and the Bank demands absolute fairness in all of its affairs. The bank’s success in the marketplace depends to a large extent on the confidence and trust of its customers. Every employee, officer and director must conduct business in a way that fully justifies the continued goodwill of the bank and trust of its customers.
- 2. Integrity in the bank’s work with customers, with one another and with the public** – the bank strives to exemplify the highest standards of personal and professional ethics in all aspects of its business.
- 3. The avoidance of conflicts of interest or even the appearance of a conflict.** Each employee, officer and director must avoid engaging in any outside business or other activity that might

create a conflict of interest, create a perception of impropriety, or jeopardize the Bank’s integrity or reputation.

- 4. Compliance with laws and regulations** – The bank actively promotes and requires compliance with the laws, rules and regulations that govern the bank’s business. Obeying both the letter and the spirit of the law is one of the foundations of the bank’s ethical standards.

This Code, which is distributed to and acknowledged by all employees, consultants, agents and temporary workers annually through the bank’s online training system, is very detailed and clearly lays out the bank’s expectations from all those involved.

Furthermore, the bank ensures that everyone at the bank receives the UDAAP training course annually, which teaches and strengthens employees’ knowledge of the types of actions and practices that the bank may deem unfair, deceptive, and/or abusive. There are also other fair lending training courses given to employees and members of the Board of Directors which deals, among other things, with treating customers fairly from various regulatory perspectives.

## PROHIBITION OF MONEY LAUNDERING AND THE FINANCING OF TERROR AT THE BANK’S PRINCIPAL SUBSIDIARIES

### IDB BANK

IDB Bank complies with federal, state and the relevant laws of other countries that prohibit money laundering and seek to prevent the financing of terrorist activity, such as the USA PATRIOT Act of 2001, Bank Secrecy Act and other laws. IDB Bank has a Financial Crimes Program and Code of Conduct which all employees are required to sign and comply with. These documents include the Bank’s framework for combating terrorist financing, money laundering and other financial crimes.

# GOALS

## GOALS PRESENTED IN THE PREVIOUS REPORT

Discount Bank	✓ Achieved	Strengthening the assimilation in the fairness and decency field.
	✓ Achieved	Conducting protection of privacy training.
	✓ Achieved	Training for different employee populations, including day seminars and courses for control and risk management functions.
	✓ Achieved	Conducting in-depth examinations by the Risk Management Division, at sensitive units constituting risk foci at the Bank.
	✓ Achieved and being executed on a current basis	Integrating additional scenarios in the system that monitors employee embezzlement and adding enhanced monitoring over sensitive populations.
	✓ Achieved and being executed on a current basis	Involvement in setting activity thresholds in relation to activities that are susceptible to fraud risk - primarily online banking activities.

## FUTURE GOALS

Discount Bank	Continuing to conduct in-depth examinations by the risk management division, at sensitive units constituting risk foci at the Bank.
	Setting activity thresholds in relation to activities that are susceptible to fraud risk - primarily online banking activities.
	Integrating additional scenarios in the system that monitors employee embezzlement and adding enhanced monitoring over sensitive populations.



# 10 EPILOGUE

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## THANK YOU'S!

And before Discount Bank's Eighth Corporate Responsibility Report gets going... the pleasure of thank you's!

Thank you to the dozens of **Discount Bank's employees** and employees of the subsidiaries MDB, ICC and IDB Bank who worked so hard gathering and processing the material, who provided responses, ideas, comment, clarifications, proofreading, initiative and encouragement.

Special thanks to The Storytellers design studio for building the design concept of the report in terms of content accessibility. Thanks to designer Adi Chen for the meticulous design of the report.

Thanks to Liad Ortar and The Corporate Social Responsibility Institute for controlling of the report.

Thanks to Anat Even-Chen, Yarden Kletter and Nofar Wallach Lazerasko - from the Corporate Responsibility Group at BDO Consulting for their devoted work in escorting the preparation of the report and for their support in upgrading its contents.

And last but not least - a huge thank you to all the Discount Bank's employees and employees of the subsidiaries MDB, ICC and IDB Bank who convert the corporate commitment, a daily activity, from a vision to a reality.

## RESPONSES TO THE REPORT

The Bank's customers, its employees, shareholders from the public, other stakeholders or remaining readers of the Report - all are invited to respond and comment on the Report and its contents: send ideas, comments or illuminations, or just talk about the Report and the social activism of Discount Bank.

Responses may be sent:



By telephone  
076-8055673



By email  
[anat.sigman@dbank.co.il](mailto:anat.sigman@dbank.co.il)



