

# Corporate Social Responsibility Report

## The Leumi Group

### 2016



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This is a translation from Hebrew and has been prepared for convenience only. In the event of any discrepancy, the Hebrew will prevail

# Introduction



## A Word from the Chairman and Chief Executive Officer

These are times of great challenges and changes for our world. The technological revolution impacts on all aspects of our lives. Many fields, including the banking sector, are experiencing changes and transformations. The technological era is a game changer, increasing the level of competitiveness. Today's customers expect immediate results and a holistic and fast customer experience. For his part, the service provider has to adopt new and innovative thinking patterns and act quickly and efficiently in order to meet the customers' high expectations. On the other hand, service providers must attend to the needs of the people who work in the bank and who face significant economic, business and occupational changes.

We are proud to present the eighth Corporate Social Responsibility Report of the Leumi Group. The concept of corporate social responsibility, which is the cornerstone of our business thinking, helps us to assess our impact on stakeholders – customers, employees, suppliers, the community and the environment – aiming to create a significant value for each of them, in the belief that without such value, the existence of the organization lacks meaning. We believe that our responsibility for individuals and for the business–social environment in which we operate is a way of living that translates into actions in our daily life.

2016 was a significant year in terms of the Bank's corporate social responsibility activities. Over the course of the year, we led several large-scale processes, primarily the planning and implementation of two large projects that went under way at the beginning of 2017 – the launch of PEPPER – our mobile-based digital banking platform and the national training project, Israel IL. These processes reflect Leumi's banking concept of digital and innovation leadership, while providing professional and top-quality support to customers who require assistance and guidance in using digital banking.

As part of our efforts to make the digital world more accessible, we collaborated with the ORT school's Surfing Club program, where students meet each week with the elderly, and

help them become better versed with the digital field, teaching them computer skills and useful applications.

These moves express Leumi's banking philosophy – to be a leader in digital and innovation, while providing quality professional solutions to customers who need assistance and guidance in executing online transactions.

The activities of each and every organization involve the risk that it might conduct itself in an inappropriate manner when engaging with customers. In order to mitigate the risk, over the course of the year we integrated various processes as part of our Conduct of Business policy. The management of this risk is based on the understanding that the best interests of the customer and the best interests of the bank are one and the same, and on the aspiration to create and maximize mutual value – an aspiration which underlies the Bank's vision and its core values.

In 2016, the Board of Directors discussed and approved a bribery and corruption prevention plan. As part of the plan, we set guidelines, updated procedures, identified high risk activities and defined “red flags” for identifying any breaches. Alongside the declared money policy and the FATCA, we invest significant resources in eliminating any potential concerns regarding any unethical or unlawful conduct.

We continue promoting responsible and diverse procurement practices. As part of this plan, in 2016 we supported the WESOURCE initiative, aiming to set up a diversified pool of suppliers, who support social causes. This pool of suppliers will serve the entire Israeli economy, provide more opportunities to small and diversified businesses and bridge existing gaps. We also continued our collaboration with the non-profit organization ‘Maala’ in promoting corporate responsibility norms among our small and medium-sized suppliers.

We are proud to take part in the funding of the first Israeli social impact bond together with the public benefit company ‘Social Finance Israel’ as part of a support program, which aims to reduce students’ dropout rates. We also continued broadening our collaboration with the non-profit organization “Aharai! – Youth Leading Change”, which is the flagship of Leumi Group's involvement in supporting social causes and the


community. Overall, in 2016 we invested more than NIS 33 million in the community and thousands of our employees volunteered and participated in a variety of voluntary activities across Israel.

As always, we are committed to maintain the principles of the UN Global Compact, including in the areas of human rights, labor standards and anti-corruption.

Leumi Group will continue to lead a level headed and responsible corporate social responsibility policy, which places the best interest of both the collective and the individual at its very heart.

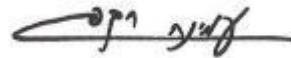
Respectfully,

David Brodet



Chairman of the Board

Rakefet Russak Aminoach



CEO



## The Leumi Way: Vision, Core Values and Ethics

### To Conduct Pro-active and Innovative Banking for the Customer



We aim to design a dynamic business environment combining the values of the Bank with product and technological innovation. An environment that will be, for our customers, a place where they can find the best and the most appropriate answer for their financial needs, while striving for adequate profitability, maintaining the stability of the Bank, and creating a balance between the needs of employees and shareholders. As a financial group with a major impact on business and public culture in Israel, we see our commitment to community as a social and value-driven point of reference that we will continue to cultivate.

### Core Values

The core values are the compass that guides us in shaping the norms for appropriate ethical behavior in Leumi. This behavior reflects the value-driven concept in which we believe and to which we aspire in our activity for all stakeholders. Core values are the cornerstones in creating an organizational and unique culture, inspiring and nurturing the joy of being active among employees of the organization. We hold the view that this culture will lead Leumi forward and will leverage its business performance.

## And these are the five core values of Leumi:

### Customers are the core of our work

They expect professional, quality, courteous and efficient service, so that at the moment of truth we will be there for them attentively with appropriate and useful value propositions.

### "Yes, we can"

Is a worldview which offers new ideas the possibility of taking shape and materializing. This is a worldview that honors and respects those dealing with challenges and that focuses on action, but also may involve possible errors, out of recognition that only he who dares, wins.

### Sharing

We live in a reality that places the value of cooperation in the foreground. To produce a force multiplier, we will cooperate with and within units with each of us thinking "Leumi", and thus ensure the achievement of our goals. In addition, we will display openness and will share courageously our opinions, our thoughts and our ideas.

### Modeling

Each and every one of us is a role model for someone. We must aspire to ensure that in every activity we do, we shall be a personal example to those around us.

### Excellence

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

## Business Profile

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

Leumi is the oldest banking corporation in Israel and one of the leading and largest corporations in Israel and the Middle East. Leumi Group currently operates 234 branches across Israel, in addition to offices at the world's major financial junctions. The Bank's headquarters and corporate executive offices are located in Tel Aviv.

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

Leumi and the principal subsidiaries reviewed in this report represent the majority<sup>2</sup> of the Group's operations. The Group owns additional subsidiaries in Israel, as well as Leumi USA, Leumi UK, and Leumi Romania overseas.

In addition, the Leumi Group has investments in non-financial corporations, as detailed in the following ownership chart.

### Ownership Structure

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

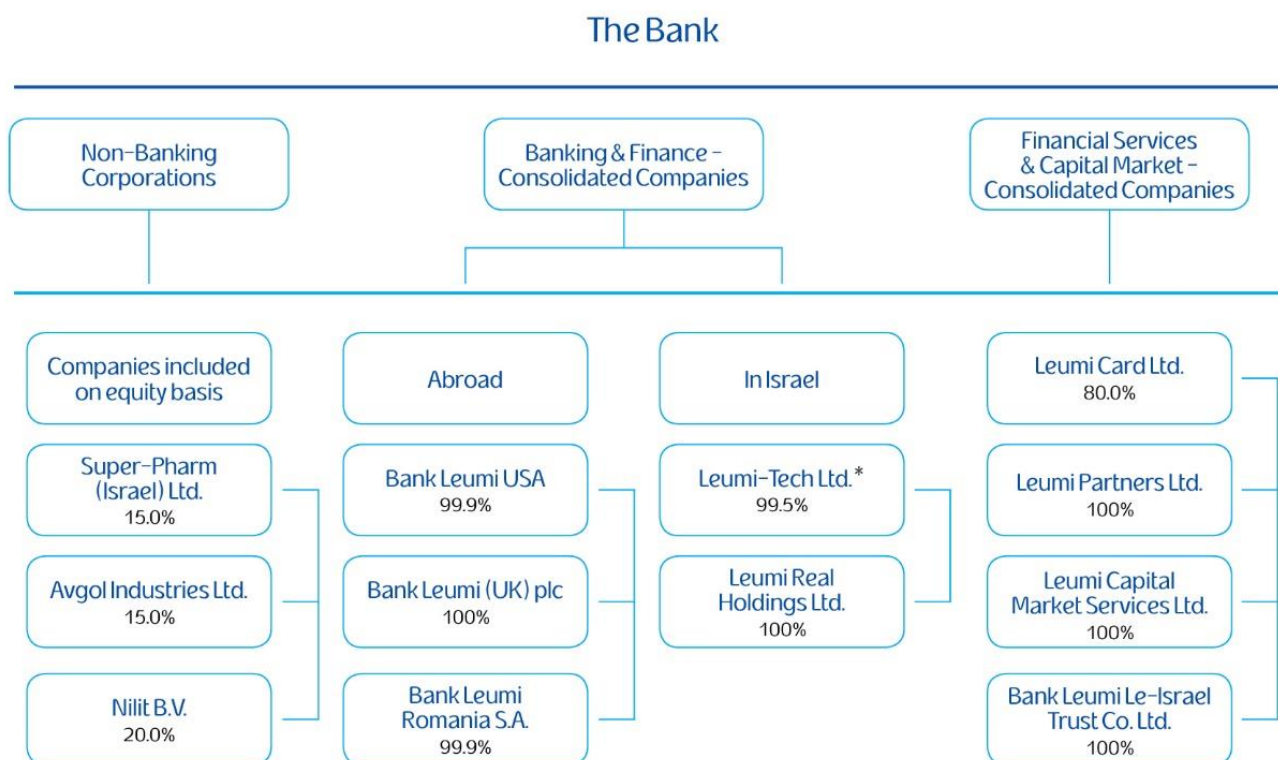
As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

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<sup>1</sup> G4-17

<sup>2</sup>By contribution to the Group's net profit.

## Major Investee Companies and Investments of Bank Leumi as of December 31, 2016



\* Voting rights - 99.8%

## Bank Leumi's Business Lines

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

**Retail Banking:** Retail Banking provides comprehensive banking services to private customers and small businesses at 212 branches nationwide, including branches of the former Arab Israel Bank. This business line includes Mortgages and Private Banking, which is responsible for the banking activity of private customers – both Israelis and non-residents – with financial wealth of more than NIS 1.5 million. Retail Banking also manages the advanced direct banking services of Leumi Digital: the Bank's website, Leumi Call (call center), the mobile apps, and information kiosks at the branches.

**Commercial Banking:** The commercial network specializes in providing banking and financial services to middle market companies through 22 specialized business branches nationwide. The organizational structure of this business line is unique in the banking system, enabling the Bank to provide a comprehensive one-stop-shop to its customers.

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

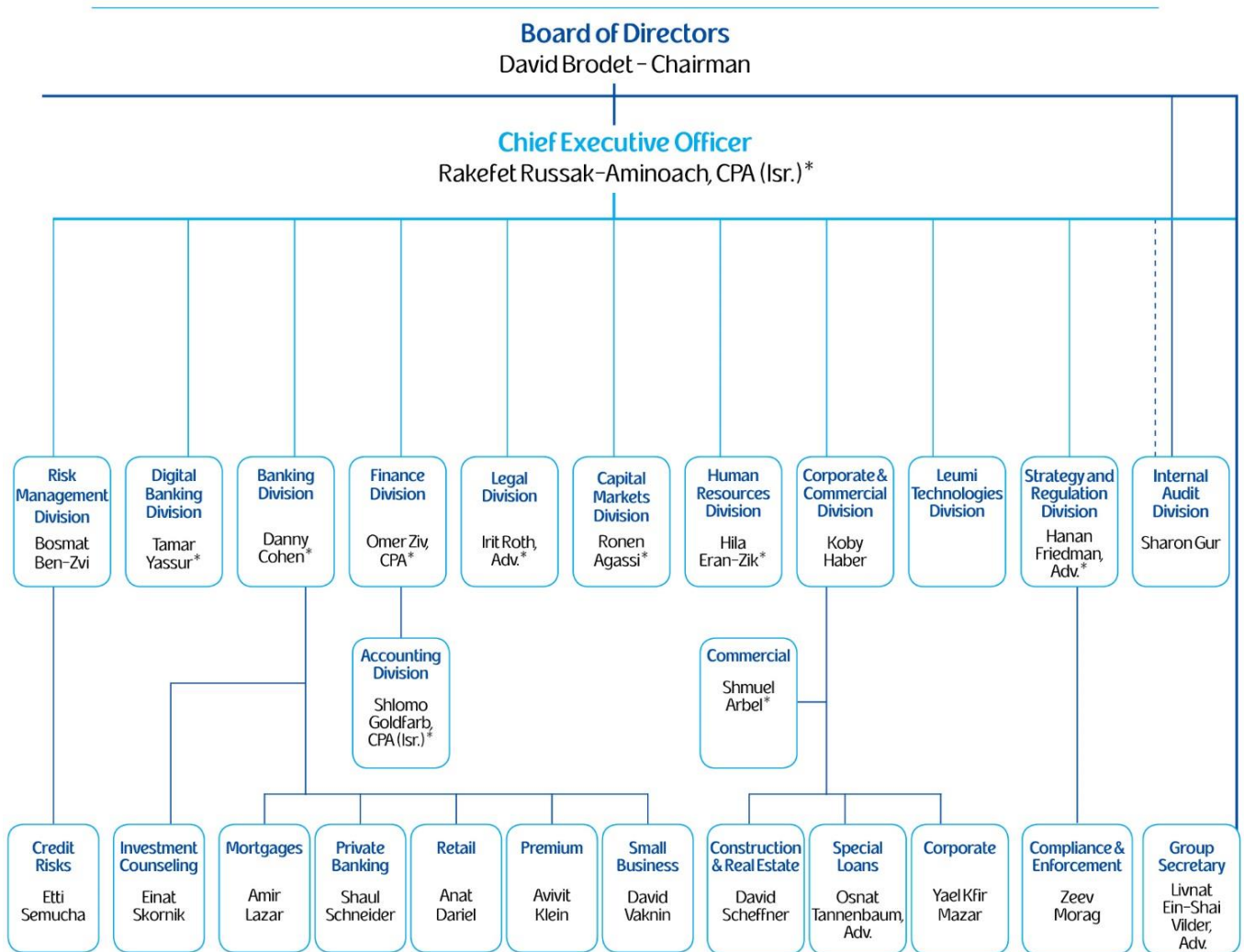
**International Banking:** This business line provides commercial banking services to private customers and Israeli companies operating in international markets, through the branches of Bank Leumi USA, Bank Leumi UK, Bank Leumi Romania, and the Leumi representative office in Shanghai, China.

**Digital Banking:** This line of business is responsible for leading, and for the application of, state-of-the-art digital innovation in all of the Bank's business lines, as well as for managing the marketing network and Big Data operations, so as to enable Leumi to remain at the forefront, both in terms of digital innovation and overall customer experience across all of the Bank's communications channels.

**Capital Markets:** This line of business manages the Bank's nostro account and accounts of institutional customers and foreign banks, providing financial solutions tailored to these customers and the Bank's other business lines, which operate directly with the Leumi trading rooms (Israeli securities, foreign securities, foreign currency, and derivatives). This business line is also responsible for all Bank customers' capital market activity.

**LeumiTech:** provides advice to the Bank and Group regarding providing banking services to high-tech companies throughout their business cycle, including financing by the Bank, creating special banking products, a designated investment management platform, and a credit card. LeumiTech also cooperates with key industry figures in Israel and overseas, including funds and investors, to maximize the benefits it provides to high-tech companies. LeumiTech also has a presence in global high-tech centers, such as London, New York, and Silicon Valley.

## Organizational Structure (as of July 19, 2017)



\* Member of management

### Main Changes in the Reporting Period

- On June 1, 2016, the Bank's Board of Directors approved a streamlining program. For further information please see p. 131.
- On December 31, 2015, the Arab Israel Bank was merged into Bank Leumi (the Banking Division).
- For more information on changes, please see p. 307-308 of the 2016 financial statements.

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

91.4% of the Leumi Group's activity is concentrated in Israel and 8.6% of its activity is conducted abroad<sup>4</sup>. The Group's headquarters are located in Israel.

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

The Leumi Group operates overseas through the Bank's branches in the USA, UK and Romania, and through a commercial affiliate in China.

Below is additional information on the main subsidiaries:

### Leumi Card

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

The company is engaged in issuing, clearing and operating credit cards, payment solutions and financial products. As of the end of 2016, had issued approximately 2.58 million credit cards under the Visa and MasterCard brand names, including bankcards in cooperation with Leumi and non-banking cards for customers of all the banks. Leumi Card provides clearing services to some 40,000 businesses across Israel, offering them financial solutions such as loans, discount vouchers, and pre-payments. 80% of the company's shares are held by Bank Leumi, and 20% - by the Azrieli Group. The company ended 2016 with a net profit of NIS 184 million, as compared with NIS 180 million in 2015.

### Leumi Partners

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

The investment banking arm of the Leumi Group provides non-banking growth solutions, such as Leumi Group's investments in companies, underwriting, research, mergers and acquisitions, and raising of any type of capital or debt. Leumi Partners integrates its

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<sup>3</sup> G4-17

<sup>4</sup> According to the balance sheet as of December 31, 2016.



capabilities through a unique merchant banking platform. In 2016, the company reported a profit of NIS 154 million, compared with a profit of NIS 405 million in 2015.

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

The company provides a selection of trust services in three main business areas, allowing all of its customers to enjoy sophisticated customized solutions, for both business and personal needs: Private customer trusts - setting up private trusts, managing public religious trusts, estate management and real estate property management; business customer trusts - investment fund trusts, holding shares in trust, collateral trusteeship and escrow transactions; and trusteeships in the capital market area - trusteeship for bonds and ETNs. In 2016, the company's net profit was NIS 1.9 million, compared with a profit of NIS 0.3 million in 2015.

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

The company works to promote Leumi Group's activity in the high-tech industry. Within this framework, the company is engaged in, among other things, professional support for all Group companies in Israel and abroad, deepening ties with industry, building and expanding banking services and creating infrastructure for knowledge.

#### Leumi Capital Market Services

The company provides comprehensive operating services to financial institutions such as provident funds, study funds, manufacturing plants' funds, severance pay funds, central funds for budgetary pensions, mutual funds, private investment funds and distribution services.

## Offices Overseas<sup>4</sup>

### Bank Leumi US (BLUSA)

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

Bank Leumi's largest office abroad, engaged mainly in commercial banking. Its main activity is financing of local mid-sized companies and Israeli companies operating in the United States, as well as providing private banking services to US and foreign residents. The Bank operates branches in four states: New York, Illinois, Florida and California. Bank Leumi USA ended 2016 with a profit of \$26 million, as compared with a profit of \$61 million in 2015 (the reduced profit stems mainly from the sale of a real estate property in the previous year).

### (BLUK)

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

Operating in the UK since 1902, Bank Leumi UK is the largest bank in Britain under Israeli ownership. The bank is engaged in commercial and private banking, specializing in real estate, the hotel industry, commodities, media and commerce. Among the bank's customers are, of course, Israeli customers and/or subsidiaries of Israeli companies, but the bank provides services to all customers operating in its areas of expertise. The center of the Bank's activity is in London, but it supports its customers' activities throughout western Europe. The office has a subsidiary - Leumi ABL, the main focus of which is discounting receivables. Bank Leumi UK's net profit in 2016 amounted to £17 million compared with £13 million in 2015.