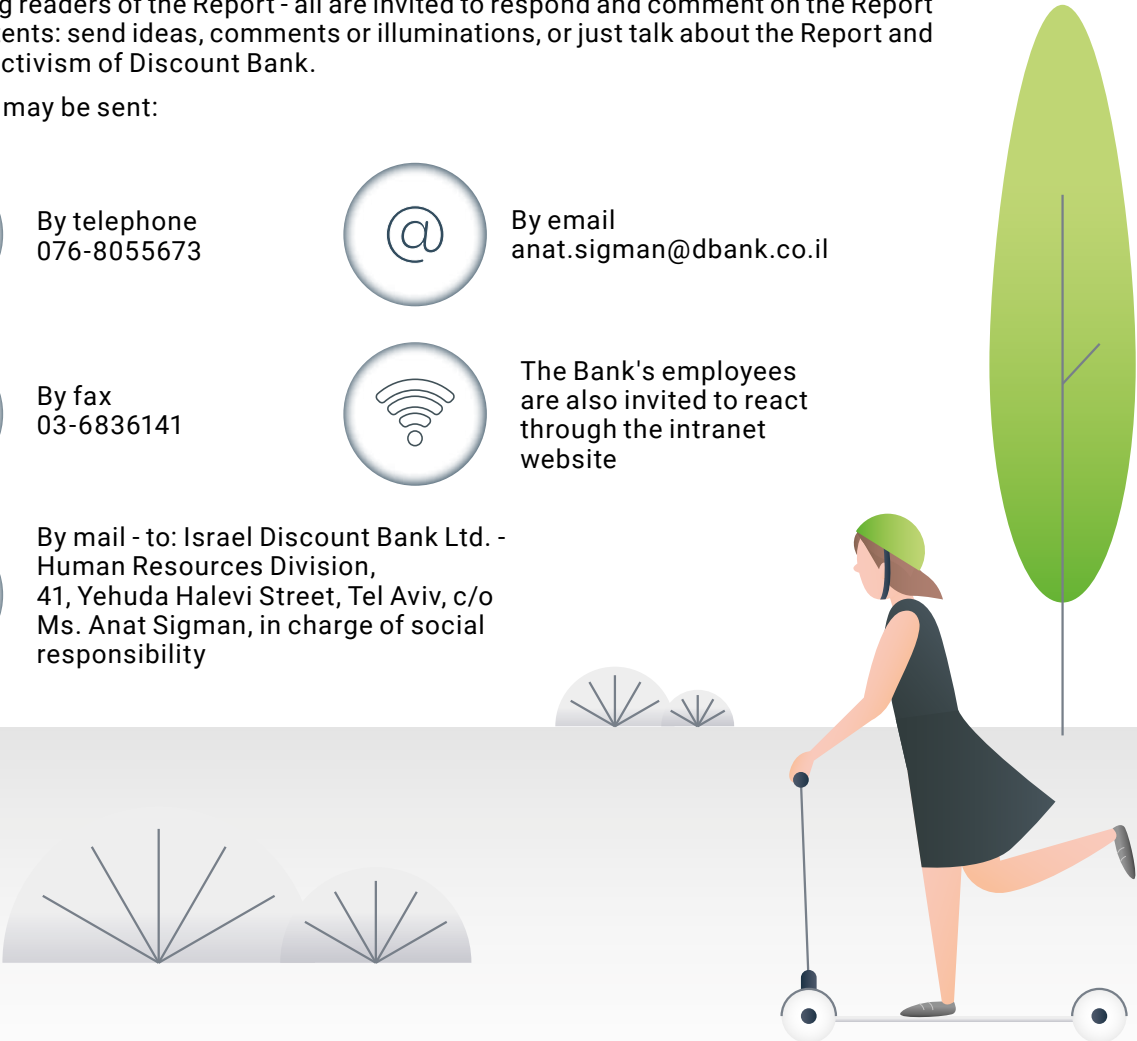
By fax  
03-6836141



The Bank's employees  
are also invited to react  
through the intranet  
website



By mail - to: Israel Discount Bank Ltd. -  
Human Resources Division,  
41, Yehuda Halevi Street, Tel Aviv, c/o  
Ms. Anat Sigman, in charge of social  
responsibility





GRI CONTENT INDEX<sup>40</sup> COMBINED WITH UNGC



GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
GRI 101: Foundation 2016							
→ ORGANIZATIONAL PROFILE							
GRI 102: General Disclosures 2016	102-1	Name of the organization	24	28	30	32	No Specific requirement by the COP
	102-2	Activities, brands, products, and services	24,62	28	30	32	
	102-3	Location of headquarters	24	28	30	32	
	102-4	Location of operations	24-25	28	30	32	
	102-5	Ownership and legal form	24	28	30	32	
	102-6	Markets served	24-25	28	30	32	
	102-7	Scale of the organization	44	44	44	44	
	102-8	Information on employees and other workers	241-243	241-243	241-243	-	
	102-9	Supply chain	150-151	153	154	154	
	102-10	Significant changes to the organization and its supply chain	27-28	30	31	33	
	102-11	Precautionary Principle or approach	181	181	181	181	7
	102-12	External initiatives	33-34	33-34	33-34	33-34	1-10
	102-13	Membership of associations	33-34	33-34	33-34	33-34	1-10
→ STRATEGY							
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	12	12	12	12	No Specific requirement by the COP
	102-15	Key impacts, risks, and opportunities	12	30	31	33	
→ ETHICS AND INTEGRITY							
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	48	51	51	51	1-10
	102-17	Mechanisms for advice and concerns about ethics	54	55	55	55	No Specific requirement by the COP

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
→ GOVERNANCE							
GRI 102: General Disclosures 2016	102-18	Governance structure	206	211	211	-	No Specific requirement by the COP
	102-19	Delegating authority	205	N/R	N/R	N/R	
	102-20	Executive-level responsibility for economic, environmental, and social topics	16	16	16	16	
	102-21	Consulting stakeholders on economic, environmental, and social topics	16-17, 209	211	211	-	
	102-22	Composition of the highest governance body and its committees	204	204	204	204	
	102-23	Chair of the highest governance body	203	203	203	-	
	102-24	Nominating and selecting the highest governance body	202	203	203	-	
	102-25	Conflicts of interest	210-212	210-212	210-212	-	
	102-26	Role of highest governance body in setting purpose, values, and strategy	48	N/R	N/R	N/R	
	102-27	Collective knowledge of highest governance body	209	211	211	-	
	102-28	Evaluating the highest governance body's performance	205	205	205	-	
	102-29	Identifying and managing economic, environmental, and social impacts	205, 215-217	205, 215-217	205, 215-217	215-217	

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

GRI 102: General Disclosures 2016	102-30	Effectiveness of risk management processes	208-209	208-209	208-209	-	No Specific requirement by the COP
	102-31	Review of economic, environmental, and social topics	209	211	211	-	
	102-32	Highest governance body's role in sustainability reporting	16	N/R	N/R	N/R	
	102-33	Communicating critical concerns	209	211	211	-	
	102-34	Nature and total number of critical concerns	209	211	211	-	
	102-35	Remuneration policies	213-215	213-215	213-215	-	
	102-36	Process for determining remuneration	213-215	213-215	213-215	-	
	102-37	Stakeholders' involvement in remuneration	213-215	213-215	213-215	-	
	102-38	Annual total compensation ratio	124	124	124	-	
	102-39	Percentage increase in annual total compensation ratio	124	124	124	-	

→ **STAKEHOLDER ENGAGEMENT**

GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	16	16	16	16	No Specific requirement by the COP
	102-41	Collective bargaining agreements	103	108	109	109	1, 2, 6
	102-42	Identifying and selecting stakeholders	16	16	16	16	No Specific requirement by the COP
	102-43	Approach to stakeholder engagement	16	16	16	16	
	102-44	Key topics and concerns raised	16	16	16	16	

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
→ REPORTING PRACTICE							
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	25	25	25	25	No Specific requirement by the COP
	102-46	Defining report content and topic Boundaries	17	17	17	17	
	102-47	List of material topics	19	19	19	19	
	102-48	Restatements of information	14, 105, 115, 124, 245	14, 124, 192, 193	14, 124, 195, 196	14	
	102-49	Changes in reporting	14	14	14	14	
	102-50	Reporting period	12	12	12	12	
	102-51	Date of most recent report	14	14	14	14	
	102-52	Reporting cycle	14	14	14	14	
	102-53	Contact point for questions regarding the report	227	N/R	N/R	N/R	
	102-54	Claims of reporting in accordance with the GRI Standards	14	14	14	14	
	102-55	GRI content index	228-236	228-236	228-236	228-236	
	102-56	External assurance	20-21	20-21	20-21	20-21	