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<sup>4</sup> G4-17

**Bank Leumi Romania**  
(BLROM)

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

The only Bank in Romania under Israeli ownership, operating 15 branches across the country. The Bank's main activity is commercial and includes real estate financing, providing financing for Israeli customers operating in Romania as well as for local small and medium businesses. Bank Leumi Romania ended 2016 with a loss of Ron 12 million, compared with a loss of Ron 24 million in 2015.

### Membership in Organizations and Associations

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

In addition, the Bank is a member of the Tel Aviv-Jaffa Chamber of Commerce and the Israeli Marketing Association.

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

**Bank Leumi Romania** is a member of Romania's Association of Banks, which is part of the European Banking Federation.

**Bank Leumi UK** is a member of the British Bankers' Association and has a representative in the Operating Committee of the Association of Foreign Banks.

### About the Report<sup>5</sup>

This is the eighth Corporate Social Responsibility Report of the Leumi Group, written in accordance with the fourth generation guidelines of the Global Reporting Initiative (GRI) at the Comprehensive in accordance option.

The report contains all the items in the appendix for companies from the financial sector, and includes a report in accordance with the principles of the UN Global Compact (UNGC) Initiative. A list of the principles with references to the appropriate pages appears on p. 262.

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<sup>5</sup> G4-22, G4-23

The Group's Corporate Social Responsibility Report for 2016 does not constitute part of the Group's financial statements, its immediate reports or the periodic reports of Bank Leumi and the Group. In case of any inconsistency between this report and others, the financial statements shall constitute the binding document.

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

The contents included in the following report are also available on the Leumi Group's Corporate Social Responsibility website, Leumi Plus – [plus.leumi.co.il](http://plus.leumi.co.il).

### Contents of the Report<sup>6</sup>

This report focuses on Leumi Group's activity in the areas of corporate governance, the economy, society and the environment for 2016.

Except where noted otherwise, this report refers to the Leumi Group's activity in Israel and overseas. In Israel: Bank Leumi, Leumi Card, Leumi Partners, The Trust Company and Leumi Capital Markets, which is included in this report for the first time; overseas: Bank Leumi USA, Bank Leumi UK (excluding its subsidiaries), and Bank Leumi Romania.

Except where noted otherwise, the data in this report refer to the period from January 1, 2016 to December 31, 2016. The data are in complete agreement with other reports issued by the Group, and do not contradict information presented by the Group in past years.

The data presented in the chapter on "Creating Value for the Environment" refer to the environmental performance of Bank Leumi and Leumi Card, which account for about 91% of all employees in the Group (as defined in this report) and are a source of over 95% of its profits.<sup>5</sup>

Due to the merging of the Arab Israel Bank into Bank Leumi, data previously presented separately for the Arab Israel Bank are included in Bank Leumi's data, unless stated otherwise.

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<sup>6</sup> G4-18

<sup>5</sup> According to the balance sheet as at Decemb

## Terms

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

## Ensuring Reporting Reliability

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

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

- + **Process review** was conducted by the Corporate Social Responsibility and Sustainability Group at BDO Consulting Group. The review included full support of the program to implement corporate social responsibility in the Bank and working on this report.
- + **Materiality Disclosure Review:** The GRI organization reviewed this report and examined how the material aspects were incorporated into the report (GRI Materiality Disclosures Service). For more information, please see p. 238.
- + **External assurance and quality assurance of the Report:** was carried out by Somekh Chaikin KPMG (for more information, please see p. 232).

For more information, please contact:

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

## Acknowledgements

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

Published in August 2017

## Identifying Material Issues for Reporting<sup>7</sup>

Most corporate social responsibility reports published by Bank Leumi were prepared in accordance with the GRI guidelines, which define the guiding framework for CSR reporting. In 2016, the Leumi Group continued to report in accordance with with GRI:G4 Guidelines Comprehensive option. These guidelines require in-depth reporting only on issues identified by Leumi as material to its operations.

The issues identification process allows Leumi to focus its activities in the field of corporate social responsibility on 10 issues it has identified as material. The Bank will work to increase its commitment to the advancement of improvement processes in accordance with the objectives it had set.

During 2016, the Group reviewed and updated the material reporting issues, based on dialogue with its stakeholders. We invite you to contact us and present us with issues relevant to this report.

### The Materiality Matrix and Issues for Reporting in 2016

During 2016, Leumi's materiality matrix was redefined in cooperation with the Group's principal stakeholders, and reflects the significance of each of the various corporate responsibility issues. The process of defining the matrix was based on a list of corporate responsibility topics relevant to Leumi.

### Evaluation of the Bank's Position (The "100 Forum" 70%, Board of Directors 30%)

In accordance with this list, a survey was conducted among Board of Directors members (30% of the score) and heads of divisions of the bank - members of "The One Hundred Forum" (70% of the score), who jointly represent the Bank's position.



## Evaluation of stakeholders' position

### a. Positions of employees and customers (67% of the score)

The survey was delivered to approx. 500 customers and approx. 500 employees, whose position was given the highest weight in forming the stakeholders' position. 45% of the score was given in view of the customers' position and 22% of the score was given in view of the employees' position. As additional information sources that were integrated into the stakeholders' mix, the bank used reviews of domestic and international entities.

### b. Survey by BDO – Issues Material to the Banking Sector in Israel (15% of the score):

In 2016, the Corporate Responsibility and Sustainability Group at BDO Consulting Group conducted a survey among stakeholders on material issues in corporate responsibility reports of banks in Israel. The survey examined local and current corporate responsibility and sustainability issues in the Israeli banking sector. The survey is based on interviews with stakeholders who represent financial and banking areas in which Israeli banks are engaged, including representatives of customers, social and environmental organizations, the capital market, suppliers, the corporate responsibility community, and more.



**c. Corporate responsibility reviews of ESG/CSR research entities (7%)**

Domestic: a review of Leumi Group's 2015 Corporate Responsibility Report, held by Kaima Research Institute.

Global: a review of Leumi Group's activity by international investor analysis entities: FTSE, EIRIS, MSCI.

**d. International organizations (6%):**

Sustainability and corporate responsibility issues that were identified as the most important issues in these areas by leading international organizations such as: OECD, the Davos World Economic Forum, UN Global Compact, SDG - the global sustainability development goals that were defined by the UN.

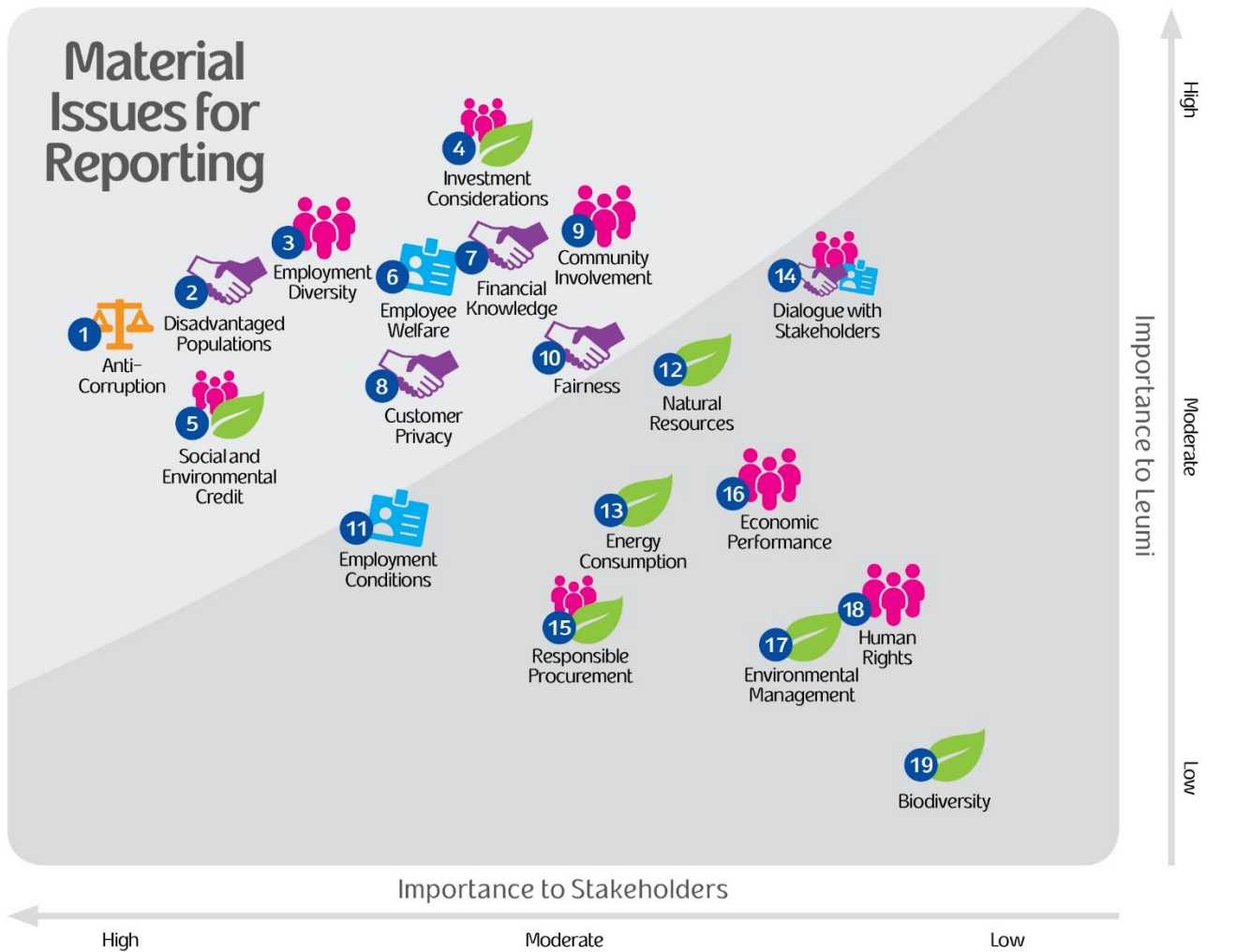


**e. Maala's rating questionnaire (5%) :** The material issues for reporting according to the 2016 rating by Maala, the Israeli umbrella organization for corporate social responsibility..

**Creating the Materiality Matrix**

The materiality matrix was created according to the weighting of the score provided by all stakeholders (customers, employees, investors and international organizations) and the importance of each topic in Leumi's view (the Board of Directors and One Hundred Forum). The matrix, which was approved by the Bank's management, included 10 material issues to be reported in the Corporate Responsibility Report for 2016.

## Materiality Matrix



### Issues of High Importance (Reported)

1. Ethics and anti-corruption
2. Accessibility to disadvantaged populations and people with disabilities
3. Employment diversity and equal employment opportunities
4. Integrating environmental and social considerations in non-financial investments
5. Integrating environmental and social considerations in granting credit
6. Health, training and welfare of employees
7. Accessibility of financial knowledge
8. Customer privacy and data security
9. Community involvement
10. Conducting business fairly

### Other Issues (Reporting not mandatory)

11. Maintaining fair employment conditions for employees
12. Consumption of natural resources
13. Energy consumption and carbon footprint
14. Dialogue with stakeholders and reporting on CSR issues
15. Integrating social and environmental considerations in procurement processes
16. Economic performance
17. Organization-wide management of environmental issues
18. Protection of human rights within the framework of the organization's activities
19. Maintaining biodiversity in areas of operation

## Structuring the Report according to the Material Issues and Reporting Boundaries<sup>8</sup>

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

The process for identifying material issues resulted in 10 issues identified as material (out of the 19 issues presented). The 10 issues include (as described below) 22 aspects in accordance with the definitions of the GRI:G4 Comprehensive option. According to the guidelines as soon as the Bank has identified the 22 material aspects for reporting, it is required, by definition, to report on them.

Chapter	Materiality	Issue	GRI aspect	Reporting boundaries
Corporate governance	1	Ethics and anti-corruption	Anti-corruption	Within the organization
Creating value for customers	7	Accessibility of financial knowledge	Product and service labeling	Within and outside the organization
Creating value for customers	7	Accessibility of financial knowledge	Marketing communications	Within and outside the organization
Creating value for customers	7	Accessibility of financial knowledge	Compliance	Within and outside the organization
Creating value for customers	2	Making services accessible to disadvantaged populations and	Non-discrimination	Within and outside the organization

<sup>8</sup> G4-18, G4-19, G4-20, G4-21

Chapter	Materiality	Issue	GRI aspect	Reporting boundaries
		people with disabilities		
Creating value for customers	5	Integrating socio-environmental considerations in granting credit	Product portfolio (sector-specific aspect)	Within and outside the organization
Creating value for customers	5	Integrating socio-environmental considerations in granting credit	Products and services	Within and outside the organization
Creating value for customers	5	Integrating socio-environmental considerations in granting credit	Audit (sector-specific aspect)	Within the organization
Creating value for customers	4	Integrating environmental and social considerations in non-financial investments	Investment	Within and outside the organization
Creating value for customers	8	Customer privacy and security	Customer privacy	Within and outside the organization

Chapter	Materiality	Issue	GRI aspect	Reporting boundaries
Creating value for customers	10	Conducting business fairly	Compliance	Within and outside the organization
Creating value for customers	10	Conducting business fairly	Product and service labeling	Within and outside the organization
Creating value for customers	10	Conducting business fairly	Marketing communications	Within and outside the organization
Creating value for customers	10	Conducting business fairly	Public policy	Within and outside the organization
Creating value for customers	10	Conducting business fairly	Anti-competitive behavior	Within and outside the organization
Creating Value for Employees	3	Diversity and equal opportunities in employment	Equal remuneration for women and men	Within the organization
Creating Value for Employees	3	Diversity and equal opportunities in employment	Market presence	Within the organization
Creating Value for Employees	3	Diversity and equal opportunities in employment	Training and education	Within the organization

Chapter	Materiality	Issue	GRI aspect	Reporting boundaries
Creating Value for Employees	6	Health, training and welfare of employees	Occupational health and safety	Within the organization
Creating Value for Employees	6	Health, training and welfare of employees	Training and education	Within the organization
Creating Value for the Community	9	Community involvement	Local communities	Within and outside the organization
Creating Value for the Community	9	Community involvement	Grievance mechanisms for impacts on society	Within and outside the organization

This structure reflects the material issues for Leumi and its stakeholders. The reporting framework includes full response to 58 specific performance indicators (specific standard disclosures) that fall under these 22 aspects, alongside 58 organizational profile indicators (general standard disclosures). In addition to these issues, the report provides more information on three additional issues that were not identified as material in the materiality process but which Leumi has found necessary to report and elaborate on in order to maintain reporting continuity and transparency on the issues of: economic performance; integrating social and environmental considerations in procurement processes; and reporting on energy consumption, carbon footprint, and materials (paper consumption and electronic waste volumes).

The full reporting content index appears on p. 238 of the report. In addition, Leumi defined, in relation to each aspect, the reporting boundaries, and whether their impact is within the organization (in which case the Bank will focus on managing the issue, methodical measurement of performance, improving performance, and periodic monitoring while setting objectives) or is outside the organization (in which case Leumi

will focus on dialogue with outside parties, periodic monitoring of performance, and encouraging responsible conduct). Some of the issues have been defined as material both within the organization and outside it.<sup>9</sup>

## Corporate Social Responsibility Management by the Group

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

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

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





## Involvement in Corporate Social Responsibility Initiatives and Ratings

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



Leumi and Leumi Card are members of Maala, and appear in the organization's annual ranking. In 2016, the companies received the highest possible ranking: Platinum Plus.



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



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



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



As of 2011, Leumi is a constituent of the FTSE4GOOD Index, the leading index of sustainability and corporate responsibility performance traded on the London Stock Exchange.



Transparency International is a global civil society organization that leads the struggle against corruption in government and business. In its 2016

Transparency Index, the Leumi Group was rated A (second among companies reviewed in Israel).

### Cooperation and Dialogue with Stakeholders

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

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

### Main Channels of Dialogue with Stakeholders<sup>10</sup>

Stakeholder	Main Channels of Dialogue
Customers	<ul style="list-style-type: none"> <li>• Personal meetings with customers in general, and specifically with customers whose debt is in legal proceedings</li> <li>• Customer satisfaction surveys</li> <li>• The Group's blog and Facebook pages</li> <li>• Public Enquiries Bureau</li> <li>• Customer conferences</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Quarterly video conferences led by the CEO with all employees</li> <li>• Leumi Share – in-house portal for employees</li> <li>• Mid-year review and dialogue meetings</li> <li>• Meetings between management and the employees' representative body</li> </ul>

<sup>10</sup> G4-24, G4-25, G4-26, G4-27

Stakeholder	Main Channels of Dialogue
	<ul style="list-style-type: none"> <li>• Employee attitude surveys</li> <li>• Meetings of the CEO and Division heads with employees</li> <li>• Tours and meetings of the Group's CEO and management in the branches and regional offices</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Suppliers' portal</li> <li>• Personal meetings with suppliers</li> <li>• Conferences for suppliers and contractors</li> </ul>
Social organizations	<ul style="list-style-type: none"> <li>• Personal meetings with representatives of social organizations</li> <li>• Ongoing dialogue with community partners on employee volunteering – NGOs, social organizations and welfare departments in local authorities</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• Investor relations website</li> <li>• Conferences, group and individual meetings, personal conversations and quarterly earning calls</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>• Ongoing dialogue with the Association of Banks as the representative body of Israel's banking corporations before the regulators</li> <li>• Attending Knesset Committee meetings, conferences and meetings with the regulators</li> </ul>

### Corporate social responsibility training for managers

As part of their work, and where relevant, managers in the Group dealing with issues of corporate social responsibility participate, on a regular basis, in professional conferences and external training sessions on corporate social responsibility.

## Meeting Objectives – Corporate Responsibility Management at the Group

Company	Objective as at end of 2016	Status	Explanation
Leumi	Annual training for corporate responsibility leaders at the units.	Done	Training was held for 30 corporate responsibility leaders (in early 2017)
	Initiate and assist units to instill corporate responsibility procedures in line with expectations of major stakeholders.	Done	
	Review the materiality matrix.	Done	For more information, please see the "Identifying Material Issues for Reporting" chapter.

## Objectives for 2017

Company	Target to be achieved by the end of 2017	Main actions planned
Leumi	Establish and manage a Corporate Responsibility Leadership Forum.	Hold at least two meetings, attended by senior Leumi executives.
Leumi	Initiate and assist units to instill corporate responsibility procedures in line with expectations of major stakeholders.	Expand activity on issues identified as material.