**GRI 103: MANAGEMENT APPROACH 2016**

103-1	Explanation of the material topic and its Boundary	44	44	44	44	No Specific requirement by the COP	
	103-2	The management approach and its components	44	44	44		44
	103-3	Evaluation of the management approach	44	44	44		44

GRI 201: Economic Performance 2016	GRI 201: ECONOMIC PERFORMANCE 2016						
	201-1	Direct economic value generated and distributed	44	44	44	44	No Specific requirement by the COP
	201-2	Financial Implications and other risks and opportunities due to climate change	180	180	180	180	7
	201-3	Defined benefit plan obligations and other retirement plans	119	126	126	-	No Specific requirement by the COP
	201-4	Financial assistance received from government	Not received during reported period				

GRI 203: Indirect Economic Impacts 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	44	44	44	44	No Specific requirement by the COP
	103-2	The management approach and its components	44	44	44	44	
	103-3	Evaluation of the management approach	44	44	44	44	
	GRI 203: INDIRECT ECONOMIC IMPACTS 2016						
	203-1	Infrastructure investments and services supported	76,158	79,171	79,172	-	No Specific requirement by the COP
	203-2	Significant indirect economic impacts	44	44	44	44	
GRI 204: Procurement Practices 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	150	150	150	150	No Specific requirement by the COP
	103-2	The management approach and its components	150	150	150	150	
	103-3	Evaluation of the management approach	150	150	150	150	
	GRI 204: PROCUREMENT PRACTICES 2016						
	204-1	Proportion of spending on local suppliers	150-151	153	154	154	No Specific requirement by the COP
	GRI 205: Anti- corruption 2016	GRI 103: MANAGEMENT APPROACH 2016					
103-1		Explanation of the material topic and its Boundary	217-220	217-220	217-220	217-220	10
103-2		The management approach and its components	217-220	217-220	217-220	217-220	
103-3		Evaluation of the management approach	217-220	217-220	217-220	217-220	
GRI 205: ANTI-CORRUPTION 2016							
205-1		Operations assessed for risks related to corruption	217-220	220	220	220	
205-2		Communication and training about anti-corruption policies and procedures	219-220	220	220	-	
205-3		Confirmed incidents of corruption and actions taken	219-220	220	220	-	
GRI 302: Energy 2016		GRI 103: MANAGEMENT APPROACH 2016					
	103-1	Explanation of the material topic and its Boundary	180	180	180	180	7, 8, 9
	103-2	The management approach and its components	180	180	180	180	
	103-3	Evaluation of the management approach	180	180	180	180	

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop	
			Discount Bank	MDB	ICC	IDB NY		
GRI 302: Energy 2016	GRI 302: ENERGY 2016							
	302-1	Energy consumption within the organization	186	192	195	-		
	302-2	Energy consumption outside of the organization	Not material to the organization					
	302-3	Energy intensity	186	193	196	-		
	302-4	Reduction of energy consumption	186	192	195	-		
	302-5	Reductions in energy requirements of products and services	181-182	183	181-182	-		
GRI 305: Emissions 2016	GRI 103: MANAGEMENT APPROACH 2016							
	103-1	Explanation of the material topic and its Boundary	180	180	180	180	7, 8	
	103-2	The management approach and its components	180	180	180	180	7, 8	
	103-3	Evaluation of the management approach	180	180	180	180	7, 8	
	GRI 305: EMISSIONS 2016							
	305-1	Direct (Scope 1) GHG emissions	190	249	249	-	7, 8	
	305-2	Energy indirect (Scope 2) GHG emissions	190	249	249	-	7, 8	
	305-3	Other indirect (Scope 3) GHG emissions	190	Not measured	Not measured	-	7, 8	
	305-4	GHG emissions intensity	191	-	-	-	7, 8	
	305-5	Reduction of GHG emissions	190	-	-	-	7, 8, 9	
	305-6	Emissions of ozone-depleting substances (ODS)	189	-	-	-	7, 8	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not material to the organization					7, 8
	GRI 401: Employment 2016	GRI 103: MANAGEMENT APPROACH 2016						
103-1		Explanation of the material topic and its Boundary	100	100	100	100	1, 2, 6	
103-2		The management approach and its components	100	100	100	100		
103-3		Evaluation of the management approach	100	100	100	100		
GRI 401: EMPLOYMENT 2016								
401-1		New employee hires and employee turnover	243-244	243-244	243-244	-	6	
401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees	121-122	126	126	126	No Specific requirement by the COP	
	401-3	Parental leave	246	246	-	-	1, 2, 6	



GRI 402: Labor / Management Relations 2016	GRI 103: MANAGEMENT APPROACH 2016					
	103-1	Explanation of the material topic and its Boundary	100, 103	100, 108	100, 108	100
	103-2	The management approach and its components	100, 103	100, 108	100, 108	100
	103-3	Evaluation of the management approach	100, 103	100, 108	100, 108	100
GRI 402: LABOR / MANAGEMENT RELATIONS 2016						
	402-1	Minimum notice periods regarding operational changes	104	108	109	-
GRI 403: Occupational Health and Safety 2016	GRI 103: MANAGEMENT APPROACH 2016					
	103-1	Explanation of the material topic and its Boundary	100	100	100	100
	103-2	The management approach and its components	100	100	100	100
	103-3	Evaluation of the management approach	100	100	100	100
	GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016					
	403-1	Workers representation in formal joint management-worker health and safety committees	134-135	142-143	142-143	142-143
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	246	246	246	-
	403-3	Workers with high incidence or high risk of diseases related to their occupation	135	143	143	-
	403-4	Health and safety topics covered in formal agreements with trade unions	134-135	142-143	142-143	142-143
GRI 404: Training and Education 2016	GRI 103: MANAGEMENT APPROACH 2016					
	103-1	Explanation of the material topic and its Boundary	100	100	100	100
	103-2	The management approach and its components	100	100	100	100
	103-3	Evaluation of the management approach	100	100	100	100
	GRI 404: TRAINING AND EDUCATION 2016					
	404-1	Average hours of training per year per employee	130	137	138	-
	404-2	Programs for upgrading employee skills and transition assistance programs	128	136	137	139
	404-3	Percentage of employees receiving regular performance and career development reviews	131	139	139	139