# Economic Value and Responsible Management



## Economic Impact on Israeli Society

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

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

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

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

## The economic value created by the Bank in 2012–2016

	2012	2013	2014	2015	2016
Net profit for the shareholders of the banking corporation (in NIS millions)	922	1,988	1,413	2,835	2,791
Basic net profit per share (NIS)	0.63	1.35	0.96	1.92	1.85
Return on equity (%)	3.8%	8.0%	5.5%**	10.3%	9.3%
Dividend	0	0	0	0	0***
Profit and loss					
Total Group revenue (in NIS millions)	12,182	12,788	12,504	13,415	12,934
Total operating expenses (in NIS millions)	9,120	8,817	9,371	8,836	8,580
Total expenses (income) for credit losses (in NIS millions)	1,236	268	472	199	(125)
Earnings before taxes (in NIS millions)	1,826	3,703	2,661	4,380	4,479
Provision for taxes on income – consolidated (in NIS millions)	800	1,380	1,278	1,691	1,717
Net profit attributable to shareholders of the Bank (in NIS millions)	922	1,988	1,413	2,835	2,791
Operating efficiency ratio (the ratio of operating expenses to total income) (%)	74.9%	68.9%	74.9%	65.9%	66.3%
Capital adequacy ratio (Tier 1) (%) – Basel 3 (until 2013 – Basel 2)	8.55%	9.19%	9.09%	9.58%	11.15%
Assets					
Total Assets (in NIS billions)	376	375	397	416	439
Operations					
Total no. of branches in Israel	278	274	268	252	234
Salaries (including pension contributions) (in NIS millions)	5,310	5,070	5,253*	5,544*	5,422

	2012	2013	2014	2015	2016
Average annual salary including bonus, per employee (in NIS thousands)	220.2	248.5*	231.4*	267.4*	267.7
Chairman's annual salary cost (in NIS millions)	3.30	5.24	3.08	5.8	4.4
CEO's annual salary cost (in NIS millions)	5.16	6.28	4.13	8.1	6.9

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

\*\* Reclassified

\*\*\* On March 29, 2017, the Bank's Board of Directors approved a policy for dividend distribution of 20% of the net profit as of the first quarter of 2017.

#### The economic value for the stakeholders generated by the Leumi Group in NIS million

Customers		2013	2014	2015	2016
Total credit (including deposits with central and commercial banks)		283,793	311,551	319,247	334,549
Private customers	Household credit	106,698	116,578	116,618 <sup>(c)(d)</sup>	115,131 <sup>(d)</sup>
Private customers	Of which, housing mortgages:	69,422	75,125	76,934 <sup>(c)(d)</sup>	74,072 <sup>(d)</sup>



Customers		2013	2014	2015	2016
Businesses (small, medium and large)	Credit	133,575	132,628	123,951 <sup>(c)(d)</sup>	124,887 <sup>(d)</sup>
Participation as distributor or underwriter of issues through Leumi Partners Underwriters	Value of issues	About 16,500	About 14,000	About 32,000	About 38,000

#### Credit granted to various industries in Israel and abroad

		2013	2014 <sup>(a)</sup>	2015	2016
Infrastructure <sup>(a)</sup>	Credit	25,178	28,241	27,871 <sup>*** (c)</sup>	27,636
Manufacturing	Credit	23,603	22,571	19,632 <sup>*** (c)</sup>	17,983
Commerce	Credit	23,005	26,747	26,163 <sup>*** (c)</sup>	26,934
Agriculture	Credit	1,825	1,857	1,805	1,866
Public and community services <sup>(b)</sup>	Credit	7,848	6,260	6,847 <sup>*** (c)</sup>	7,540

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

Employees	2013	2014	2015	2016
Salary expenses (including provisions for pension)	5,070	5,253 <sup>(c)</sup>	5,544 <sup>(c)</sup>	5,422

Shareholders	2013 <sup>(b)</sup>	2014 <sup>(b)</sup>	2015	2016
Net profit attributable to the Bank's shareholders	1,988	1,413	2,835	2,791
Dividends distributed	0	0	0	0

Society and community	2013 <sup>(b)</sup>	2014 <sup>(b)</sup>	2015	2016
Provision for taxes on profit	1,380	1,278	1,691	1,717
Percentage of tax provision from the profit before taxes (%)	37.3%	48.0%	38.6%	38.3
Investments in the community	25.6	29.4	32.6	33.7

(a) Construction, electricity, and water infrastructures.

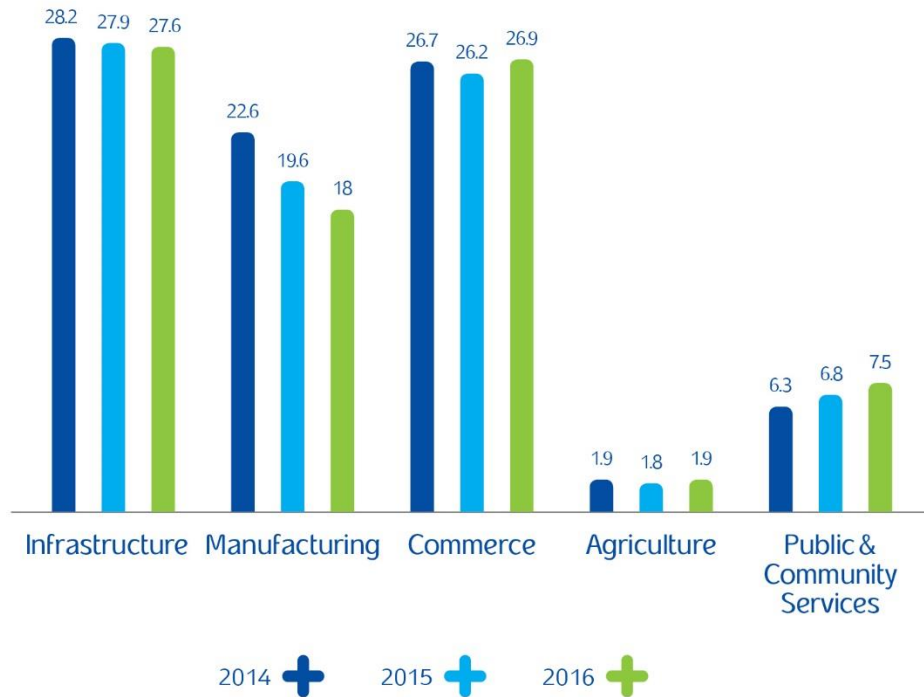
(b) Public and community services – hospitals, health services, social services, educational institutions and universities, community centers, sports bodies, museums and more.

(c) Reclassified.

(d) Figures in respect of operating segments are presented in accordance with the Bank of Israel's Regulatory Operating Segments Directives, and are not comparable to previous years. Figures on credit granted to the public under the Regulatory Operating Segments Directives are credit to the public, gross.

In 2016, the Group received no government support, except for the tax credit in respect of investments in the community.

Credit Extended to Various Industries (in NIS billions)



Leumi: "Bank of the Year in Israel" – The Banker Magazine

Leumi: "Best Bank in Israel in the Field of Forex Trading" – Global Finance magazine,

for the fifth consecutive year

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

### Strengthening Private Customers

The Leumi Group provides service to private customers through the Banking Division at Leumi and Leumi Card. The Group offers customers advanced banking services tailored

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

The total credit granted to households and individuals as at the end of 2016 was NIS 115.1 billion, of which housing loans totaled approx. NIS 74 billion.

As of the end of 2016, deposits by households and private customers with the Leumi Group reached approx. NIS 146.5 billion.

## Strengthening Small and Medium Businesses

99.3% of businesses in Israel (532,612 businesses)<sup>11</sup> belong to the micro, small, and medium business sector, which is one of the Israeli economy's growth engines. This sector provides work for 1.59 million people in Israel and is responsible for 52% of the GDP.<sup>12</sup> Enhancing the survivability of small and medium businesses is important to strengthening the economy and supporting the younger population, the weaker sectors, and the periphery.

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

In 2016, the Leumi Group continued to focus on this sector, initiating several measures in its favor, including a state-guaranteed fund, the Small Business Academy, "Leumi Right to your Doorstep", and more. For more information, please see p. 92.

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

Total credit provided to small businesses as at the end of 2016 was approximately NIS 47.6 billion and the total credit extended to the mid-sized (commercial) business sector as at the end of 2016 was approximately NIS 24.2 billion, for a total of NIS 71.8 billion.<sup>13</sup>

Deposits of small and medium businesses in the Leumi Group at the end of 2016 amounted to NIS 69.5 billion.

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1, 2016.

2014, Central Bureau of Statistics, Annual Statistical Report 2015, Table 18.3.

<sup>12</sup>As of 2014. [From the Periodic Status Report on Small and Medium Businesses in Israel, Israel Small and Medium Enterprises Authority, January 2016;](#)

<sup>13</sup>This credit does not include off-balance sheet credit and derivatives.

## Strengthening Large Businesses

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

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

Total credit provided to the large business segment as at the end of 2016 was NIS 53.1 billion.<sup>14</sup>

Deposits of large businesses with the Leumi Group as at the end of 2016 amounted to NIS 48.2 billion.

## Strengthening the Israeli High-Tech Industry

Leumi regards the Israeli high-tech industry as the economy's growth engine, and has therefore decided to expand its activity in the industry as part of the Group's strategy. For this purpose, it established LeumiTech – a subsidiary of Bank Leumi Le-Israel, whose sole purpose is to promote the financing and development of the high-tech industry in Israel and abroad. The Company focuses on advising the Bank on granting credit to technology companies, for development of products and software tailored to the industry and to establish it as a focal point, and for the support of new technologies.

LeumiTech offers companies a solutions package adapted to their needs; global support in high-tech centers worldwide – in Silicon Valley (Palo Alto), New York and London; dedicated teams of bankers who are well acquainted with the industry and the financial

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

needs of companies of various types and stages. In addition to financial tools, LeumiTech has partnered with the main players in the industry to maximize the benefits it can provide to companies.

Thus, for example, LeumiTech collaborates with, and sponsors, organizations that encourage the establishment of start-ups in specific communities, investment in which is of social importance, such as Kamatech – the first accelerator for the ultra-orthodox community, which promotes start-up companies of entrepreneurs, both men and women, from the ultra-orthodox community; and Tech for Good – an accelerator for startups developing products which benefit the community either financially or socially. In addition, in 2016, LeumiTech began cooperating with the European Investment Fund (EIF) to offer favorable credit terms to small and medium-sized businesses engaged in technological innovation.

### Strengthening the Capital Market

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

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

### Investment Decision Criteria

Leumi Partners is the Leumi Group's investment banking arm. The company is responsible for making and managing the Group's investments in corporations, providing services

such as underwriting, research, mergers and acquisitions, and raising any type of capital or debt.

The company is subject to Bank Leumi's overall policies on risk management, credit and investments.

The regulation to which Leumi Partners is subject and its investment policy limit the company's investment amount in other companies, barring the Group from holding more than 20% of the means of control in non-financial corporations.

When considering investing in a company, a strict due diligence process is conducted in order to identify all risks and opportunities. In addition to due diligence of financial and managerial capabilities, Leumi reviews "black lists" such as those of the US Treasury Department (OFAC), the European Union, the Prohibition of Money Laundering Authority, the Ministry of Defense, etc.

In 2016, Leumi Partners Underwriters, a subsidiary of Leumi Partners, participated in public offerings totaling about NIS 38 billion and led 25 public offerings totaling about NIS 12.5 billion. In the 2016 ranking of underwriting companies by Globes and DUN'S 100, Leumi Partners Underwriters came in second among underwriting companies in Israel and was responsible for 11.1%<sup>15</sup> of the largest offerings.

As of the end of 2016, deposits of institutional and financial customers with the Leumi Group amounted to about NIS 55.9 billion.

### Shareholder and Investor Relations

Leumi's relations with the capital market (shareholders, potential investors and analysts) is maintained by the Investor Relations Sub-Division of the Financial Division. The Bank's shares are listed on the Tel Aviv Stock Exchange and are included in leading share indexes. Shareholders include both Israeli and foreign investors. Ongoing contact with the capital market is maintained both in Hebrew and in English through several channels: the investor relations website, group and personal meetings, conferences, quarterly conference calls relating to the financial statements, press releases and reports to the stock exchange. An emphasis was placed in that respect on several issues, including:

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Ranking of leading underwriters 2017, DUN'S 100.



- + **Creating value to shareholders while maintaining quality:** We are committed to presenting leading and improved financial performances, which are assessed on an ongoing basis, under meticulous and responsible management, creating the highest possible economic value for shareholders.
- + **Transparency and accessibility:** We shall continue to provide information to all parties, in the most transparent and accessible manner possible. Ongoing contact with the shareholders and the feedback they provide enable us to continue to improve in this area as well.
- + **Upgrading operational excellence:** Every year we invest in streamlining and optimize the manner in which the organizational resources are managed in order to achieve the objectives. Leumi's leadership in the shift to digital banking has resulted in a significant improvement of our efficiency rate. We shall continue to lead those processes and upgrade operational excellence.
- + **Corporate social responsibility:** More and more institutional investors take into account social and environmental criteria when looking into making an investment in a company. There are even cases where clear-cut corporate responsibility criteria are catalysts for investment. We make relevant information readily available to investors and research entities.

## Promoting Business Ethics

Leumi is Israel's leading financial corporation and, as such, has a significant impact on the social and economic fabric of the country. This realization resulted in Leumi's worldview and the norms to which it is committed. The Leumi Way<sup>16</sup>, the Leumi Code of Ethics, was formulated as early as 2005 and was the first written code of ethics in the banking industry in Israel.

In 2014, The Leumi Way – Vision, Ethics and Core Values was revised and implemented in the Group.

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<sup>16</sup> [https://english.leumi.co.il/static-files/10/LeumiEnglish/Leumi\\_Review/November\\_2014.pdf](https://english.leumi.co.il/static-files/10/LeumiEnglish/Leumi_Review/November_2014.pdf)

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

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

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

The area of ethics is managed by the Corporate Development Sub-Division, which is responsible for: implementing the Code of Ethics, training on the subject, managing the Ethics Hotline, distributing information on ethical dilemmas, and producing materials. The Corporate Development Sub-Division is also responsible for the Head Ethics Committee – a cross-group body that meets throughout the year, as needed. Ethics representatives in the organization's units report to the Head Ethics Committee on dilemmas that arise in the units, and the Committee reports to management, discusses the dilemmas, and makes recommendations

## Initiatives to Promote Business Ethics

### Leumi

**Implementation of the Code of Ethics in all units:** Each year, Leumi employees participate in cross-organizational activities related to ethics. In addition, specially adapted activities are held in the divisions and units.

**Integrating ethics into training programs:** Ethics is integrated into training programs and orientation days held for new employees.

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

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

**Ethics Hotline:** The Ethics Hotline is available to employees by phone or email and they are welcome to contact it, anonymously or openly, for advice on ethical issues. The Hotline is committed to responding to applicants within 24 hours, for more information about the inquiry. In 2016, the Ethics Hotline received 17 inquiries, 16 of which sought advice on issues related to conflicts of interest and one on gifts.

## Leumi Card

The company's vision: To lead the payment experience through value-creating innovation for the customer.

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

In 2016, a refresher tutorial on the Code of Ethics was distributed to all company employees. In addition, a special activity on the Code of Ethics with respect to values and dilemmas was developed, with the objective of enabling dialogue on the values, their meaning, their implementation in the unit, and deepening knowledge of the Code.

In late 2016, the Company held the "GO Values Week", with the purpose of expanding the discourse on values and ethics and ensuring that employees continue to be aware of the company's values and translate them into everyday practice. The activities included presentations and game-playing on an augmented reality platform.

Employees have several channels available to anonymously contact and report ethical issues: a hotline for leaving a message in a voice mailbox; sending a letter; a form linked to the organization portal; and sending an email to a dedicated email (this option is not anonymous). During 2016, no inquiries were made to the Leumi Card Hotline.



## The Story of Selecting Leumi Group's Outstanding Ethics, Vision and Values Managers

It seems that this tradition has always been there at Leumi: Every year – around the time of publication of its annual financial statements – the Group selects the managers who excelled in terms of their contribution to its business results. In 2015, another process was set into motion, which runs along the previous process and which will also become a tradition: selecting Leumi's outstanding ethics, vision and values managers. Each year, the Bank selects five managers whose conduct best reflects the Group's values. Those managers are praised and recognized for their contribution. These processes promote and establish the concept that it is not only the “what” that matters, but also the “how”.

### The process

Leumi's executives are asked to select a manager (up to a head of sub-division, inclusive), not necessarily from their own unit, who excelled in implementing one or more than one of the organization's core values. The selection is carried out in a designated website that is launched for that purpose and the executives are asked to explain their selection in detail. A committee, which is headed by the head of the Human Resources Division, selects five winners out of the list of finalists. The criterion for selection is: implementation the Group's vision, while conducting oneself in accordance with the core values.

### The selection process

The explanations and case studies, which selecting managers attach to their selections, have significant influence on the final selection. Indeed, those stories are rich in detail, moving and inspiring. They portray a deep and multi-layered picture of the organization's management. Set forth below are extracts from what selecting executives wrote in 2016 about the selected managers:

“A born leader. He leads his employees to achieve the business objectives, while being caring and making each and every employee feel valued.”

“Every inch the leader! She has the courage to contest concepts and create new concepts. Her hard work, optimism and “yes, I can” attitude inspire others.

“He gives his subordinates the opportunity to spread their wings”.

“An empowering and charismatic manager, who supports his employees. He has an excellent business perspective and sees the whole picture. He is much loved and appreciated. Just like a captain of a ship, he has repeatedly lead us through troubled waters to a safe harbor all the way to excellence.”



The Leumi Group emphasizes its commitment to act responsibly and minimize risk. Risk management is a necessary condition for meeting the Group’s current and long-term objectives. The Group is engaged in a wide range of activities that involve financial risk-taking, including credit risk, market and liquidity risk, as well as other, non-financial risks, such as operational risks – including technology and cyber risks, legal risk, regulation risks, reputation risk, strategic risks, compliance risks and conduct risks.

The main responsibilities of the Risk Management Division comply with those set in the Proper Conduct of Banking Business Directive 310 on risk management. These areas include: responsibility for risk management at the Group and Bank level; drafting Leumi’s risk policy for all main risks; assisting the Board of Directors to formulate the Bank’s risk appetite; leading the Internal Capital Adequacy Assessment Process (ICAAP), including its various components. The Risk Management Division is also responsible for credit and market activities’ authorizations; monitoring and control of main risk limits; development and validation of models; risk assessment and validation of internal rating of borrowers in specific credit portfolios according to preset thresholds; overall responsibility for

proper classification and credit provisions and the setting of the Group's provision rates; assisting major strategic projects in real time; independent analyses when taking strategic decisions and for approval processes of new products; and creating a general and up-to-date picture of the risk for decision-making in real time.

The risk management methods and work procedures in Israel and overseas are regularly assessed and updated, taking into account the changes taking place in the business environment and requirements of the Bank of Israel and other Israeli and foreign regulators.

The work, which is used as a basis for estimating and managing risks and decision-making, includes:

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

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

### Environmental Risk Assessment

In line with the directives of the Supervisor of Banks, Leumi's credit policy includes environmental risk considerations, in order to identify, manage and minimize environmental exposure in granting credit as far as possible. With the understanding that the process of identifying and managing the environmental risks in the credit activity involves changing the organizational culture, the Group held training for relevant parties

in its business lines, which involved customers' risk levels by operational segment, raising awareness of the importance of using means to mitigate environmental risks, such as the existence of an internal environmental policy and the customers' compliance with environmental laws and regulations.

Wherever relevant, credit-granting decisions include environmental risk considerations as part of the customers' risk profile. Thus, for example, when the Bank receives an assessment of a real estate property where pollution is suspected, an environmental assessment is carried out, usually with the assistance of external consultants specializing in the field, the results of which are taken into account in credit decisions for the portfolio.

## Compliance

The Leumi Group is subject to a wide range of domestic and international laws, ordinances and regulations, including directives issued by the Supervisor of Banks, the Commissioner of Insurance and Savings, the Securities Authority and the Antitrust Authority. In accordance with the Leumi Group's organizational culture, compliance with legislation is incorporated in work processes. The Group regards regulatory compliance as a way of life and part of its corporate culture, which is incorporated into work processes, leading to quality implementation of objectives.

Due to the changes and trends in the field of compliance – both local and global, and the development of the business environment, Leumi invests significant resources in implementing, assimilating and complying with legal provisions to ensure adequate business conduct at a very high level.

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



Compliance is the responsibility of the Leumi Group's Chief Compliance Officer, who assists management and the board of directors in fulfilling their role in instilling a culture of compliance and operating in accordance with the laws and provisions in various areas. The Chief Compliance Officer reports to the General Counsel. The General Counsel is also the Board Of Directors' legal advisor and attends all of the Board's meetings to provide ongoing legal advice. The Chief Compliance Officer is also responsible for prohibition of money laundering and terrorist financing; enforcement of securities laws; and is also responsible for handling FATCA (taxation of US citizens) issues. In addition, the Chief Compliance Officer is involved in complex transactions, participates in formulating work processes and new product development, and provides advice on complex transactions. The Chief Compliance Officer also presents to the Audit Committee and/or the Board of Directors those sections of the annual report for which he is responsible, including a work plan vs. implementation report, and updates them as needed.

The compliance policy is the Group's and applies to all subsidiaries and offices in Israel and abroad. The significance of compliance lies in protecting customers, the Bank and its employees alike; it is incorporated in a wide range of activities, which are conducted for all employees, using various means. The Group's commitment in the area of compliance includes focus on a number of levels:

**Prohibition of money laundering and the financing of terrorism:** Banks and other financial institutions are often used to carry out actions aimed at laundering money or transferring funds to terrorist organizations, and hence the banks' important role in preventing them. Leumi complies with the relevant legislation.

**Declared money policy:** The Bank has adopted a declared money policy, the purpose of which is to deal with the risks arising from the possibility that the funds managed and received by the Group are not reported as required by the tax authorities in the customer's tax residence country. In addition, under the aforementioned policy, a risk-oriented plan was devised for handling new and existing risks embodied in customers' cross-border activity.

**Risk-mitigating policies:** As part of the Group's risk management and compliance policies, several areas of activity have been defined in which Leumi aims to avoid or

reduce business activities. These include, among other things, gambling and pornography.

## Preventing Bribery and Corruption

The concept underlying Leumi's commitment to fight bribery and corruption is that the latter are prevalent phenomena which undermine good governance and economic development, distorting competition in the global market. Leumi is committed to taking part in the struggle against bribery and corruption and shall ensure that, in its business activities which embody such risk, partners and customers comply with anti bribery and corruption provisions.

Anti bribery and corruption is addressed on two levels: prohibiting Bank employees from receiving or granting benefits to public servants, customers or office holders in a corporation, with the intention of attaining, either directly or indirectly, a personal benefit and/or benefit for Leumi; and prevention of bribery in customer activity.

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

On December 30, 2015, the Group approved a compliance risk management policy that includes, among other things, the decision that customers whose activity is risk-oriented in this respect will sign a statement on the prevention of bribery or breach of trust. This decision was intended to reduce the scope of potential situations where assistance to, or cooperation with, customers performing illicit activities could be attributed to Bank. In 2016, no incidents of bribery and corruption involving employees were identified, and no disciplinary measures were taken in this area.

- + **Anti corruption and bribery plan:** In 2016, an anti corruption and bribery plan was discussed and approved by the Board of Directors. As part of the plan, guiding principles were drafted, procedures were updated, risky activities were identified and red flags were published. In addition, branch managers underwent training courses, a letter was sent to managers, an online chat mechanism was set up, and all employees received a “read and sign” request (a digital signature approving that the employee has read the document). The compliance and enforcement system monitors, and examines the effectiveness of, the plan on an ongoing basis to prevent corruption, in cooperation with the business lines and relevant units.
- + **Measures for monitoring and preventing fraud and embezzlement:** Relevant units in the Leumi Group have centers and tools which work on an ongoing basis to monitor and track incidents of fraud and embezzlement. When such an incident is discovered in Leumi, an investigation is launched, conclusions are drawn and systems are amended accordingly. Incidents are reported to the Bank of Israel, as required, and, if necessary, to the Israel Securities Authority and the Israel Police. If customers have been hurt, the Bank will work with them to restore the status quo ante, so as to ensure that they incur no further damage. Employee fraud and embezzlement incidents are handled by the Internal Audit Division and Human Resources Division.
- + **Prohibition on accepting gifts and benefits:** The Group has a strict procedure prohibiting the acceptance of gifts and benefits from customers, suppliers and any other parties with whom the Group has working relations. Gifts, benefits or special terms will be awarded to customers only in accordance with the Bank’s policy, by those authorized to do so, and after exercising due judgement. In case of doubt, a supervisor’s advice and approval should be sought.
- + **Having suppliers sign an anti-bribery declaration:** During 2016, contracts with suppliers working with the Procurement Sub-Division were updated. – In the updated version, suppliers undertake that they are not involved, and shall not be involved, in giving or receiving bribes, and that no criminal proceedings have been filed against them due to violation of laws related to giving or receiving bribes. The supplier must confirm that he/it is aware that the Bank should be informed effective immediately of any change in the above.

## Internal Auditing

The Internal Audit Division is responsible for auditing the entire Leumi Group and all its units in Israel and overseas, in accordance with the multiyear work plan that aids the Group in achieving its targets. The Audit Division sees its mission as assisting proper and effective operations of the Group, a management tool for supporting the Bank's managerial backbone, and aiding the Board of Directors and management in fulfilling their responsibilities.

Pursuant to Proper Conduct of Banking Business Directive No. 307, the Audit Division undertakes an independent evaluation of the effectiveness of the Bank's internal control structure, in order to maximize value and improve the operations of the Bank and the Group. The functions of the Audit Division include:

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

## Rotation of Internal Auditors

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

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

## Initiatives to Prevent Corruption, Embezzlement, and Fraud

**Embezzlement and fraud risk survey:** In 2016, as part of a risk assessment on embezzlement and fraud, Leumi mapped at-risk customers in its business lines and an action plan was prepared for them. The risks exposed by the survey serve as a basis for risk control and hedging of bribery and corruption and were translated into work plans.

**Reporting channels:** Leumi regards every one of its employees as a partner in the proper management of the Bank. Leumi therefore expects employees to immediately report any unusual action to their managers. Each employee, at every level, can also contact and report any unusual activity related to banking work through several other channels such as telephone, email, mail, fax, and any other way available to them. Periodically, refresher material is sent to all employees regarding the reporting mechanisms available to them. In 2016, all Leumi employees underwent a refresher on reporting channels for illegal or unethical activity.

**Identification of corruption incidents of customers and business partners:** Leumi monitors publications on bribery and corruption incidents of customers and/or on receiving relevant legal orders. If a customer is allegedly involved in a bribery or corruption case, Leumi's compliance array examines the matter and account activity in order to identify suspected irregular activity and, if needed, report to the Money Laundering Prohibition Authority.

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

## Performance

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

- + **Tutorial on compliance and money laundering:** The compliance tutorial is one of the tools for teaching various compliance issues to all Bank employees. The computerized tutorial includes a knowledge test and is given to all Bank employees, who are required to pass the test. Bank employees are divided into various populations, each of which has its own test, with content and questions relevant to its business and level of knowledge required. The 2016 tutorial included questions on topics such as prohibition of money laundering, prohibition of terrorist financing, compliance, "declared money policy", FATCA and administrative enforcement of securities. More than 90% of Leumi's employees completed the tutorial.
- + **Procedure prohibiting conflict of interest:** Once a year, Leumi employees are required to certify that they are not in conflict of interest while performing their duties. In the event that an employee declares a conflict of interest, his/her managers review the matter. In 2015, 96% of the Bank's employees signed a statement regarding conflict of interest.
- + Dissemination of information about reporting channels for illegal or unethical activity.
- + **The Advice Law and securities laws:** Every two years, all employees are required to complete a tutorial on restrictions that apply to them when conducting securities transactions; each year, consultants are required to complete a tutorial on the Advice Law. In 2016, all employees completed the tutorial, 89% of them – successfully.

## Legal Proceedings and Unusual Incidents during the Reporting Period

Below is a list of unusual incidents and relevant legal proceedings against the Leumi Group that were filed or completed in 2016. For further information about financial sanctions, legal claims, and other proceedings, please see the 2016 financial statements, p. 242.

### Antitrust:

In May 2016, a compromise settlement was approved by the court in a motion to approve a class action against Bank Leumi and other banks, according to which the banks charged customers identical amounts and rates on interest for non-linked loans in NIS, credit allocation fees and regular management fees, as a result of a restrictive arrangement. Under the settlement, the banks will compensate their customers in the amount of NIS 47 million, but will not admit to the claims included in the class actions.

### Discrimination

- + In 2016, two claims with respect to labor laws were filed against Leumi, in which it was claimed, inter alia, that there was age-based discrimination.
- + In February 2016, a motion to approve a class action suit was filed against the Bank and four other banks, claiming that the banks give benefits to students, but restrict the age in which students are eligible for these benefits.

### Human rights:

- + In March 2016, a lawsuit was filed in the US against dozens of defendants, including the Bank and Bank Leumi USA, claiming that the defendants support settlements in the occupied territories, in a manner that harms Palestinian residents, their properties and rights.

### Labor relations and employee rights:

- + In 2016, 13 labor lawsuits were filed against Leumi, seven of which were resolved. In 2016, a total of 10 lawsuits were resolved – 6 were rejected by the court, 3 ended in compromise settlements and one lawsuit was dismissed.

## The American Customers Affair

For more information, please see p. 254 of the 2016 financial statements.

### Meeting Objectives - Economic Value and Responsible Management

Company	Objective as at end of 2016	Status	Explanation
Leumi	Continue instilling "Leumi Way - vision, core values and ethics" in all of the Bank's units.	Done	
Leumi Card	Continue instilling company's values.	Done	<ul style="list-style-type: none"> <li>+ Conducting activities within the framework of "Values Week GO", with the purpose of enhancing the discourse on ethics and values in the company.</li> <li>+ Adaptation of evaluation forms, which serve in the employee evaluation process, to the company's values</li> </ul>
Leumi Partners	Bi-annual meeting of the Company's employees on ethics.	Not performed	Delayed to 2017



## Objectives for 2017

Company	Objective as at end of 2017	Main actions planned
Leumi	Customized implementation of the Code of Ethics and core values in the various divisions	Meetings with the divisional ethics representatives and developing an implementation plan. Hold at least one implementation event in each division.
Leumi	Implementation at the Bank level and exposing all employees to the topic.	Expose the topic to all employees twice a year (through a tutorial, meeting or conference)
Leumi	Strengthen the position of the Ethics Committee and how the ethics representatives are perceived.	Convene the Ethics Committee twice a year
Leumi	Ensure the Ethics Hotline provides quality service - create structured responses in cooperation with the divisions.	Provide professional response within 5 work days

# Creating Value for Customers



## The Leumi Way of Doing Business

Our customers are at the core of our business: they expect professional, high-quality, courteous and efficient service; they expect us to be there when they need us – attentive to their needs, offering suitable and useful solutions.

Leumi's customers expect banking to be fair, available, accessible, and transparent; they have high consumer awareness and are in contact with other consumers, especially through social media. Customers consume information and services through a variety of digital and physical channels and expect a unified service experience through their various interfaces with the Bank.

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

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

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

## Regulation and Public Policy

The Regulation Sub-Division, which is part of Leumi's Strategy and Regulation Division, is responsible for handling, and interfacing with, the various regulators in Israel, serving as liaison between them and the Bank's units, managing relevant work processes and responding to the regulators' requests. The Sub-Division is responsible for the work processes and representing the Bank vis-à-vis the Association of Banks, the Knesset and government ministries. The Sub-Division handles, inter alia, invitations to Knesset committee meetings, bills, directives and regulations, and is responsible for analyzing their implications for the Group's activity.

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

## Antitrust Activities

The Bank's business activity is conducted with strict adherence to the antitrust laws, under which the Bank operates, and whose purpose is to ensure free economic competition.

To ensure compliance with the provisions of the law, the Bank has an internal enforcement program for the Antitrust Law, which includes training, audit, reporting and supervision mechanisms, as well as a procedure for the Bank's employees, which governs the Bank's activities in the field of antitrust, according to its various interfaces - with competitors, customers and suppliers.

The procedure is intended to enable the Bank's employees to act within the framework of antitrust laws and to seek legal advice and obtain guidance where needed. The procedure is updated from time to time in accordance with regulatory changes.

In March 2016, as in each year, the Bank's managers underwent a knowledge assessment on antitrust.

In addition, several courses on antitrust were conducted in the Bank's units.

#### Initiatives to Uphold Business Fairness:

- + In 2016, as a result of regulatory requirements, elderly customers and customers with disabilities were placed on the basic track, if the move benefits the customer, and based on his/her activity in the previous 12 months. In addition, inheritance handling fees and approval and recommendation fees were cancelled.
- + **Adjustment of fee plans:** When a customer who had joined the Expanded Plus fees plan cancels one of the plan's services, the Bank, at its own initiative, switches him to a plan with a lower monthly payment.
- + **Customer disclosure:** When a service or product are sold (credit/deposit) - disclosure is provided on the product and service cost. Before executing a transaction, the customer is required to approve the terms and conditions outlined to him by signature, and state that he would like to make the transaction. Only after the customer's automated approval and signature have been received is the transaction carried out the the customer receives confirmation of its performance, terms and conditions.
- + **Clarity regarding fees:** Bank Leumi notifies customers who open an account about the fees the Bank charges and the current fees plans. The customer is provided with the relevant information about fees when opening the account. The Bank also grants longstanding customers and customers with disabilities additional benefits on fees beyond those awarded to regular customers. Each branch has a document that summarizes comprehensive information about the fees in the different plans, which is provided to any customer, upon request. The fees schedule is also published on the Bank's website, which features a calculator for calculating various scenarios and repayment schedules.
- + **Fair conduct when granting credit to customers:** During 2016, the Code of Ethics was implemented in credit provision processes, instructing employees who grant loans on proper conduct. The Code emphasizes the importance of customer trust, instructs employees to examine customers' needs and current and future wherewithal, and emphasizes the need to provide customers with the information required to make informed decisions and ensure that they understand the

meaning of the transaction, while maintaining integrity, fairness and transparency. Whenever a loan is granted to a customer, the Bank issues a document specifying the terms and conditions, which provides information on all of the costs involved in the product, including the full repayment schedule. The customer signs the document. In addition, the Bank defined the target audiences which may be offered loans, taking into account criteria such as age, financial means and repayment capacity.

- + **Identifying customer needs fairly:** Bank Leumi seeks to identify the needs of its customers and adapt the products and services offered to them accordingly. The Bank carries out a needs identification process for customers applying for credit from the Bank. The process includes a discussion with the customer about his/her age, the purpose of the loan, and his/her assets and previous liabilities. The objective of the process is to understand the customer's needs and financial condition, from both the Bank and the customer's perspectives. If the customer applying for credit has deposits, the Bank is required to inform him/her about them as an alternative to the credit requested. Emphasis is placed on defining needs, setting targets, adapting the product or solution to the customer's needs and abilities, mentioning his/her assets and liabilities, and fair disclosure.
- + **Preventing customer debt increase:** Bank Leumi strives to detect severely overdrawn accounts at early stages, by reviewing all accounts on a daily basis. Customers with problematic accounts receive two letters, at different dates, stating that they must settle their debt to the Bank. In addition to the letters, a representative from the Customer Call Center calls customers who have exceeded their credit lines. In addition to informing the customer about the problem, the representative's job is to guide the customer and help him repay the debt by various means, such as changing interest rates and granting a loan to help control the debt repayments. A call from the call center and the letters are usually enough to help customers repay their debts.
- + As of 2016, a CRM system has been implemented in the branches, to help improve customer relations.

### Fairness in Capital Market Activity

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

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

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

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



## The Story of the Conduct of Business Risk Management

The conduct of business story best reflects the close link between the corporate social responsibility policy and the profit maximization principle of the business core. The conduct of business risk is the risk that the organization's conduct might embody if it acts inappropriately when engaging with customers. In other words, it is the exposure to potential lawsuits, fines and damage to reputation that may arise from unfair, nontransparent conduct that is unsuited to the customer's needs. The management of this risk is based on the understanding that the best interests of the customer and the best interest of the bank are one and the same and on the aspiration to create and maximize mutual value – an aspiration which underlies the bank's vision and its core values.

By nature, the borders of conduct of business risk are unclear. Sometimes there can be a fine line between a legitimate business initiative and the abuse of the knowledge gaps between the Bank and its customers. The management of that risk means, among other things, making this line more clear-cut and visible by identifying in advance potential misconduct situations and preventing these situations by formulating guidelines, which are not open to individual interpretation – and by identifying and mapping out misconduct practices in the organization and reducing those practices. That was the main focus of the conduct of business activity in 2016.

The initial mapping out, which was carried out by the Risk Management Division, focused mainly on the two lines of business, which are most prone to such failures, whether due to the nature of their customers or due to the nature of their product offerings. These two lines of business are the Banking Division and the trading rooms. In 2015, the Banking Division formulated a code of ethics regarding fair conduct when offering credit to customers. This code of ethics was formulated further to the regulatory initiative on the matter. In 2016, the Bank expanded this initiative and it now also applies to phone calls, which are initiated by the customer. All CRM systems now provide concise phone call



scripts, whereby the customer's needs and abilities are clarified in an unambiguous manner and customer's assets and liabilities that the bank is aware of are disclosed clearly. Another misconduct practice that was mapped out and addressed this year makes sure that the customer's interest takes precedence over the bank's interest: clarifying the "order of debits" procedure, which postpones the monthly repayment of a Leumi loan until after all other direct debits have been paid. Another practice implements the Best Result principle for the customer. In 2016, this practice focused on the prices of digital banking offerings.

What about the trading rooms? - the Bank and the foreign currency organization Forex formulated a code of ethics for fair conduct. Transaction fees are regulated, traders in the trading rooms participate in training sessions that focus on this issue and their phone calls with customers are monitored to make sure that customers' interest is not adversely affected under any possible circumstances.

The conduct of business risk is an entity that constantly develops and changes in accordance with the competition environment, regulation, technology and the customers' increasing awareness. The constant changes in this field create an ongoing flow of challenges. Thus, for example, in 2016 the Bank formulated work procedures for its digital platform PEPPER. Risk management is interwoven into those procedures from day one and they will be implemented in 2017.



## Information Security and Protecting Customer Privacy

We ask our customers to trust us and share with us relevant, up-to-date and precise information, so that we will be able to provide them services that suit them best. We are committed to protecting our customers' privacy and the secrecy of the information that was put at our disposal. Leumi's employees never use the information to which they were exposed as part of their work to gain any personal benefit or for their personal needs. Information about customers is shared only by employees, who are authorized to do so. We do not share information about customers, except where an official request is submitted by a competent law enforcement authority.