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
GRI 405: Diversity and Equal Opportunity 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	110	110	110	110	6
	103-2	The management approach and its components	110	110	110	110	
	103-3	Evaluation of the management approach	110	110	110	110	
	GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016						
	405-1	Diversity of governance bodies and employees	248	248	248	-	
	405-2	Ratio of basic salary and remuneration of women to men	105	110	110	-	
GRI 406: Non-Discrimination 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	103	103	103	103	1, 2, 6
	103-2	The management approach and its components	103	103	103	103	
	103-3	Evaluation of the management approach	103	103	103	103	
	GRI 406: NON-DISCRIMINATION 2016						
	406-1	Incidents of discrimination and corrective actions taken	119	125	125	-	
	GRI 413: Local Communities 2016	GRI 103: MANAGEMENT APPROACH 2016					
103-1		Explanation of the material topic and its Boundary	158	158	158	158	No Specific requirement by the COP
103-2		The management approach and its components	158	158	158	158	
103-3		Evaluation of the management approach	158	158	158	158	
GRI 413: LOCAL COMMUNITIES 2016							
413-1		Operations with local community engagement, impact assessments, and development programs	158-159	171	172-173	-	No Specific requirement by the COP
413-2		Operations with significant actual and potential negative impacts on local communities	181-182	183	183	-	
FS13		Access points in low-populated or economically disadvantaged areas by type	64	70	70	70	
FS14		Initiatives to improve access financial services for disadvantaged people	62, 64, 75, 76	70, 79	70, 79	70	

GRI 417: Marketing and Labeling 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	87	87	87	87	No Specific requirement by the COP
	103-2	The management approach and its components	87	87	87	87	
	103-3	Evaluation of the management approach	87	87	87	87	
	GRI 417: MARKETING AND LABELING 2016						
	417-1	Requirements for product and service information and labeling	87	89	89	89	No Specific requirement by the COP
	417-2	Incidents of non-compliance concerning product and service information and labeling	89	89	89	-	
417-3	Incidents of non-compliance concerning marketing communications	89	89	89	89		
GRI 418: Customer Privacy 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	90	90	90	90	1
	103-2	The management approach and its components	90	90	90	90	No Specific requirement by the COP
	103-3	Evaluation of the management approach	90	90	90	90	
	GRI 418: CUSTOMER PRIVACY 2016						
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	90	90	90	90	
	GRI 419: Socio Economic Compliance 2016	GRI 103: MANAGEMENT APPROACH 2016					
103-1		Explanation of the material topic and its Boundary	221	221	221	221	No Specific requirement by the COP
103-2		The management approach and its components	221	221	221	221	
103-3		Evaluation of the management approach	221	221	221	221	
GRI 419: SOCIO ECONOMIC COMPLIANCE 2016							
419-1		Non-compliance with laws and regulations in the social and economic area	223	223	223	223	No Specific requirement by the COP

PRINCIPLES OF THE GLOBAL COMPACT INITIATIVE

Discount Bank expresses support of the ten principles of the Global Compact<sup>41</sup> initiative of the United Nations, and acts for the advancement of these principles.

Following is a list of the principles of the initiative:

Human rights	1	Businesses should support and respect the protection of internationally proclaimed human rights;
	2	Businesses should make sure that they are not complicit in human rights abuses;
Standards of employment	3	Businesses should support the freedom of association and actively acknowledge the right for collective bargaining;
	4	The elimination of all forms of forced and compulsory labor;
	5	The effective abolition of child labor;
	6	The elimination of discrimination in respect employment and occupation;
The environment	7	Businesses should support a precautionary approach to environmental challenges;
	8	Undertake initiatives to promote greater environmental responsibility;
	9	Encourage the development and diffusion of environmentally friendly technologies;
Anti-corruption	10	Businesses should work against corruption in all its forms, including extortion and bribery.

41 Link to the official website of UNGC: <http://www.unglobalcompact.org>.

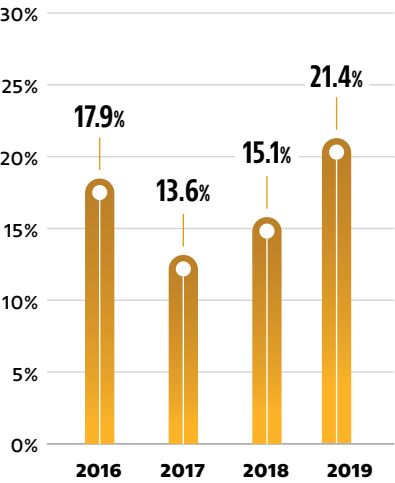
# APPENDICES CUSTOMERS

## COMPLAINTS AND ENQUIRIES DATA AT DISCOUNT BANK\*

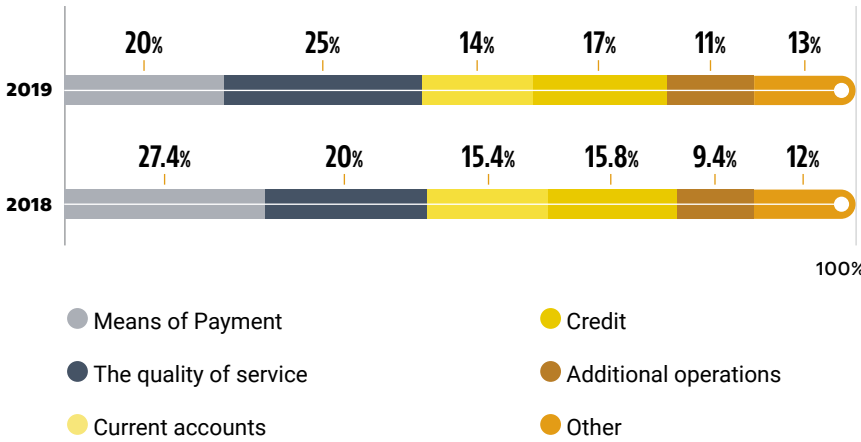
	2019	2018	2017	2016
Complaints and enquiries received	2,976	2,668	3,029	2,651
Complaints and enquiries dealt with	2,875	2,769	3,047	2,577
Completion of dealing with complaints	2,206	2,191	2,034	1,483
Completion of dealing with enquiries, requests and clarifications	669	636	1,013	1,074
Percentage of justified complaints	21.4%	15.1%	13.6%	17.9%

\* The data in this chart and in the rest of the charts on this page do not include complaints within the framework of the Credit Providers Act.