In an era in which foreign and domestic threats are on the increase, Leumi is preparing for various types of cyber-attacks and is working to hedge the risks arising from them.

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

The Bank has numerous means for safeguarding and protecting the information of its customers. Our various defense systems allow us to collect and monitor data, identify unusual events, etc., with an emphasis on adapting the Bank's activity to the risks and dynamic cyber activity in Israel and globally in combination with effective controls.

The Bank complies with the Bank of Israel's requirements and reports properly on unusual cyber events. In 2016, several phishing attempts were made to set up imposter Bank Leumi websites, all of which were foiled within a very short period of time without causing any damage to the Bank or its customers. No information leak events were detected in 2016.

As part of its digital services, the Bank provides means of identification and controls, while managing the risks inherent in these services. The Bank also strengthens the fraud identification controls and at the same time acts extensively to raise employee and customer awareness through various channels. Thus, business customers receive training focusing on cyber events in Israel and worldwide and on their effect on these organizations, and issues such as the importance of information security at organizations and defensive and coping measures to tackle these threats in the cyber era are discussed. In 2016, we launched a series of effective short films to raise employee

awareness to information theft techniques and to the importance of information security in the Bank.

### Information Security and Protecting Customer Privacy at Leumi Card

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

The Fraud Prevention Department is responsible, among other things, for mitigating the embezzlement risk at the Bank, in accordance with the Leumi Card's operating risk management methodology, including credibility and controls system that supports employees throughout the period they work for the Leumi Card. Emphasis is placed on the sensitivity of their jobs, authorizations issued to carry out transactions as part of their jobs and work procedures in which they are involved. Reports on this activity are delivered as part of the quarterly reports that the Chief Risk Officer delivers to management and the Board of Directors. An annual discussion on embezzlement and fraud is also held.

The document laying out Leumi Card's information security and cyber defense strategy defines Leumi Card's principles and objectives with regard to information security and cyber defense in accordance with the Leumi Card's business strategy. The objective of the document is to serve as a framework for information security and cyber defense policy and the organization's work procedures relating to this field, which define management and implementation principles, areas of responsibility, the relevant officeholders, the powers assigned to officeholders, the order by which actions are to be executed and the technologies used by the Leumi Card. As part of its preparations for dealing with the different cyber threats, Leumi Card undertakes in-house and external procedures to reduce cyber risk to the Company and its customers. Cyber risks are managed by several security and control circles at a number of layers with the objective of reducing potential exposure to this threat.

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

Examples of these measures include system hardening, writing and updating procedures and work processes (such as the management of Leumi Card's authorization procedure), hacking tests, information and cyber security reviews, raising employee awareness to phishing attacks and monitoring such attacks against websites, imposter mobile apps, etc.

### Leumi's Innovation Strategy

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

- + Close ties with the fintech community in Israel for raising ideas, collaboration, and implementing technologies. The relations are undertaken through joint activity at accelerators, incubators, venture mentoring, joint events, and more.
- + Ties with academic institutions in Israel to promote innovation and entrepreneurship in finance among students.
- + Cooperation with banks in other countries for mutual inspiration and learning.
- + Instilling the notion of innovation among employees to encourage them in innovative thinking and adopting suitable initiatives.
- + The technological progress and innovation led by Leumi form the basis for the Bank's main goal - to create the best customer experience and the greatest value.

### Digital is Leumi

Bank Leumi believes that creating a high-quality user experience is based on a thorough understanding of customers' needs in general and in times of need in particular. Understanding customer needs, by listening and thorough inquiry, makes it possible to provide customers with professional, quality, and proactive service that offers the best

financial solutions for them. These solutions include a series of breakthrough products and services, based on advanced technology, which are intended to help customers and create innovative, available, easier, and cheaper banking.

In recent years, Leumi has placed significant emphasis on making its digital services accessible to a variety of audiences, with the understanding that such services allow Leumi's customers – including households and small businesses – to save time and money and manage their accounts in a more structured, straight-forward and focused manner.

In 2016, Bank Leumi launched numerous digital and financial services, as follows:

- + **Smart identification:** finger-print identification and a template to remove barriers for the use of digital services.
- + **Online scheduling of appointments at the branches:** To shorten waiting times at the branches, Leumi's customers can now schedule appointments for teller or banking services using Leumi's app and arrive at the designated time.
- + **Digital checks:** Israel's first digital check. Customers can now fill out and deposit checks using the Leumi App. This end to end process allows customers to follow-up, view and manage the checks.
- + **Depositing a check using a smartphone:** With the introduction of the Electronic Clearing Law, the mobile check depositing service was expanded, currently supporting 11 banks.
- + **Touch and Save:** A unique feature offered by the Leumi App, which allows customers to save small amounts as well. The purpose is improving customers' financial conduct and encouraging saving.
- + **Personal document box:** In addition to the mailbox, in which the customer receives all his/her messages in an environmentally-friendly manner, Leumi's customers can view documents and orders they have signed in the branches on the website or app. The documents are accessible and available to customers at any time.
- + **Blocking of credit cards through the mobile app:** Provides customers with a quick and accessible means to block their credit cards in case of a loss or theft.
- + **24/7 safe deposit box service for businesses:** Allowing businesses to deposit cash, checks and foreign currency through a safe deposit box 24/7.

- + **New look for the secured website:** The website is now more easily accessible and tailored to each customer's individual needs. The new website is responsive, optimizing the view for any device and resolution. The website is currently available for customers of several branches, and will become gradually available for others.
- + **Expanding Leumi Trade's services (securities trading):** Customers can now receive extensive information on their investment portfolios: account statements, analysis and returns, as well as reviews by the Bank's advisors, the portfolio's returns on specified periods with indication of the factors affecting the returns, information on Israeli and foreign securities in real time.
- + **Online securities trading and information:** Customers can now buy and sell securities and obtain extensive information through Leumi's app, which is accessible 24/7.

#### 2016 vs. 2015:

- + There was a 30% increase in the number of transactions carried out by Leumi customers through the direct channels
- + There was a 17% increase in the number of customers performing transactions through the direct channels
- + There was a 21% increase in the number of transactions available through the direct channels

The data are for transactions carried out through the direct channels: Website, app, Leumi's information kiosks, Leumi CALL, excluding ATM cash withdrawals.

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## Cooperation and Dialogue with Customers

### Dialogue with Customers on Digital Media and Social Networks

Leumi's activity on social networks and in digital media channels is based on several principles: Accessibility and availability to the customer, inviting dialogue, openness and transparency. Activity in digital media channels allows the Leumi Group to conduct direct and continuous dialogue with customers, include them in processes, understand the issues that are important to them, and act accordingly. These measures help to increase the trust between the Group and its customers. In addition, these channels allow Leumi to offer customers its specialty services in various financial categories, in an available, creative and accessible manner. Leumi customers can express their opinion and comment on the Bank's products and services, offering ideas for streamlining and development, and consulting with experts in special-purpose blogs and in the financial arena, all done quickly, openly and without the need for intermediaries.



**160,266**

Likes on the Leumi Digital's Facebook Page



**4,880**

Followers on Twitter



**983**

Monthly Average of Service Inquiries through Leumi's Facebook Pages



**27,367**

Likes on the Leumi Business Facebook Page



**1,300**

Monthly Average of Service Inquiries through the Leumi Card Service App



**226,000**

Likes on Leumi's Facebook Page

### Customer Satisfaction with the Service

In 2016, about 90,000 surveys were initiated to monitor Leumi customers' satisfaction with the service they receive from the branches, call centers, divisions and various units.



The surveys use various measures, according to the type of customer and topics under focus at Leumi. For example, this year, under examination were Leumi's availability to its customers; its response time to customers' queries; its initiative, flexibility, understanding and familiarity with its customers' needs; personal attention; the professionalism of its bankers, etc.

The following table outlines the results of the general customer satisfaction survey (on a scale of 0- 10):

Unit	2013	2014	2015	* 2016
Bank Leumi – Banking Division	8.51	8.86	8.89	8.84
Bank Leumi – Leumi Call	9.02	8.86	8.89	8.9
Bank Leumi – Leumi Direct	9.02	8.67	8.23	7.99
Bank Leumi – Commercial	9.04	9.05	9.1	8.9
Bank Leumi – Private Banking in Israel	8.35	8.36	8.17	8.81

\* There were several changes in the structure of the units and surveys between 2015 and 2016.

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

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

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

- + **Regular service survey** in which customers are asked about their satisfaction from all service channels – the branch, Leumi Call, website and app.
- + **Undercover inspections** Monthly inspections designed to identify the customer experience from the moment he/she enters the branch, with an emphasis on support by digital channels and the branch's appearance, the waiting experience at the branch, and the process of opening an account for a new customer. The inspections are designed to allow a thorough understanding of customer needs and the offering of adequate personalized solutions and services.
- + **Routine inspections** of branches and customer call centers' face-to-face and telephone availability, while setting targets and ongoing management to meet them.
- + In 2016, as part of Leumi's innovation promotion policy, the Banking Division, held a service improvement competition among all employees of the Banking Division. 10 winning ideas are currently being implemented.

### Leumi Card

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

In 2016, approx. 11,500 customer satisfaction surveys were initiated among Leumi Card customers (telephone and email surveys). The following results were obtained after analyzing about 6,500 of the surveys:

- + 29% of the respondents indicated that the service they received was beyond their expectations.
- + 63% of the respondents indicated that the service met their expectations.
- + 79% indicated that the service representative showed very high personal responsibility in handling their query.

## Handling Inquiries from the Public and Employees

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

The public and employees can contact the Public Inquiries Bureau through various means: sending an online form through the Bank Leumi website, sending a letter by mail, sending a fax, and by telephone. The means of contacting the Bank are published on the Bank Leumi website, at the Leumi Information kiosks, and on signs at the branches and headquarters (for security, catering and cleaning contract workers).

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

Public inquiries are handled as an integral part of the service Bank Leumi provides its customers. The commissioner and public inquiries officers handle any type of inquiry received by the Bureau – complaints, requests for information, or requests for help – seriously and professionally. The Bureau evaluates them fairly, efficiently, and independently, working objectively and impartially to reach conclusions, and, wherever relevant, decide on remedies for the inquirer. Inquirers receive a generous, clear, and argued response (except in cases in which the bank secrecy obligation prohibits explaining the decision), and is sent within a reasonable time.

The decision-making of public inquiries officers reflects values of honesty, fairness and responsibility towards customers.

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

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

## Bank of Israel directives on handling public inquiries

Bank of Israel Directive 308A came into effect in April 2015. It defines the status of the public inquiries commissioner and his/her areas of responsibility and powers, and sets the rules for the proper handling of public inquiries by a banking corporation. Among other things, the directive states that banking corporations must report data on the handling of public inquiries according to uniform guidelines, twice a year to the Bank of Israel and once a year to the public.<sup>17</sup>

To comply with the Bank of Israel directive, which defines the automated system for the handling of public inquiries at Bank Leumi, necessary adjustments were made to it for reporting and updating work procedures and classification methods of the inquiries. The 2015 data are not comparable to previous years, due to a change in the inquiries' classification and decision methodology.

In 2016, the Leumi Group received 6,165 complaints, of which some 758 were found to be justified.

## Breakdown of public complaints for Bank Leumi and Leumi Card, by topic - 2016

Topic	Total no. of complaints	No. of justified complaints
Quality of service	1,217	184
Means of payment	1,987	278
(Non-housing) credit	503	32
Housing credit	404	29
Dormant accounts	35	1
Foreign currency	104	19
Information	224	24
Securities	89	10

<sup>17</sup> For more information regarding public inquiries in 2016 please see: [https://www.leumi.co.il/static-files/10/LeumiHebrew/financial\\_statements/Public\\_Inquiries\\_Q4\\_2016.pdf](https://www.leumi.co.il/static-files/10/LeumiHebrew/financial_statements/Public_Inquiries_Q4_2016.pdf)

Topic	Total no. of complaints	No. of justified complaints
Foreign trade	2	0
Current account (excl. current loan accounts)	667	103
Deposits and savings	79	8
Clearing house activity	50	1
Other activities of the banking corporation	599	38
Other	171	20
<b>Total</b>	<b>6,131</b>	<b>747</b>

34 complaints about other subsidiaries were received, 11 of which were found to be justified. There is no breakdown of these complaints according to the above topics.

#### Public Complaints on Bank Leumi and Leumi Card – 2016 on Other Topics

(The complaints on these topics are included in the table above)

Topic	Total no. of complaints	No. of justified complaints
Protection of privacy	14	5
Information security	4	0
Discrimination	4	0
<b>Total</b>	<b>22</b>	<b>5</b>

In 2016, the Customer Complaints Bureau granted relief to customers in respect of complaints in the amount of NIS 1.53 million, NIS 404,000 of which were in respect of justified complaints, and others – ex gratia (unjustified complaints or about which it was impossible to form an opinion).

## Accessibility of Financial Knowledge

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

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

Management of this area focuses on two levels:

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

## Initiatives to Enhance Customers' Financial Knowledge

**Personal budget management workshops:** In 2016, we conducted personal budget management workshops for customers at local branches.

**Financial Education Week:** In 2016, at the initiative of the Bank of Israel, Bank Leumi conducted dozens of financial training presentations for customers, which took place at branches. Leumi held 15 presentations across Israel on financial conduct and managing the family budget, given by employees specially trained for this purpose. The presentations were attended by 750 customers.

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

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

**Advancing financial knowledge for specific sectors:** In 2016, 14 conferences were held for the ultraorthodox (haredi) community, with the objective of giving customers in the community management tools to manage their household budgets as well as their family's and business's finances. In addition, three conferences were held for businesswomen from the Arab sector.

**Encourages customers to save and consumer awareness:** Bank Leumi encourages and helps customers manage their bank accounts to encourage saving, wise consumption, and planning for the future. For this purpose, the Bank makes available a wide range of deposit- and savings plans with various linkage options, for varying periods, by way of a one-time deposit or fixed monthly installments, with numerous exit options. Customers can make the transactions at branches or by direct channels. On the secure website, Bank Leumi makes a deposit wizard available to its customers to help choose an optimally

customized deposit. In 2016, the Bank launched its Savings by Touch service, which allows customers to deposit available cash in savings, helping them save current account balances.

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

**Providing services in multiple languages:** Bank Leumi is committed to providing optimal services to its customers and the general public, by making available a variety of communications channels, including the Leumi Call telephone service. When customers who speak Arabic, English, or Russian wish to speak with a representative in their own language, we guarantee that a representative will call them back within 24 hours for further handling. When customers speaking a language other than Hebrew arrive at a branch, they are offered a response in their language. 46 of the branches are located in predominantly Arab communities. In these branches, service is mainly provided in Arabic, according to the customers' needs. Marketing materials are accessible to speakers of various languages, including Arabic, English and Russian.

**Making financial information and analysis available to businesses:** Managing and processing financial information pose significant challenges for CFOs of businesses. A CFO bases his/her work on ongoing daily information, and the quality and reliability of that information has great impact on the company's conduct, funds management and decision making in real time, and a result – on its success. To help companies cope with these challenges, Leumi has launched its Cash Management services. The system makes a variety of products and solutions available to businesses through a secure, easy to use, user friendly online interface. The service includes tools to manage and obtain concise financial information from the entire banking system in Israel and abroad in one place, including cash flow statements and cash flow forecasts. The service enables CFOs to be more proactive and efficient in managing risk for their companies.

**Workshops for business customers:** In 2016, dozens of conferences and professional sessions were held for thousands of business customers, with the purpose of getting to



know the customers and enhancing their knowledge. The sessions included information on the Cash Management system, improving cash flow, managing family and inter-generational businesses, investments and securities. The customer conferences also included three presentations on corporate responsibility.

### Digital Means for Advancing Financial Knowledge

Leumi Blog	Financial Forum:	User-friendly and easily accessible mobile app:
<p>Each month, Leumi Blog publishes around eight new columns with up-to-date and helpful information on various subjects. In 2016, the blog averaged 43,000 hits a month.</p>	<p>The experts answer Users on the Financial Forum on Leumi Blog are invited to ask the experts about subjects such as the capital market, mortgages, financial and business consumption, digital services and innovation.</p>	<p>The app includes a "balance at a glance" service and viewing of bank account data without logging into the system, making the information accessible to customers and giving them better control in managing their account.</p>

\* For more information on advancing financial knowledge, please see Employee Community Involvement.

## Accessibility for People with Disabilities

At Bank Leumi, we place great importance on providing equal service to all customers and improving the service offered to people with disabilities. For this purpose, we work hard to provide customers with disabilities with full access to the organization's various assets and services, both at branches and through direct and digital channels, such as online services and automated devices. The adjustments are being made in compliance with accessibility laws in close cooperation with certified accessibility consultants, including the NGO Access Israel, and professional organizations, with the objective of providing our customers with accessible service and an optimal customer experience.

About 25% of Israeli adults have disabilities: physical, sensory (audio and visually impaired), mental, or emotional. This group consists of approximately 1.3 million people, for some of whom access is critical; i.e. its absence is liable to be a barrier to consuming services.<sup>18</sup>

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

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

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

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<sup>18</sup>People with Disabilities in Israel, 2015, Commission for Equal Rights of People with Disabilities. Based on 2013 data.

Pursuant to the Accessibility Regulations (Buildings, Infrastructure and the Environment), Leumi is working on make the Bank's branches accessible, as well as all banking information services – in accordance with the timetable set by the regulations.

## Initiatives to Improve Access to Services for People with Disabilities

### Leumi

**Digital service – for people with disabilities:** A range of services which can be carried out on computers or mobile devices, without the need to go to a branch or be in verbal contact is now wider than ever, and people with disabilities can manage their bank accounts quickly, readily, reliably, with ease. Most products and services, including digital services, are already accessible for people with mobile disabilities. For all customers, mainly for the audio impaired, there is the option of written correspondence with a banker; for the visually impaired, talking ATM software has been installed at branches. According to the revised deadline in the regulations, by the end of October 2017, the process of making websites and apps accessible for the audio- and visually impaired will be completed.

**Accessibility:** As of the end of 2016, 209 branches – 89% of Bank Leumi's branches were fully accessible to people with disabilities. The user interfaces at kiosks and ATMs were also made accessible, and the Leumi Line system was adapted to support customers seeking accessible service. In addition, Bank Leumi publishes information about accessible branches. During 2016, surprise inspections and pre-planned inspections were carried out by accessibility supervisors from the Ministry of Justice. Any deficiencies were corrected immediately, and the Bank passed the inspections.

**Appointment of accessibility coordinators:** Bank Leumi has appointed two accessibility coordinators, whose job is to lead and coordinate the Bank's accessibility measures and to serve as a contact point for all inquiries on the subject. In addition, a designated e-mail box has been opened for inquiries about accessibility: [Negishut.Leumi@BankLeumi.co.il](mailto:Negishut.Leumi@BankLeumi.co.il). The box receives an average of four inquiries per week, which are processed quickly to the satisfaction of the customers.

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

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

**Accessibility trustees at branches:** Accessibility trustees have been trained at bank branches, and accessibility coordinators have been appointed for construction and service aspects. In addition, bankers at branches have been trained on accessibility issues, and undergo refresher courses every year.

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

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

**Employee information and training:** Leumi's intranet includes a special website about accessibility with detailed information about certain disabilities and the special services that Bank Leumi offers to people with them. A program was also built and installed, and training was instituted for all employees. A tutorial and knowledge test on service accessibility were developed, which service providers (in branches and customer-facing units) are required to undergo.

**Leumi's website** includes information on adaptations made by Leumi by type of disability (visual, hearing, speech, motor / wheelchair, online accessibility) and all benefits provided to customers with disabilities.

## Promoting Small Businesses

Leumi's handling of the small business sector is characterized by providing value propositions and financial services to businesses with a turnover of up to NIS 20 million

or a total obligo<sup>19</sup> of up to NIS 10 million. These offerings and services are provided to customers according to their changing needs.

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

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

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<sup>19</sup> A customer's total debt to the bank and collaterals given to the bank in respect of third party debt.

## Main Initiatives to Promote Small Businesses

### Leumi

**Business School:** In 2016, Leumi started another class at the Business School, in cooperation with Tafnit, the Open University's School for Managers. As part of the project, some 2,000 Leumi customers, with small and medium-sized businesses from around the country participated in a free course of 25 academic hours in which they acquired a variety of practical tools to help their business grow and develop. The course was held at seven locations across Israel, ensuring adequate deployment in peripheral areas.

**Leumi Right to Your Doorstep:** Every week in 2016, Bank Leumi managers met business customers on their premises to discuss the state of the business and offer immediate banking and other solutions, as part of the Bank's general value propositions for small businesses. Altogether, thousands of meetings have been held outside Bank Leumi branches.

**Leumi-Koret program to promote small businesses in the periphery:** Under this program, Bank Leumi has been granting loans at preferential terms to small businesses in the periphery since 2009. In 2016, 390 loans, totaling NIS 86 million, were granted.

**State-guaranteed fund:** Bank Leumi won a tender published by the Ministry of Finance to grant state-guaranteed loans to small and medium-size businesses. Under this partnership, numerous loans were granted to businesses in various industries.

### Leumi Card

Leumi Card offers its customers various plans – Leumi Card SMART. These plans include clearance services, immediate credit, an advanced terminal at a single site, and fixed predetermined monthly payments. The Smart plans also offer added value to the business's daily conduct, meeting its needs for cost control, transparency, and simplicity.

The SMART plans provide solutions to the difficulties and needs of small businesses.

SMART's target audience constitutes 80% of businesses in Israel that accept credit cards. Leumi Card has conducted research in order to understand these audiences' needs and adapt solutions to each business owner's needs.

Until the SMART plans were launched, business owners were forced to contract several suppliers to obtain the entire range of services, and cope with uncertainty as to the final payment to the contractors at the end of each month.

Leumi Card's SMART plans enable these business owners to choose a single service or various combinations of services according to their particular needs; the price, as aforesaid, is fixed and known, enabling them to control their business expenses.

The service constitutes a one-stop-shop offering three vital services in a single, reliable and stable package: clearing services, immediate credit and a state-of-the-art payment terminal (EMV-compliant). Business owners can choose either a single service or a combination of services, according to their particular needs and business size, and pay a fixed price in advance according to the chosen plan. In this manner, a business owner contracts a single supplier, which provides all of his clearing and credit needs, giving him control over his expenses and streamlining the managing of the business.

## Promoting Unique Populations

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

To achieve this goal, the Group operates on several main levels:

- + **Promotion of businesses that advance social causes** – for example, businesses which employ people with disabilities or youth at risk.
- + **Development of products and services that have social value** – The Group offers its customers a broad range of services intended to create shared value – social value for customers and for the community, alongside creating business value.
- + **Development of specialized products for unique populations** – Leumi appointed a special manager to oversee solutions to the special needs of Arab society and the ultra-orthodox community.
- + **Assistance to customers experiencing difficulties.**

- + **Accessibility in the periphery** – The Leumi Group is deployed throughout the country to provide the full range of its services and products to all its customers, wherever they are.
- + In addition, the Group provides credit for the development of social and communal infrastructures such as hospitals, green areas, local economies, and more.

## Initiatives to Promote Populations through Products and Services

### Leumi

- + **Program to decrease customers' debts:** Leumi holds direct, sensitive, speedy and businesslike dialogues with customers in financial difficulty, by examining their individual ability to settle their debts and finding the most convenient solution. In 2016, about 200 "customer days" were held, during which Leumi representatives met with about 5,000 customers in debt in an effort to assist them in finding the best solution to settle their debts.

In addition, Leumi operates an "early collection center," in an aim to find solutions which meet the debtor-customers' needs. Leumi also takes part in the activities of government authorities aimed at assisting people in debt to come to an arrangement with the bank.

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

## Merger of Arab Israel Bank and Bank Leumi and its Impact on the Customers

In late 2015, the Arab Israel Bank customers were updated on the merger of the Arab Israel Bank with Bank Leumi. While customers continued to obtain services from the same branch, they undoubtedly felt the changes that took place – from swapping their magnetic cards to having their calls directed to Leumi call. Today, the customers enjoy Leumi's strong financial position and its wide range of credit and investment products, excellent value propositions and attentive, dedicated face-to-face service.



## Social Credit and Services to Promote Disadvantaged Population Segments

The Bank leads a professional, managerial and financial approach of social credit granting, with the understanding that such credit embodies economic value to the Bank in addition to its value to society. In 2016, the Bank took several key measures in this area:

**a. Social impact bonds – “Leap to Education”** – In 2015, Leumi began collaborating with Social Finance Israel, a public benefit company which strives to achieve social goals through the issue of social impact bonds, in order to promote the program “Leap to Education” – to reduce dropout rates by students from disadvantaged populations studying computer science. As part of the program, 600 students will receive personal support, study assistance and scholarships (according to certain criteria), in order to allow them to keep up with the curriculum. Leumi approved a NIS 4 million social loan, which will fund 50% of the program. In 2016, for the first time in Israel, investors – including Bank Leumi – received initial returns on this type of investment.

**b. Loans to NGOs and employers of people with disabilities:** This year, the Bank continued to cooperate with the Dror Israel movement, which promotes social businesses and initiatives in the educational sphere, through social loans to entities recommended and guaranteed by the Fund. As part of the additional and new cooperation with the Koret Fund, Leumi offers loans to entities engaged in social activities or employing people with disabilities. The program is intended for customers who, without the guarantee of the Koret Foundation, could not receive a loan from the Bank. In addition, these customers enjoy relatively attractive rates and unique service in preparing a business plan. In many cases, social entrepreneurs are not familiar with economic and financial issues so this service contributes to the development of their business and its survival.

**c. Giving a future – Loans to female micro-entrepreneurs:** A joint venture with “Latet Atid” organization, which identifies and accompanies female entrepreneurs experiencing economic difficulties, women business owners, or with business ideas. Leumi grants financing loans of up to NIS 40,000, and the organization gives each entrepreneur a support package which includes a business plan, extensive business mentoring and benefits to develop the business. After three years of joint activity, the operation was expanded in early 2016, so as to make the service accessible to entrepreneurs in 15

additional branches throughout Israel. In that manner, Leumi wishes to empower women, support them and help them achieve economic independence.



### The Story of “Latet Atid” (“Giving a Future”)

A. is a 40-year old single mother of two daughters. She is a fashion designer and resides and works in Emek Hefer. Several months ago, she had an idea: to create children’s T-shirts, with a sign language symbol printed on each one. The response was very enthusiastic. So much so that A. could not meet the demand. She wanted to manufacture more T-shirts, but had no money to pay for the fabrics and sewing (A. makes sure that sewing is done locally). A. approached Leumi through the “Latet Atid” (“Giving a Future”) NGO and was granted a loan, which made it possible for her to sew more of her popular t-shirts. Now, A’s business is stable and she can continue designing, dreaming and flourishing.

The objective of “Latet Atid” is to assist women who set-up or run independent micro-businesses. This non-profit organization offers funding and support to every woman, who dreams of developing her own business venture and change her economic circumstances. Before applying for a loan, the entrepreneur presents her business plan to a committee, whose members are bankers and business consultants. The committee examines the feasibility of the plan and work to identify an entity that will extend the loan. Leumi’s collaboration with “Latet Atid” started four years ago. As part of this collaboration, the Bank extends loans of NIS 5,000 to NIS 40,000 to entrepreneurs, who are supported by “Latet Atid”, based on criteria, which are more flexible than those applied to other business customers. Repayment terms of those loan are very favorable and no guarantors are required, even if the entrepreneur has bad credit history. Leumi receives about five applications per month from Latet Atid; most of those applications are granted, just as in the case of A.

But the collaboration between Leumi and “Latet Atid” does not end there: Leumi contributes towards the operating activities of this non-profit organization and works to introduce it to those who may need assistance. Thus, in 2016 a campaign was “launched that advertised the collaboration between the two bodies in ads printed by

local newspapers all around Israel. At a later stage, employees of Leumi will volunteer to become part of the group of women business mentors, who support the entrepreneurs on behalf of “Latet Atid”.

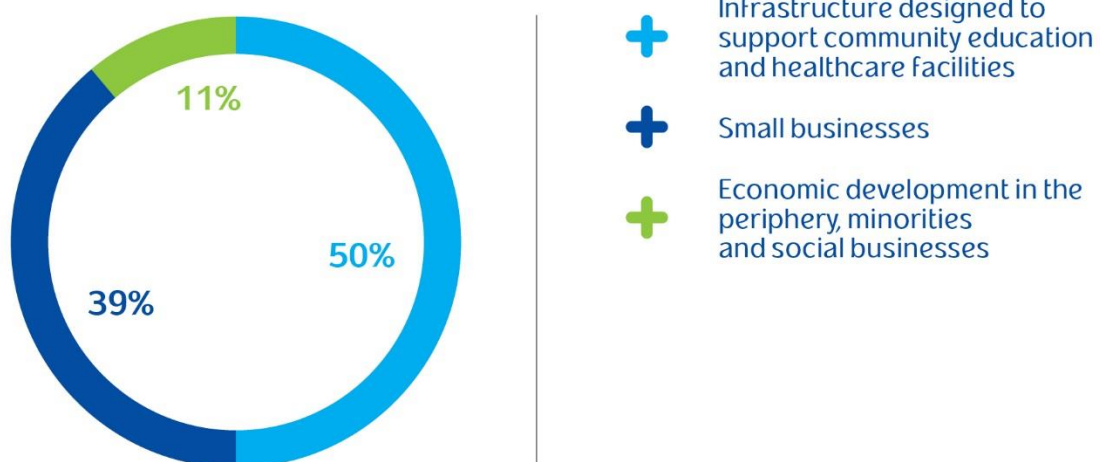


### Dedicated Credit to Customers from Various Sectors

**Developing banking services and products for the Arab sector:** Within this framework, the Bank has offered enrichment activities and meetings to empower women, encourages women-owned businesses and grants loans tailored to the needs of the businesses, and even offered special loans ahead of the holidays in the Arab sector.

**Marriage loans to the Arab and ultra-orthodox populations:** The Bank has identified the needs of the ultra-orthodox and Arab populations and began to offer loans tailored to their needs.

Segmentation of Credit Granted to Promote Social Causes in 2016 | Total of NIS 0.96 Billion



\* Incl. credit granted to finance projects in China and Kenya (NIS 0.37 billion). The data presented herewith were collected specifically for this report (and at this stage are not automatically retrievable) and therefore are not comparable with previous years. The data include loans and guarantees.

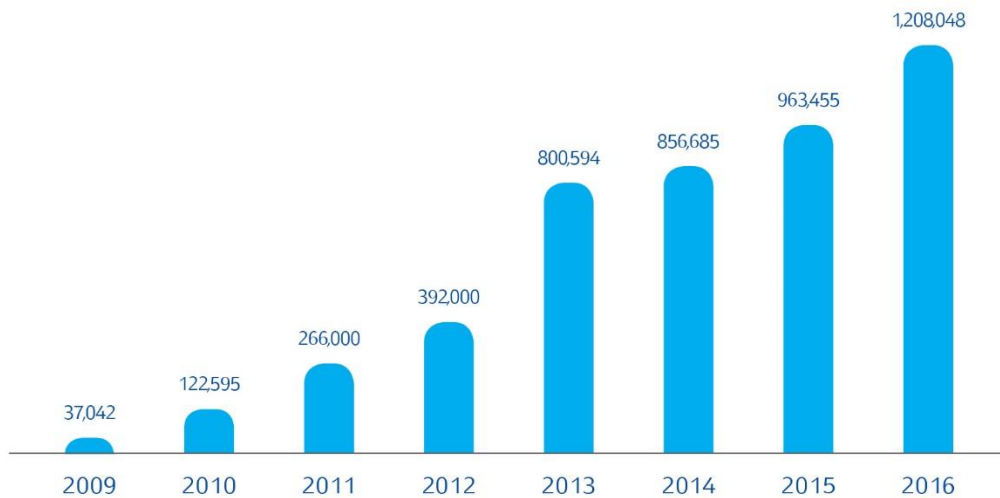
### Deployment in the Periphery and among Low-Income Populations

- + 41 of the Group's branches are located at the heart of peripheral towns.
- + 46 of the branches are located in predominantly Arab communities.
- + 26 of the branches are located in predominantly ultra-orthodox communities.

### Leumi Card

For the eighth consecutive year, Leumi Card continues to offer its Round Up and Donate service, in cooperation with the "Round Up" NGO. The service allows the company's customers to round up the sum of transactions carried out at businesses, with the difference transferred as a contribution to a range of non-profit NGOs as per the customer's choice. In 2016, approximately 6,400 new Leumi Card customers joined the service. In total, more than 30,000 Leumi Card customers participated in Round Up this year. Since the beginning of its cooperation with the Round Up NGO, Leumi Card customers have donated a total of about NIS 4.7 million to NGOs of their choice.

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



### Bank Leumi US (BLUSA)

#### Reinvestment in the Community

Bank Leumi US is working to promote low-income populations, inter alia, under the Community Reinvestment Act (CRA) with the aim of encouraging commercial banks to meet the needs of borrowers from all sectors of the community in which they operate.

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

- + **New York:** Housing loans and loans to industries operating in underprivileged areas. This allows affordable housing for low and moderate income populations (LMI) in these areas.
- + **California:** Loans to businesses operating in the southern part of Los Angeles that support the local community by providing employment.
- + **Florida:** Loans to businesses in economically disadvantaged areas, supporting and enabling the stability and development of the local community.

- + **Illinois:** Loans to nursing homes, rehabilitation centers and other centers engaged in medical care to those eligible for loans as part of government health insurance plans for the benefit of the low-income population. Loans are also given to the elderly for affordable housing.

In 2016 loans totaling \$387 million were granted under CRA.

## Digital Access

The digital age creates a challenge in providing service to some segments of the general population and to the elderly in particular. Following are some of the actions taken in 2016 to help these populations make greater use of digital services:

- + **Digital assistants:** Digital assistants have been placed at bank branches where the teller stations have been converted into digital stations, to help teach customers how to make transactions using automated devices and mobile phones. Digital developments have also been carried out to help customers obtain a response and carry out digital transactions without the need to go other branches.
- + **Tutorial videos:** In 2016, a new website was launched to provide customers with guidance on how to best use Leumi's applications, using brief, focused tutorial videos. In 2016, there were about 330,000 hits to the site.

## Development of Environmentally-Friendly Products

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

In addition, in recent years, the Israeli economy has undergone significant changes in the area of renewable energy and a shift to natural gas, while reducing consumption of

polluting energy and reducing greenhouse gas emissions. The Group offers its customers a range of finance products to support their adaption to these changes, to reduce their adverse impact and enhance their positive impact on the environment, while recognizing the potential risks of some of its areas of activity, and is therefore applying the precautionary principle that requires particular attention in order to avoid causing harm.

This area is managed by the Group's Business-Commercial Division and by the Banking Division.

### Initiatives for the Promotion and Development of Environmentally-Friendly Products and Services

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

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

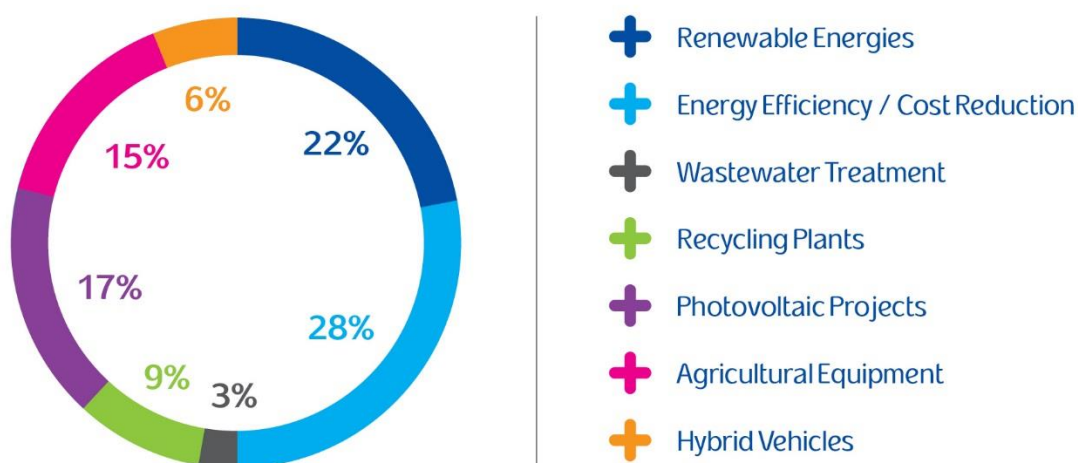
**Financing environmental infrastructures projects:** In 2016, Leumi participated in the financing of several large-scale projects with a positive impact on the environment, such as installations for generating electricity from sunlight, establishment of renewable energy facilities, pumped storage (storage of energy by water pumping) and waste treatment.

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



**Refraining from recommending harmful products:** Leumi's investment advice professionals, who are responsible for issuing recommendations to the investment advisors at the branches, refrain from recommending securities of companies whose main business is not in line with Leumi's ethical principles.

Segmentation of Credit Granted to Promote Environmental Causes in 2016 | Total of NIS 0.53 Billion



\* Incl. credit granted to finance projects in China and Kenya (NIS 0.21 billion). The data presented herewith were collected specifically for this report (and at this stage are not automatically retrievable) and therefore are not comparable with previous years. The data include loans and guarantees.

## Meeting Objectives – Creating Value for Customers

### Enhancing customers' financial knowledge

Company	Objective as at end of 2016	Status	Explanation
Leumi	Balancing one's personal budget: launch a new personal finance management service for all bank customers, without the need for prior registration, in order to improve customers' financial education and closer and more accessible management of their bank accounts.	Partially implemented	The Bank enables customers to balance their personal budgets using various tools available on the website and application, including the use of personal insights. A dedicated tool for personal budget balancing was launched on a trial basis and is expected to be further developed in the future.