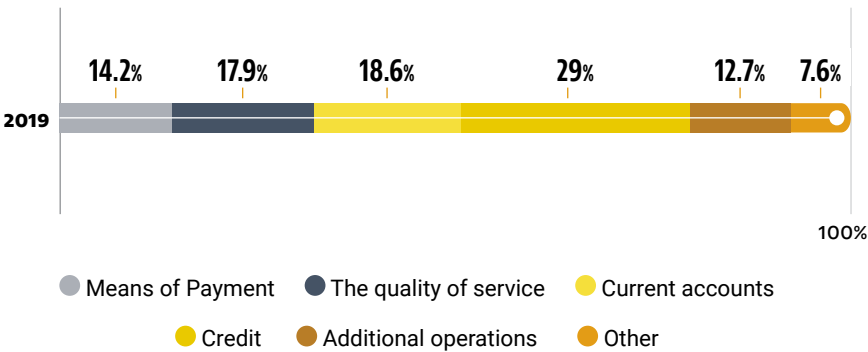
### RATE OF JUSTIFIED COMPLAINTS at Discount Bank



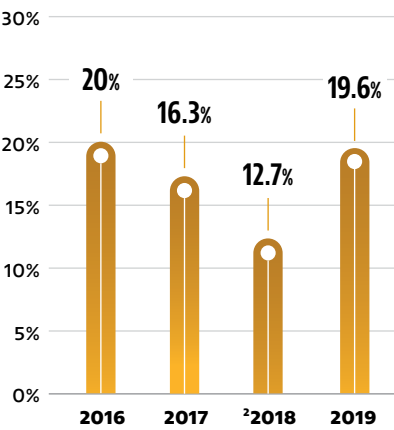
### DISTRIBUTION OF THE SUBJECTS OF MAIN COMPLAINTS at Discount Bank



### DISTRIBUTION OF THE SUBJECTS OF MAIN COMPLAINTS at MDB



### RATE OF JUSTIFIED COMPLAINTS' at MDB



Notes:  
1 The percentage of justified complaints is computed out of the total number of complaints where a position was taken.  
2 Of the complaints data presented for 2018, 2% of the justified complaints dealt with services provided by Discount Bank and under its responsibility.

## COMPLAINTS REGARDING DISTURBANCE TO THE VICINITY

No complaints were received in 2019 by the Bank, by MDB or by ICC with respect to disturbance to the vicinity.

## CUSTOMERS COMPLAINTS TO THE BANK OF ISRAEL

On October 14, the Banking Supervision Department published a survey of enquiries made by the public to the Supervision Department in relation to 2019.

In addition, the survey included a look at the data for the first half of 2020, which was affected by the corona crisis, comparing it with the first half of the previous year. During this period, an increase of approx. 26% occurred in the number of complaints and of 62% in the number of requests received by the Banking Supervision Department in relation to the entire banking system, compared to the corresponding period in the previous year. The increase can be directly attributed to the impact of the corona crisis on the financial position of households and businesses.

The 2019 data indicate a reduction of approx. 12% in the number of complaints and requests received by the Supervision Department in relation to the entire banking

system, with approx. 17% of the concluded complaints being found to be justified (compared to 8% in the previous year).

The survey examined three main indices only in relation to the five major banks:

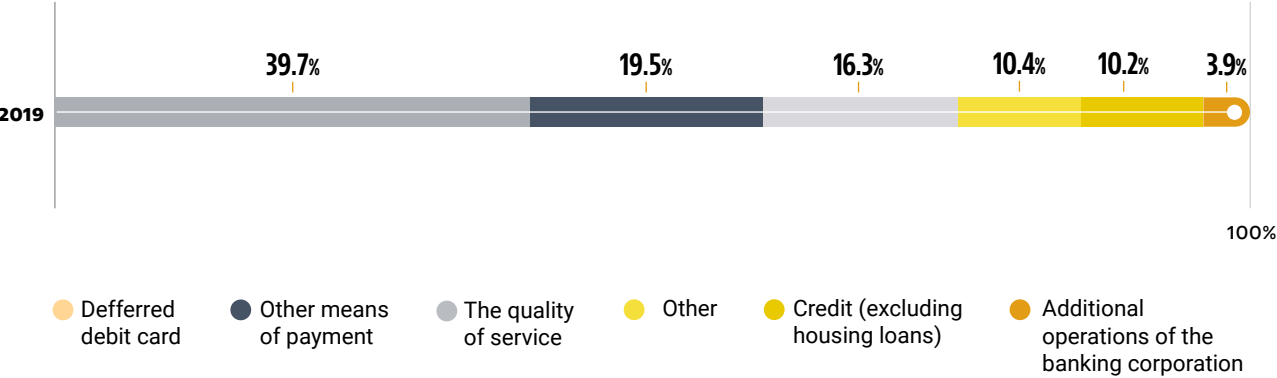
**1. First Index**  
The ratio between the share of each bank in the number of complaints and requests for clarification handled by the Supervisor of Banks to that bank's share in the system as a whole.

A low ratio denotes the satisfaction of customers with the bank with no need for submission of a complaint. The ratio between the share of Discount Bank in the number of complaints and requests handled by the Supervisor of Banks and the share of the Bank in the system as a whole amounts to 1.27 and the Bank is placed fifth in this Index.

**2. Second Index**  
Willingness of a bank to act in favor of the customer even if his complaint was found unjustified ("ex gratia credit")

A high ratio reflects the willingness of a bank to act in favor of a customer even where his complaint was unjustified.

### DISTRIBUTION OF THE SUBJECTS OF MAIN COMPLAINTS at ICC





CUSTOMER COMPLAINTS TO THE BANK OF ISRAEL AT THE MAIN SUBSIDIARIES IN ISRAEL

MDB

The total complaints submitted to the Bank of Israel and passed for response to MDB amounted to 102 approaches. In 2019, there were no instances of unjustified complaints where compensation was paid beyond the letter of the law.

ICC

Ex gratia compensation to customers – 10 cases of unjustified complaints were recorded in 2018 (out of 35 complaints received by the corporation and found unjustified, approx. 20%) regarding which, an ex gratia compensation was paid in a total amount of NIS 3,600.

The Supervisor of Banks sees it as demonstrating a high level of fairness towards customers.

Discount Bank has increased from 16% in 2018 to 21% in 2019. Discount Bank is placed fifth in this index (compared to fourth place in the previous year).

It should be noted that, overall, the average for the five major banks increased from 21.9% in 2018 to 25% in 2019. Namely, on the face of it, there was an increase in activity “beyond the letter of the law” towards customers throughout the system.