## Service accessibility

Company	Objective as at end of 2016	Status	Explanation
Leumi	Launch a supportive interface in four languages (Hebrew, Arabic, English, and Russian) at the digital kiosks.	Partially done	The deployment of the interface at the kiosks will continue through 2017.
Leumi	Complete physical accessibility at additional branches.	Done	209 of the 234 branches were rendered fully accessible, approx. 89%.

## Promoting small businesses

Company	Objective as at end of 2016	Status	Explanation
Leumi	Continue to expand value propositions to small businesses.	Done	Launch of state-guaranteed loan fund

## Unique populations

Company	Objective as at end of 2016	Status	Explanation
Leumi	Continue to enhance financial information accessibility for the ultra-orthodox community.	Done	During 2016, 10 meetings were held for the ultra-orthodox community across Israel, attended by approx. 350 people.

Company	Objective as at end of 2016	Status	Explanation
	Information accessibility and direction for small businesses in the ultra-orthodox community.	Done	Four sessions were held for the ultra-orthodox community, and Leumi participated in the “Women Doing Business” project by the Mishpacha magazine, which caters to this sector.
	Digital information accessibility for small businesses in the Arab community.	Done	In 2016, branches in the Arab community were manned by assistants helping customers use the automated devices at the branches as well as Leumi’s app.
	Empower women in the Arab community.	Done	In three conferences held for Arab women, 150 participated.

## Future Objectives

### The Leumi Way of Doing Business

Company	Objective as at end of 2017	Main actions planned
Leumi	Approval of the Fair Conduct Policy	

## Enhancing customers' financial knowledge

Company	Objective as at end of 2017	Main actions planned
Leumi	Financial education for customers across Israel	Instill financial literacy among customers.

## Service accessibility

Company	Objective as at end of 2017	Main actions planned
Leumi	Launch a supportive interface in four languages (Hebrew, Arabic, English, and Russian) at the digital kiosks.	Deployment of the interface at 80% of the kiosks.
	Complete physical accessibility project in 100% of the branches, according to law.	Install elevators or lifts, fix ramps, handicapped services, accessible service kiosks.
	Install voice signage for the automated devices in at least 95% of the branches.	Choose an appropriate product and deploying it in the branches
	Full accessibility of information at the website (AA standard compliance).	Complete product installation Make attachments accessible as content on websites.
	Install a new system enabling the use of a smartphone as a voice sign to identify accessible automated devices.	Deployment of the system at Leumi branches

## Promoting small businesses

Company	Objective as at end of 2017	Main actions planned
Leumi	A course for small business owners on all aspects relating to the management of their businesses (financial, marketing, networking).	<ul style="list-style-type: none"> <li data-bbox="959 338 1422 427">+ Market the course to customers</li> <li data-bbox="959 450 1422 663">+ Manage and create two courses for small businesses, including in the Arab sector</li> <li data-bbox="959 685 1422 831">+ Personal tutorials for business owners through digital media</li> </ul>
	Business Clinic – in cooperation with the Hebrew University and Tel Aviv University – a course for outstanding students on advice to small businesses.	<ul style="list-style-type: none"> <li data-bbox="959 860 1422 949">+ Take part in funding the course</li> <li data-bbox="959 972 1422 1128">+ Teaching content in the course (business banking 101)</li> <li data-bbox="959 1151 1422 1240">+ Guiding students vis-a-vis the small businesses</li> </ul>
	State-guaranteed small and medium business fund – grant special state-guaranteed loans to current and new customers nationwide.	Produce conferences, advertising campaigns and extend loans.

## Unique populations

Company	Objective as at end of 2017	Main actions planned
Leumi	Conduct tutorials to narrow the digital divide for approx. 40,000 customers	Conduct training sessions at the branches and in customer conferences as part of the IL Project, inviting people to cross the digital divide.
	Exposing customers at the branches to digital products so as to enable them to carry out transactions independently, in order to increase the services' availability to them.	Placing digital assistants at the Bank's branches.

# Creating Value for Employees





## Leumi Group's Employees

Leumi Group employs about 11,350 people in Israel and overseas and regards them as key to its success. The Group attributes great importance to the welfare, satisfaction, and professional and personal development of its employees. Within this framework, the Group promotes and maintains transparency, fairness, equal opportunity and diversity in employment while avoiding harmful employment; it cultivates excellence and innovation; cooperation and a dialogue with the employees, and is concerned about their health and welfare.

The following is a segmentation of the Group's employees as of December 31, 2016.

Total Employees in the Group by Year, in 2012–2016:

	2016	2015	2014	2013	2012
Leumi – total <sup>20</sup>	8,909	9,662	9,850	10,058	10,212
Leumi Card	1,410	1,441	1,469	1,481	1,498
Leumi Capital Market Services	154	154	162	153	154
Leumi Partners	34	35	37	35	37
The Trust Company	22	20	21	20	22
Overseas offices*	822	840	866	923	928
Leumi Group – total	11,351	12,152	12,405	12,670	12,851

\* Between 2012 and 2013, the data refers to the number of positions rather than to the number of employees.

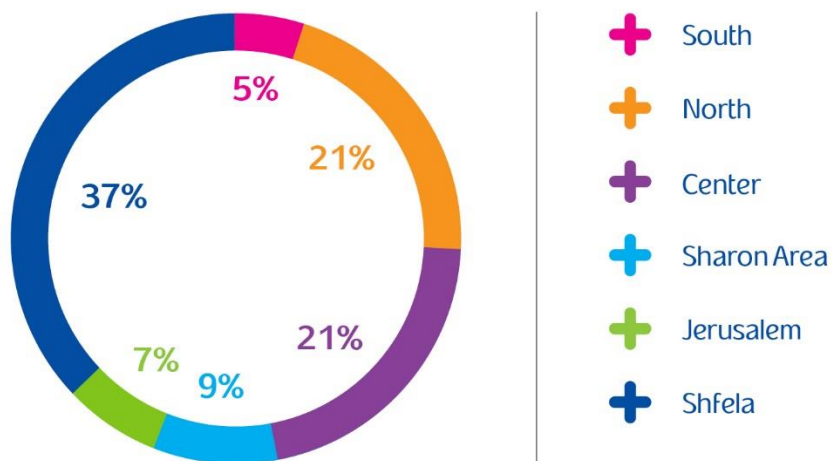
Unlike in the financial statements published by Leumi, the data in the above tables and the entire report (unless noted otherwise) refer to the Group's employees rather than to positions (positions minus employees on non-paid leave and maternity leave, including specific overtime hours, excluding contract workers).

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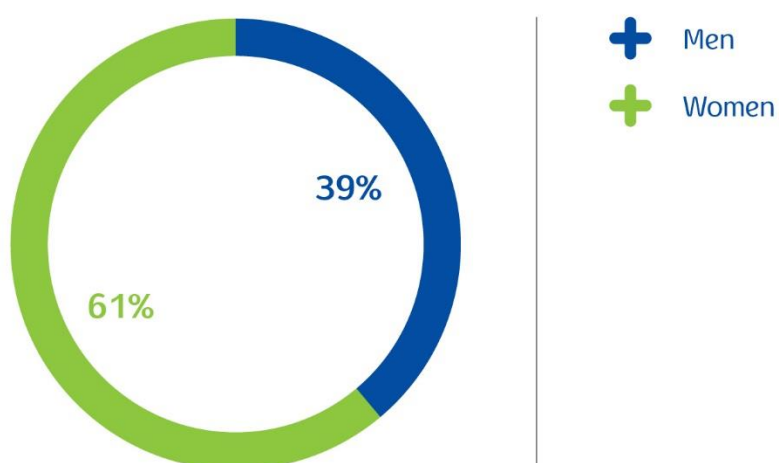
Unless otherwise noted, Bank Leumi figures include data for the former Israeli Arab Bank.

Data on Leumi Capital Market Services are reported herein for the first time and have been retroactively included in the total number of employees.

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

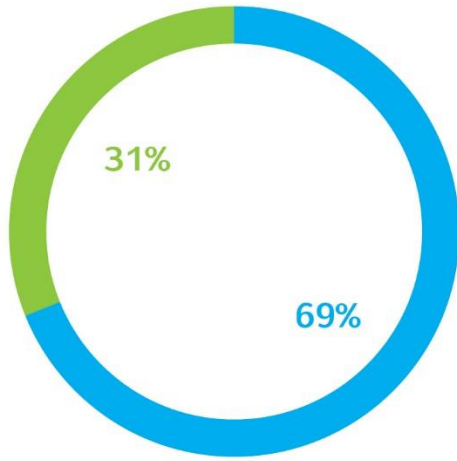


### Segmentation of Employees by Gender



## Segmentation of Employees by Rank

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- + Clerks
- + Managers (Including under personal contract)

## Employment Characteristics at Bank Leumi

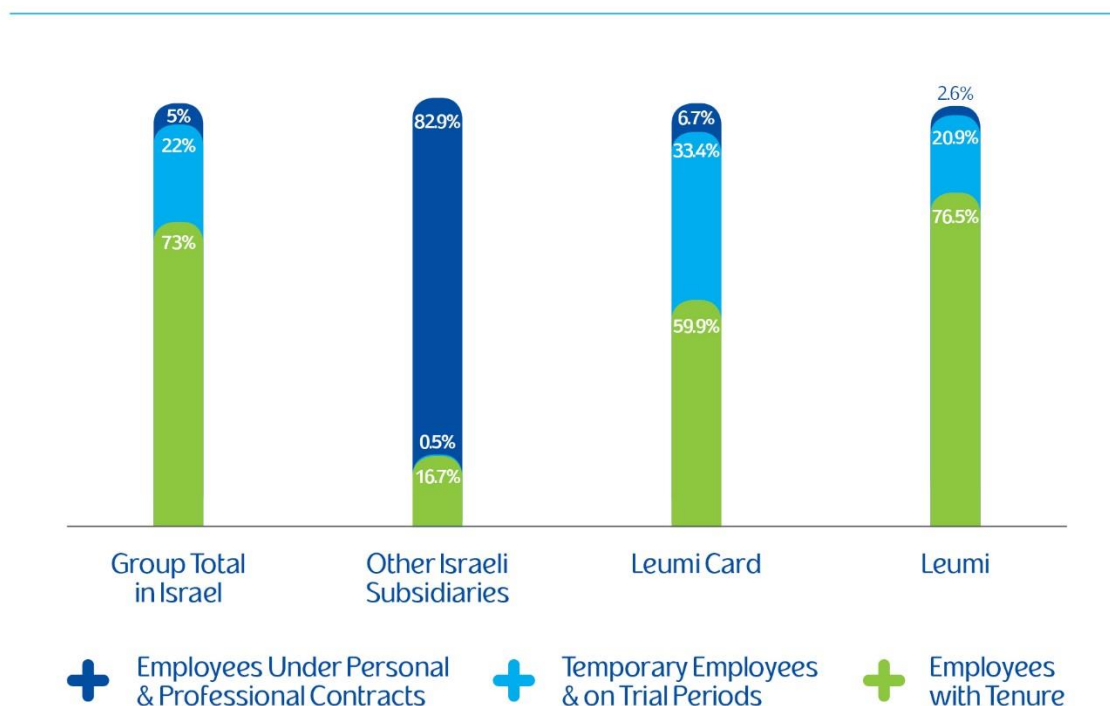
There are several forms of employment at Bank Leumi:

- + **Probationary / temporary employees:** A newly hired employee usually starts out as a probationary or temporary employee. Employees may remain in this status for several years, at the end of which the Bank decides whether to grant them tenure or terminate their employment.
- + **Permanent employee:** An employee who has been approved for tenure at the Bank.
- + **Personal professional contract workers:** Workers in unique positions, who have a personal contract with the Bank and are not subject to the collective agreement.
- + **Personal managerial contract worker:** Senior executives (sub-division heads and upwards). These workers are not subject to the collective agreement.

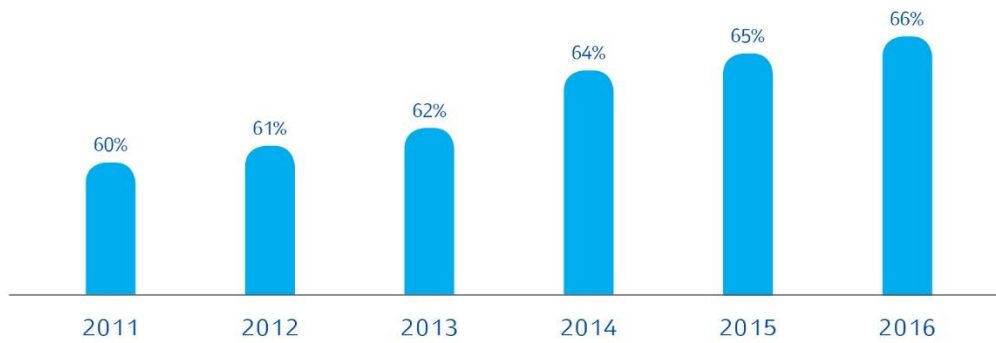
In addition, the Bank employs contract workers in a variety of positions.

For more information, please see p. 117.

Segmentation by Type of Employment – Israel Only



### Percentage of University Graduates Over Time – in Israel Only



### Employees with College Degrees, by Gender and Rank – 2016

	% with college degrees	% of clerks' rank	% of manager ranks	% of women	% of men
Leumi	74%	63%	96%	71%	78%

### Contract Workers

Leumi obtains services from employees of manpower agencies, service providers and software companies, who serve in various capacities: tellers at the branches, call centers representatives, computer workers and programmers, and more. These workers are employed by the manpower agencies and software companies, rather than by Leumi.

Contract workers are employed in the following manner:

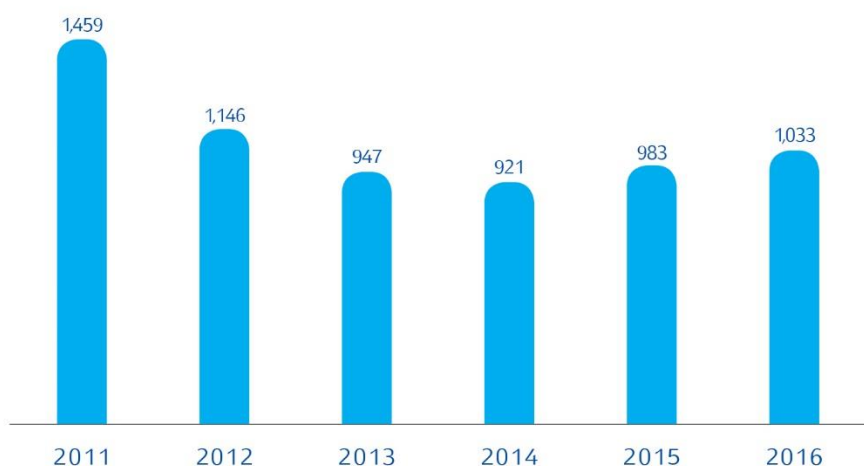
1. **Call center representatives:** Employed by manpower agencies.
2. **Tellers and administrative workers:** Employees of manpower agencies who work as tellers, secretaries and office staff, for a limited time.
3. **Outsourced workers:** Employees of software companies who usually work off-premises, providing computer and software services to Leumi.

As part of the Bank's policy, Leumi sometimes hires contract workers as employees, from time to time, according to need.

As of December 31, 2016, Leumi obtained services from contract workers at a volume of 1,033 positions (some of the contract workers worked for the Bank part-time). Leumi Card obtained services equal to 96 positions.

Services provided by suppliers – such as representatives and assimilators working as part of short term projects, or providing security, catering and cleaning services are not included in the contract worker data.

No. of Contract Worker Positions at Bank Leumi



### Hiring Contract Workers

In 2016, 394 of the contract employees who worked at the Leumi Group were hired as bank employees. As a rule, alongside streamlining measures and the review of operations undertaken by the Bank by employees and outsourced workers, Leumi seeks to hire high-quality contract workers who work for the Group.

## Hiring Managers from Local Communities

Below is a breakdown of the number of Israeli managers “on loan” to overseas offices in 2016: 13 in Bank Leumi USA, 3 in the UK, 1 in Romania and 6 in other offices.

In addition to these employees, other employees of overseas offices are employed directly by them.

## Breakdown of Employees by Age, Rank and Gender<sup>21</sup> 2016

		Women	Men	% of women
No. of senior managers	Up to age 30	0	0	0
	Aged 31-50	40	49	45%
	Aged 51+	31	52	37%
	<b>Total</b>	<b>71</b>	<b>101</b>	<b>41%</b>
No. of middle managers	Up to age 30	1	3	25%
	Aged 31-50	290	298	49%
	Aged 51+	127	206	38%
	<b>Total</b>	<b>418</b>	<b>507</b>	<b>45%</b>
No. of first-line managers	Up to age 30	31	15	67%
	Aged 31-50	1,062	744	59%
	Aged 51+	231	275	46%
	<b>Total</b>	<b>1,324</b>	<b>1,034</b>	<b>56%</b>
No. of clerks	Up to age 30	1,320	544	71%
	Aged 31-50	2,291	1,432	62%
	Aged 51+	1,405	694	67%
	<b>Total</b>	<b>5,102</b>	<b>2,712</b>	<b>65%</b>
No. of employees under	Up to age 30	0	0	0%
	Aged 31-50	24	40	38%
	Aged 51+	4	14	22%

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Leumi Capital Market Services – Data on Clerks – the data on clerks are not segmented by age

		Women	Men	% of women
professional contracts	Total	28	54	34%
Group total	Up to age 30	1,352	562	71%
	Aged 31-50	3,707	2,563	59%
	Aged 51+	1,798	1,241	59%
	Total	6,943	4,408	61%
Total no. of managers	(including under personal contract)	1,841	1,696	52%
Total no. of clerks		5,102	2,712	65%

## Diversity and Equal Opportunities in Employment

The Leumi Group believes in equal opportunity and adheres to non-discriminatory hiring practices, regardless of race, color, religion, gender, sexual orientation, marital status, ethnicity, national origin, disability or age. The Leumi Group honors the principal of employment diversity in line with the diversity of Israeli society, out of awareness of the needs of society and the Group's customers and in order to reflect its responsibility towards the community in which it operates.

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

The Leumi Group opposes discrimination of any kind and prohibits discriminatory behavior within the organization for any reason whatsoever. Decisions regarding the Group's employees and candidates for employment, their recruitment and promotion are



made on the basis of objective considerations of performance and skills, without discrimination. The Leumi Group complies with the law in all matters pertaining to employment. The Group does not employ minors.

The Leumi Group's diversity and equal opportunity policy is reflected in three main areas:

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

The Administration and Operations Sub-Division in the Human Resources Division in Leumi is responsible for employment diversity and for measuring the issue annually and in an organized fashion. The team of recruiters in the Sub-Division includes a diversity supervisor, whose duty is to promote the recruitment of employees from underemployed populations with the placement agencies, screening centers and units in the Bank. During 2016, and following training on this topic, the diversity supervisor was also put in charge of hiring people with disabilities.

Over the years, Leumi has accumulated extensive knowledge and experience regarding the possible barriers faced by these populations, and has developed relevant solutions and adaptations to help become acquainted with candidates beyond the cultural barriers and the routine threshold criteria.

The guiding principle is: To have the employees' diversity reflect that of Israeli society, out of awareness of the needs of the Company and the customers, expressing the Leumi Group's responsibility towards the society it operates in.