3. Third Index  
The response time to handle complaints

The ratio of quick response reflects a higher level of service provided by the Complaints Officer. The Bank responded to 88% of the complaints within thirty days from date of receipt of the complaint, the average for the five major banks being response to 86% of the complaints within 30 days from date of receipt of the complaint. Discount Bank is placed third in this Index.

Ex gratia compensation of customers  
In certain cases and for business considerations, the Bank compensate customers even if their complaint had been found unjustified, this, in general, due to the wish of the Bank to retain long-standing and loyal customers. 27 cases of unjustified complaints were recorded in 2019 (out of a total of 130 unjustified claims, approx. 21%) in which an ex gratia compensation has been paid in a total amount of approx. NIS 6,000.

Rate of justified complaints  
The rate of justified complaints as classified by the Banking Supervision Department in 2019 in relation to the entire system was 17%. It should be noted that the rate of complaints classified by the Supervision Department as justified in relation to the Bank is in line with this rate (17.5%).

APPENDICES EMPLOYEES

- General notes:
- 1 The data relating to Discount Bank includes tenured employees, employees engaged on personal contracts, members of Management, temporary employees and outsource workers (software houses and TeleBank service center workers), but excludes employees on unpaid leave and on maternity leave.
  - 2 Following an examination that was carried out while preparing the 2019 annual report, 83 persons that were previously deemed to be service providers have been defined as outsource employees and have been added to the Bank's manpower data as of December 31, 2019. Due to the absence of available data, comparative figures have not been accordingly corrected. Data for this category have not been included in the tables in this appendix, other than in tables where this is expressly stated.
  - 3 The employee data calculation which is based on the total of the Bank's employees, was based on a figure of 5,199 employees, which does not include the 83 outsource employees referred to in note 2 above.

Employees of Discount Bank and its principal subsidiaries

For the year ended on December 31			
	2019	2018	2017
Discount Bank	15,282	5,343	5,502
MDB <sup>3</sup>	1,375	1,388	1,431
ICC <sup>2</sup>	1,588	1,568	1,481
IDB Bank	532	517	483

- Notes:
- 1 The data in this chart include an additional group, as specified in general note 2.
  - 2 The data do not include Outsourcing.
  - 3 Excluding employees in maternal leave or an unpaid leave.

Breakdown of employees by gender

For the year ended on December 31									
	2019			2018			2017		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Discount Bank	2,032	3,167	5,199	2,121	3,222	5,343	2,219	3,283	5,502
MDB <sup>2</sup>	592	783	1,375	605	783	1,388	631	800	1,431
ICC <sup>1</sup>	459	1,129	1,588	454	1,114	1,568	418	1,063	1,481
IDB Bank	299	233	532	291	226	517	259	224	483

- Notes:
- 1 The data do not include Outsourcing.
  - 2 Includes employees on maternity leave.

Breakdown of employees by geographic distribution

For the year ended on December 31							
Discount Bank		2019	rate	2018	rate	2017	rate
	Jerusalem and the South Region	566	10.9%	608	11.4%	522	9.5%
	Central Region	521	10.0%	568	10.6%	600	10.9%
	lowlands Region	630	12.2%	634	11.9%	711	12.9%
	Northern Region	532	10.2%	573	10.7%	628	11.4%
	Headquarters (Tel-Aviv)	2,950	56.7%	2,960	55.4%	3,041	55.3%
	Total	5,199	100.0%	5,343	100.0%	5,502	100.0%

Note: Distribution according to geographic areas was improved in 2018. The comparative data was improved accordingly.



Breakdown of employees by type of engagement

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Tenured employees, under personal contracts and members of Management	3,642	3,681	3,853
	Temporary employees	1,133	1,215	1,285
	Manpower company employees	-	-	-
	Outsourcing <sup>1</sup>	507	447	364
	Total	<sup>2</sup> 5,282	5,343	5,502
MDB	Tenured employees, under personal contracts and members of Management	1,191	1,209	1,232
	Temporary employees	166	143	165
	Manpower company employees	76	73	75
	Software house	29	28	27
	Total	1,462	1,453	1,499
ICC <sup>3</sup>	Tenured employees, under personal contracts and members of Management	1,502	1,437	979
	Temporary employees	6	26	505
	Outsourcing	334	330	177
	Total	1,842	1,793	1,661

Notes:  
1 Includes employees of software houses and TeleBank service center workers.  
2 The data in this chart include an additional group, as specified in general note no. 2.  
3 Includes outsource workers and does not include employees on unpaid leave and female employees on maternity leave.

Breakdown of employees by age

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Up to 30	618	668	657
	31-50	2,796	2,823	2,827
	Over 50	1,785	1,852	2,018
	Total	<sup>4</sup> 5,199	5,343	5,502
MDB	Up to 30	109	127	118
	31-50	887	849	929
	Over 50	379	412	384
	Total	1,375	1,388	1,431
ICC	Up to 30	550	514	490
	31-50	791	783	815
	Over 50	161	155	162
	Total	1,502	1,452	1,467

Notes:  
1 Discount Bank and MDB's data include tenured employees and temporary employees.  
2 ICC's data include permanent employees and non-permanent employees. The data include employees on unpaid leave and female employees on maternity leave.  
3 The Discount Bank data includes 2 employees of Discount Leasing Company.  
4 See above general note No. 3.

AVERAGE AGE AND SENIORITY

		For the year ended on December 31			
		2019		2018	
		Average age	Average seniority	Average age	Average seniority
Discount Bank		45.2	16.2	45.0	16.1
MDB		44.1	17.0	44.3	16.9
ICC		36.0	8.6	36.3	8.3

EMPLOYEE TURNOVER  
Breakdown of new employees by gender

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Men	153	151	174
	Women	337	336	448
	Total	490	487	622
MDB	Men	17	9	15
	Women	41	31	38
	Total	58	40	53
ICC	Men	128	122	79
	Women	327	372	215
	Total	455	494	294

Note:  
1 The data include temporary employees and tenured employees.

Breakdown of new employees by age

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Up to 30	321	334	403
	31-50	157	143	203
	Over 50	12	10	16
	Total	490	487	622
MDB	Up to 30	36	30	35
	31-50	21	10	18
	Over 50	1	-	-
	Total	58	40	53
ICC	Up to 30	387	394	204
	31-50	65	97	87
	Over 50	3	3	3
	Total	455	494	294

Note:  
1 The data include temporary employees and tenured employees.

Breakdown of leaving employees by gender

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Men	234	274	250
	Women	401	496	467
	Total	635	770	717
MDB	Men	31	37	24
	Women	44	50	30
	Total	75	87	54
ICC	Men	120	92	79
	Women	306	324	230
	Total	426	416	309

Notes:  
1 The data include temporary employees and tenured employees.  
2 Discount Bank's data do not include employees leaving from maternity leave / unpaid leave.

Breakdown of leaving employees by age

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Up to 30	285	303	363
	31-50	197	215	229
	Over 50	153	252	125
	Total	635	770	717
MDB	Up to 30	14	23	8
	31-50	31	40	25
	Over 50	30	24	21
	Total	75	87	54
ICC	Up to 30	305	304	230
	31-50	114	103	75
	Over 50	7	9	4
	Total	426	416	309

Mobility of employees

		For the year ended on December 31		
		2019	2018	2017
Discount Bank		716	618	665
MDB		233	175	104
ICC		187	179	137

Breakdown of employees by reasons of leaving

		For the year ended on December 31								
		2019			2018			2017		
		Temporary	Tenured	Total	Temporary	Tenured	Total	Temporary	Tenured	Total
Discount Bank	Encouraged retirement	-	14	14	-	157	157	-	15	15
	Natural retirement and leaving	17	110	127	11	78	89	8	<sup>5</sup> 91	99
	Of which: termination of contract	15	1	16	11	-	11	7	-	7
	Resignation	346	40	386	386	24	410	444	24	468
	Dismissal (imposed by the Bank) <sup>3</sup>	99	3	102	108	4	112	119	4	123
MDB <sup>4</sup>	Other	-	6	16	-	2	12	4	8	112
	Total retirement	462	173	635	505	265	770	575	142	717
	Encouraged retirement	-	14	14	-	18	18	-	10	10
	Natural retirement and leaving	-	14	14	1	7	8	-	12	12
	Resignation	17	15	32	20	17	37	13	10	23
ICC	Dismissal (imposed by the Bank)	12	3	15	17	5	22	4	4	8
	Other	-	-	-	-	2	2	-	1	1
	Total retirement	29	46	75	38	49	87	17	37	54
	Natural retirement and leaving			4			4			3
	Resignation			283			260			199
ICC	Dismissal (imposed by the company)			130			137			107
	Other			9			15			-
	Total retirement <sup>2</sup>			426			<sup>6</sup> 416			309

Notes:  
1 Of which passed away: 2019 - 6; 2018 - 2; 2017 - 9.  
2 ICC - not including employees retiring from unpaid leave / maternity leave or employees under trial period.  
3 The dismissals are of employees under trial period or for serious disciplinary reasons.  
4 MDB - tenured employees including employees engaged on personal contracts and members of Management.  
5 102-48.  
6 The data has been modified.





MATERNITY LEAVE

		For the year ended on December 31					
		2019		2018		2017	
		Men	Women	Men	Women	Men	Women
Discount Bank	Eligible for maternity leave	128	251	129	281	140	282
	Went on maternity leave	3	245	9	255	4	248
	Returned from leave	3	237	9	254	4	219
	Employees who were still employed 12 months after returning to work	3	212	8	238	4	205
MDB	Eligible for maternity leave	51	54	41	65	44	66
	Went on maternity leave	2	54	-	65	-	66
	Returned from leave	-	54	-	34	-	53
	Employees who were still employed 12 months after returning to work	-	54	-	65	-	66

- Notes:
- 1 Eligible for maternity leave - Anyone who had a child born to him / her between the dates of January 1, to December 31, of that year, who did not necessarily exercise his entitlement at the Bank.
  - 2 For Discount Bank:
    - a. Data for 2019 - Number of male/female employees who returned to work after a maternity leave and stayed to work - as of April 1, 2020.
    - b. Data for 2018 - Number of male/female employees who returned to work after a maternity leave and stayed to work - as of April 1, 2019.
    - c. Data for 2017 - Number of male/female employees who returned to work after a maternity leave and stayed to work - as of April 27, 2018.
  - 3 For MDB:
    - a. Data for 2019 - Number of male/female employees who returned and stayed to work - as of December 31, 2019.
    - b. Data for 2018 - Number of male/female employees who returned and stayed to work - as of December 31, 2018.
    - c. Data for 2017 - Number of male/female employees who returned and stayed to work - as of December 31, 2017.

EMPLOYEES ABSENCE

		For the year ended on December 31					
		2019		2018		2017	
		Men	Women	Men	Women	Men	Women
Discount Bank	Absence in respect of paid sick days	26,066	49,894	26,459	49,285	25,371	51,314
	Absence rate	6.24%		6.14%		5.99%	
	Accidents	35	74	33	82	38	79
MDB	Absence in respect of paid sick days	5,609	10,701	5,098	10,368	5,083	8,528
	Absence rate	5.09%		4.6%		4.0%	
	Accidents	331	301	274	321	8	12
ICC	Absence in respect of paid sick days	4,917	16,508	4,168	14,557	3,949	17,357
	Absence rate	7.32%		5.14%		5.09%	
	Accidents	13	31	22	28	17	57

- Notes:
- 1 Paid sick days are counted according to the number of actual days.
  - 2 The counting of days is of workdays missed by the employee and it refers to the total number of possible workdays in the year and not to the total number of days in the calendar year.
  - 3 The absence rate is calculated as the total actual number of absence days divided by the total number of possible workdays of the employee population at the end of the reporting year. It should be noted that the total number of absence days includes all employees who in respect of which an event of "illness" was recorded, while the denominator comprises the employee population at the end of the year. As a result of this calculation format the absence rate has an upward bias.
  - 4 Data on reported accidents are data reported to the National Insurance Institute, and include accidents on the way to and from the workplace. Therefore, these data do not constitute an indication of the number of "safety at work" events.

Events involving customers and employees, who resulted in the activation of insurance policy

		For the year ended on December 31		
		2019	2018	2017
Discount Bank	Customers (third party)	5	16	24
	Employees (employers' liability)	2	9	8
	Total	7	25	32
MDB	Customers (third party)	3	2	4
	Employees (employers' liability)	-	1	-
	Total	3	3	4
ICC	Customers (third party)	22	5	2
	Employees (employers' liability)	3	14	19
	Total	25	19	21

EMPLOYEE TRAINING

Average training hours per employee

		For the year ended on December 31		
		2019	2018	2017
Discount Bank		34	37	39
MDB		47	53	45

Details of employee training data at Discount Bank

	2019	2018	2017
Total frontal instruction days	22,527	26,052	29,536
Interactions Computer-Mediated Learning	41,863	43,757	37,016
Average training hours per employee	32	37	39
Average days per employee	12.38	13.07	12.95
Cost of training – in NIS million	8.9	18.1	9.9

- Note:
- 1 The figure has been modified.

FEEDBACK INTERVIEWS OF EMPLOYEES

Percentage of employees who received feedback

		For the year ended on December 31		
		2019	2018	2017
Discount Bank		99%	99%	99%
MDB		99%	99%	98%
ICC		100%	100%	99%

DIVERSITY AMONG EMPLOYEES  
Women in the different grades

		2019		2018		2017	
		Women	Rate of women	Women	Rate of women	Women	Rate of women
Discount Bank	Board of Directors	3	30%	3	23%	3	25%
	Managers	499	51%	509	50%	535	49%
	Of which: Branch managers and above <sup>1</sup>	66	43%	70	40%	63	39%
	Clerks	2,668	63.2%	2,713	62.8%	2,748	62%
MDB	Board of Directors	2	22%	1	10%	1	8%
	Managers	186	40%	173	37%	162	36%
	Clerks	597	65.6%	610	66%	638	65%
ICC	Board of Directors	4	50%	2	22.2%	2	22%
	Managers	170	56%	164	55%	148	56%
	Clerks	959	75%	947	75%	911	71%

Note:  
1 Including members of Management.

APPENDICES COMMUNITY

SCOPE OF EXPENDITURE OF THE DISCOUNT GROUP IN RESPECT OF ACTIVITIES FOR THE COMMUNITY

	2019	2018	2017
In NIS thousands			
Direct expense	9,866	8,925	7,726
Sponsorships <sup>1</sup>	950	535	279
Direct current cost of operating the Hezelilienblum Museum <sup>2</sup>	2,188	4,401	5,420
Indirect expenses - payroll <sup>3</sup>	3,248	2,599	2,544
Miscellaneous expenses <sup>4</sup>	599	425	299
Total	16,851	16,885	16,268

Notes:  
1 A small part of the expense regarding sponsorships has been taken into account – only sponsorships for social associations.  
2 Guidance team payroll and building maintenance.  
3 Staff of the social responsibility unit and certain other factors who were directly engaged in social responsibility matters as part of their regular working hours.  
4 Primarily, expenses for preparing various reports in relation to Corporate Responsibility.

APPENDICES GREEN DISCOUNT

GREENHOUSE GAS EMISSIONS IN 2018-2019

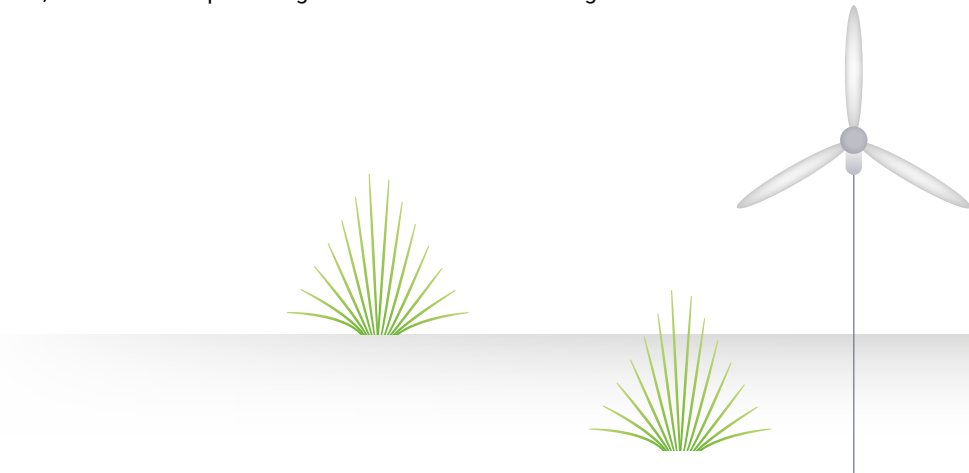
	Scope 1	Scope 2	Scope 3	Total emissions	
				2019	2018
Discount Bank	2,620	18,780	908	22,308	24,892
MDB	811	4,907	169	5,887	5,560
ICC	1,133	3,771	33	4,937	4,675

Notes:  
1 The calculation of emissions in Scope 1 for MDB and ICC relates to consumption of fuel only; while that for Discount Bank includes also emission of air conditioning refrigerant gases.  
2 The calculation of emissions in Scope 3 for Discount Bank relates to paper consumption, paper recycling, water consumption and business flights; the calculation of emissions in Scope 3 for MDB relates to water consumption and flights alone; the calculation of emissions in Scope 3 for ICC relates to paper consumption and paper recycling alone.

DETAILS REGARDING THE INVESTMENT OF DISCOUNT BANK IN THE PROCESS<sup>1</sup> OF REDUCING GREENHOUSE GAS EMISSIONS IN 2019 AND THE ANNUAL SAVINGS DERIVING FROM THEM

Type of activity	Description	Investment in NIS thousands	Annual energy savings (in kwh)	Annual GHG emissions reduction (CO2e tons)	Expected annual financial savings <sup>1</sup> (estimate in NIS <sup>2</sup> )
Energy efficiencies in buildings	Energy efficiencies in A/C systems	5,820	1,932,723	1,053	1,135,533
Energy efficiencies in buildings	Upgrading the lighting systems	930	483,181	263	283,883
Buildings - reduction of space		-	224,043	122	131,632
Total year 2019		6,750	2,639,947	1,438	1,551,048
Total year 2018		10,330	2,047,797	1,119	732,000

Notes:  
1 Savings in the consumption of electricity in relation to 2018. Estimated as a percentage of total savings in consumption.  
2 In accordance with actual savings data, estimated as a percentage of the total financial savings.



# APPENDICES CORPORATE GOVERNANCE

## ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Number of meetings of the Board of Directors and its committees and the attendance rate thereat

The Forum	Number of meetings in 2019	Summed up rate of participation
Board of Directors plenum	33	96.3
Credit Committee	9	98.4
Audit Committee	25	95.0
Risk Management Committee	16	97.1
Resources Committee	3	93.3
Remuneration Committee	10	100.0
Technologies & Resources Committee	8	98.1
Ad-hoc committee - banks acting in the Palestinian Authority	3	100.0
Ad-hoc committee - locating the Bank's President & CEO	4	93.8
Total meeting of committees	78	96.8



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