## Initiatives to Integrate Employees from Diverse Communities into Bank Leumi

**A. Prioritizing resumes** of candidates from target populations. Nominating a designated diversity officer in the hiring team.

**B. Personal assistance to candidates with disabilities:** The recruitment unit provides personal assistance to candidates, showing great sensitivity, to give them the best job search experience and dispel, as far as possible, the stress and fears associated with the process.

**C. Assistance in screening tests:** Significant additional time (30%) in cognitive tests; adjustment of languages on the day of the evaluation; the existence of a non-screening evaluation day (unlike other candidates); adding points to candidates of Ethiopian origin in specific tests; integration of Arab evaluators on screening days for Arab sector candidates, and more.

**D. Easing minimum job requirements:** Job requirements for candidates from target populations are adjusted: For example, the Group recruits candidates from the ultra-orthodox population who do not have matriculation certificates or an academic degree, while providing the option of completing a bachelor's degree on the job during the first four years of employment.

**E. Face-to-face interviews:** Candidates who received a borderline score at the screening center get a second chance: they are summoned for an interview by the Recruitment Sub-Division, in order to examine in-depth their potential suitability to the position and to Leumi and in order to avoid situations in which a suitable candidate is overlooked.

**F. Promoting candidates from target sectors with the recruiting business units:** The Recruitment Sub-Division contacts recruiting executives in order to promote the candidacy of people from these populations.

**G. Proactively approaching** organizations, NGOs and placement agencies in order to receive resumes of candidates from target populations, continuous contact and periodic meetings with NGOs representing these populations.

H. “Spotlight days” for candidates from the ultra-orthodox population (women and men separately). The Recruitment Sub-Division participates in conferences and seminars in order to promote recruitment of candidates from this sector.

I. **Adjusting scores for candidates of Ethiopian origin:** Following the results of a study conducted in 2015 by the Adam Milo Institute at Leumi’s request, it was decided to raise scores by two-ninths in specific tests for candidates of Ethiopian origin. This relief is still being granted.

J. **Training for the human resources recruitment team and human resource managers:** During 2016, Leumi appointed a recruitment manager responsible for hiring employees with disabilities, who underwent a three-day course on the topic. In addition, a workshop on the topic was held for human resources managers in the units and the hiring team.

In 2016, Leumi Card appointed a hiring coordinator responsible for employing people with disabilities.

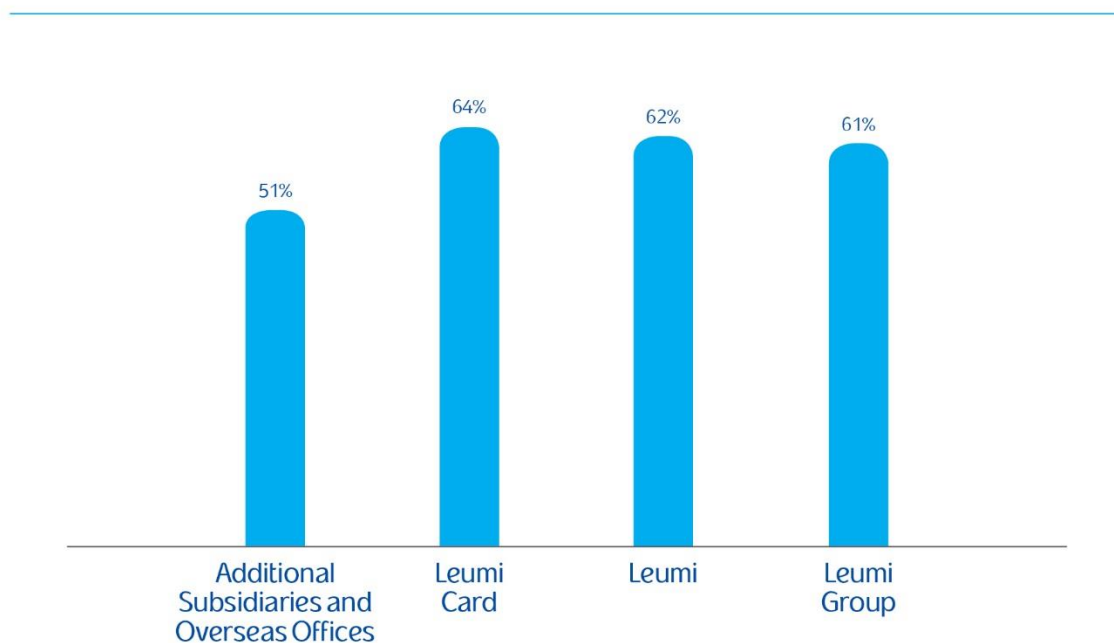
- + 14% of all employees hired by the Leumi Group in Israel in 2016 were people from underemployed populations.
- + 6% of all the Group’s employees in Israel are from the Arab sector 23% of them hold management positions.

**Systematic approach to discrimination:** Leumi views incidents of discrimination with great severity, and deals with them immediately. Any complaint by a candidate or employee regarding discrimination based on any cause whatsoever is examined in depth. In 2016, 2 claims of discrimination were handled. Although no actual discrimination took place, relevant procedures were reinforced.

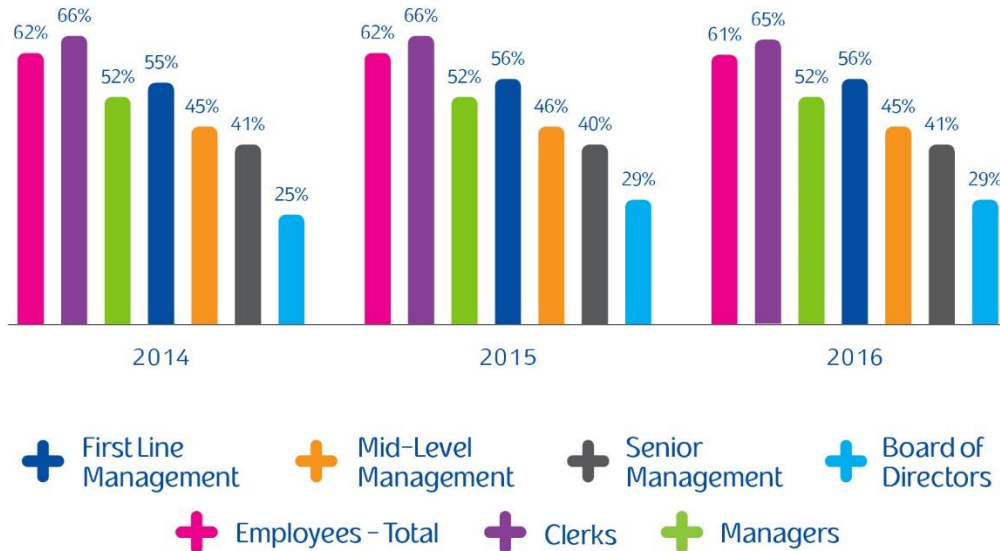
## Gender Equal Opportunity

The Leumi Group strives to maintain a high proportion of women at every rank in the Bank and to integrate them in key positions. In addition to the following figures, women comprise 49% of the branch managers at Leumi.

Percentage of Women in the Group's Subsidiaries in 2016



## Percentage of Women in the Group over Time



## Fair Pay

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

In 2016, the minimum monthly salary paid by Bank Leumi to a woman for a full-time position was 23% above the Israeli minimum wage, and the average minimum salary for a full-time position paid to a man was 24% above the Israeli minimum wage.

A comparison of the wage gaps between the minimal monthly wages paid by Leumi and the maximum monthly wages paid by Leumi showed that in 2016, the wage gaps between senior employees and junior staff shrank by 6.6% over the previous year.<sup>22</sup>

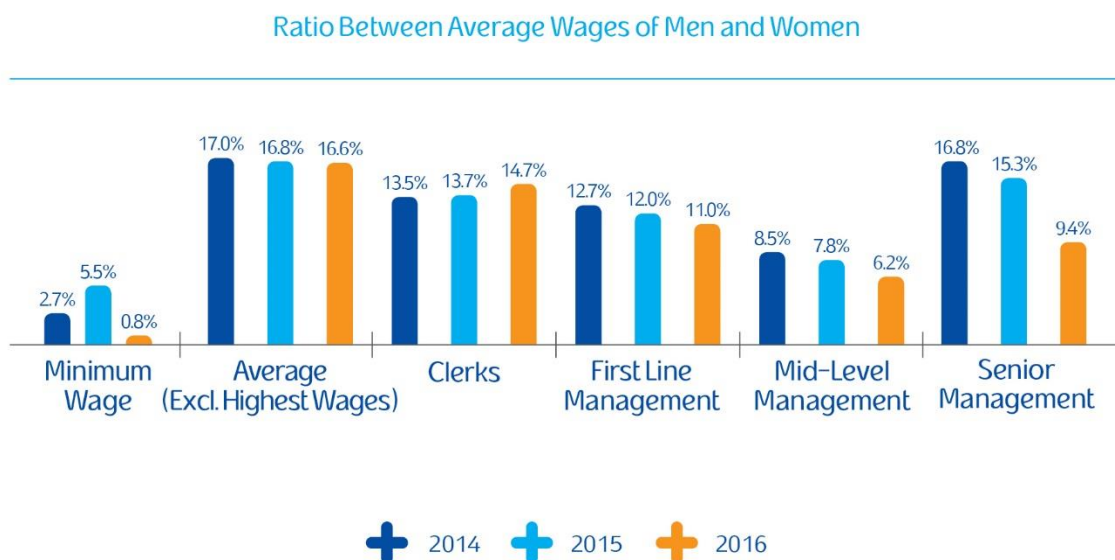
<sup>22</sup>The wage data are for employees who worked at over 95% of their position during 2016. For more information on the wage gaps between the CEO's wages and the annual average for employees, please see the financial statements.

In 2016, the Adva Center conducted a study on wage gaps between women and men in Israel.<sup>23</sup> According to the study, in 2015, a woman's average wage in Israel was 68% of a man's.

As of the end of 2016, the gap between the median average wages of men (excluding the highest wages) and the median average wages for women (excluding the highest wages) stood at 16.6% in the men's favor.

In 2016, 38% of the employees at the highest pay grade in Leumi were women.

The chart below shows the ratio between women's and men's wages by rank (men's wages divided by women's wages minus 1). It should be emphasized that the review was in respect of the average monthly wages at each pay grade.



## Leumi Card

Salaries at Leumi Card are determined on the basis of pertinent criteria, such as professional experience, the nature of the position, fairness relative to the market, and employee performance evaluation. A review found that women accounted for 36% of the company's top decile of wage earners.

<sup>23</sup> <http://adva.org/wp-content/uploads/2017/05/Gender-Gaps-2017.pdf>

## Prevention of Sexual Harassment

Leumi views sexual harassment and harassment at the workplace with utmost severity, and places great importance on preventing them. To prevent such offenses and to create a safe, respectable, and pleasant working environment, which promotes equality and mutual respect, the Bank has appointed a senior attorney to be responsible for the prevention of sexual harassment at the Bank. Any complaints of sexual harassment are referred to her. The Bank has also defined sexual harassment as a serious disciplinary offense, and the regulations on the issue have been personally sent to every employee and are given to every new employee upon being hired. The regulations and how to contact the officer in charge appear on the Bank's organizational portal and posted on bulleting boards in the units. In 2016, the Human Resources Department issued a letter to all employees, outlining the significance that the Bank attributes to a work environment that is free from sexual harassment, and distributed an updated procedure on the prevention of sexual harassment. Complaints about sexual harassment are handled professionally, efficiently, and speedily by the sexual harassment prevention coordinator. In 2016, few sexual harassment complaints were filed: the sexual harassment prevention coordinator investigated each case, pursuant to the Prevention of Sexual Harassment Law.

No complaints about sexual harassment were filed at Leumi Card in 2016.

## Maintaining Proper Work Relations

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

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

In 2016, relations between the management and employee representatives continued to be conducted in a proper manner, based on mutual respect and attentiveness. In 2016, there were no labor disputes, strikes or lockouts initiated by the employee representative body at Leumi.

## Percentage of Employees under Collective Agreements

Company	Percentage
Leumi	97.4%
Leumi Card	94%
Total, including other subsidiaries in Israel	96%

In 2016, about 96% of employees and managers in the Leumi Group in Israel were employed under collective bargaining agreements. All other employees in the Group are employed under personal contracts, including employees of Leumi Partners and of overseas offices, where there were no employment collective bargaining agreements in place in 2016.





## The Story of the Merger of Arab-Israel Bank

In mid-2015, the Board of Directors of Leumi approved the merger of Arab-Israel Bank into Leumi.

The merger was part of the Group's streamlining process. The actual implementation of the merger was highly intensive and lasted approximately six months, since the beginning of 2016. At the end of those six months, the employees and customers of Arab-Israel Bank ended up in a business and cultural environment that was very much different to the one they knew.

The process was planned and executed meticulously and with the utmost sensitivity. The sincere wish of both parties to understand each other and truly merge was evident throughout the process, including in its more challenging phases.

The work routine and engagement with customers in Arab-Israel Bank's forty branches were different than those practiced in Leumi branches. All employees, in branches and on a regional level, underwent comprehensive professional training and support was also provided in connection with the "soft" aspects of change management and adaptation to a new reality.

In view of those needs, the integration teams of the banking division and training center formulated a detailed plan that addressed three aspects of the merger: professional knowledge gaps, establishing a positive attitude towards the merger and a conceptual-mental aspect - in three stages of the process: the preparations stage, the adaptation stage and the establishment stage.

The merger process started with a celebratory launch meeting and progressed gradually, branch after branch. The integration team supported the employees based on a detailed plan. Support by the integration team was provided several days before the merger, over the merger week and several days after the merger. Once the merger of each branch was completed, lessons were quickly drawn from the merger so as to enable the merger teams to be better prepared for the merger of the next branch.

In addition to the merger teams, the HR function of the Bank supported the process by speaking to employees, visiting branches, participating in managers' meetings and creating twin branches (from Arab-Israel Bank and Leumi).

Throughout the merger process, the HR division lent a sympathetic ear and offered ad hoc solutions to every problem raised by the branches: knowledge gaps, difficulties with the IT systems, workload and all other questions and queries, including a chance to let out steam on what was a challenging adaptation period.

At the end of this intensive process, the employees of Arab-Israel Bank became employees of Leumi for all intents and purposes. In most cases, the fears that existed during the merger process made way to anticipation and excitement about the mobilization potential of such a large organization – and the new employees develop nicely. They take part in the cultural activities offered by employees' committees, integrate into the Bank and feel at home.



## Work-Life Balance

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

The Group implements several practices to support this balance:

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

## Streamlining Plan

In June 2016, Bank Leumi announced a streamlining plan to support its business targets, with the objective of cutting the Group's operating costs, and improving efficiency ratios and administrative flexibility. Under the plan, employees were offered greater severance pay or an early retirement settlement, in accordance with the Bank's costs as a function of age, gender, and seniority. As of the end of 2016, about 700 employees retired voluntarily under the plan.

## Retirement Planning Courses

Eleven retirement planning courses were held in 2016, attended by 485 employees and their spouses, for a total of 850 participants. The courses included lectures on a range of topics, including retirement as a turning point and change, the post-retirement social perspective, organizing post-retirement time, a family meeting upon retirement, improving memory, a healthy lifestyle, wills and inheritance, retirement and post-retirement targets and investment planning, sleep disorders, volunteering, and medical insurance.



## The Story of Supporting the Retirement Plan

In June 2016, Leumi's Board of Directors approved a plan for the voluntary retirement of approximately 700 Group employees as part of its streamlining plan.. Most of the employees who took up the early retirement offer were veteran employees, who have worked in the Bank for decades. The Bank's HR division realized that the retirement plan will require a comprehensive and unique support process that had to be planned out in detail. The process had to cover practical aspects, but also take into account the personal, social and family-related aspects of such a significant change in the lives of the retiring employees.

The practical aspects of early retirement were attended to in collaboration with an external company. Each employee, who wished to retire, had a personal and discrete meeting during which he/she was presented with the terms of the retirement settlement.

Several months before the planned retirement date, all those who were about to retire attended group workshops at the Bank's training center. The workshops were held in small groups and each employee was escorted by his/her partner (since retirement understandably affects not only the person who retires but also his/her partner and family). The workshop lasted two consecutive days, during which the issue of retirement was addressed from every possible angle by the best lecturers and experts. Participants talked about change and fear of change, the opportunities change brings and how one can prepare oneself to change; they heard lectures about wills and inheritance, insurance and financial planning and were given tools to prepare themselves to the economic change. They talked about their fears and hopes, about the excitement and about the sadness of saying goodbye. Throughout this time, they were lent a sympathetic ear by professionals, who also offered them containment and comforted and encouraged them.

Once they attended this two-day workshop, retiring employees were offered the option to receive personal support in the form of a series of meetings with representatives of

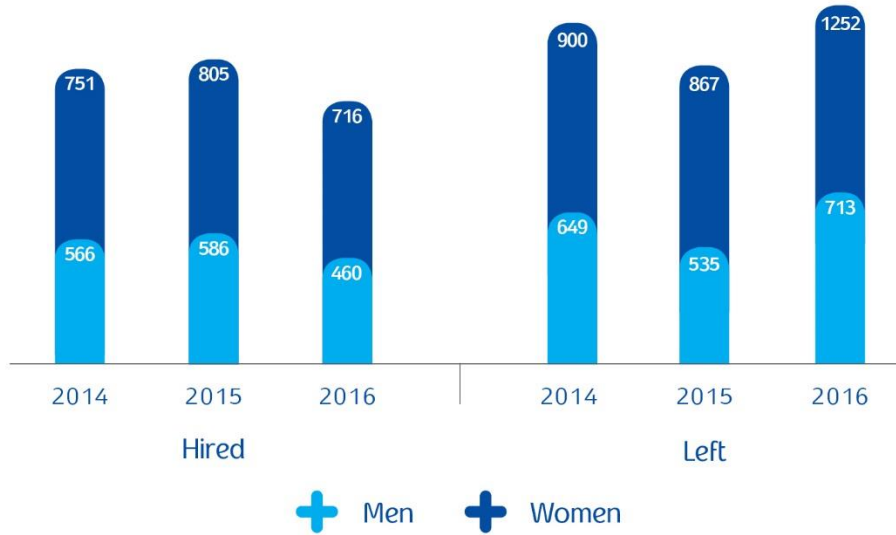
specialist companies, that will assist them in preparing themselves for the next stage of their career (by helping them write their CV and prepare for job interviews), or prepare for retirement (by helping them plan their time and get into voluntary work).

Retirement is a complex process. It involves a transition from many years of structured and familiar daily routine into an uncharted territory. When people who have worked for the Bank for so many years retire, they leave not only their job, but also beloved friends, a pleasant atmosphere and a supportive community. Leumi's organizational culture, which created this atmosphere and community in the first place, also underlies the Bank's retirement process that respects those who retire and enables them to start the next chapter of their life with pride and optimism. Such a process is also beneficial to those employees who continue working for the organization. The knowledge that the future of your retiring colleagues is planned with such sensitivity increases one's bond to the organization.



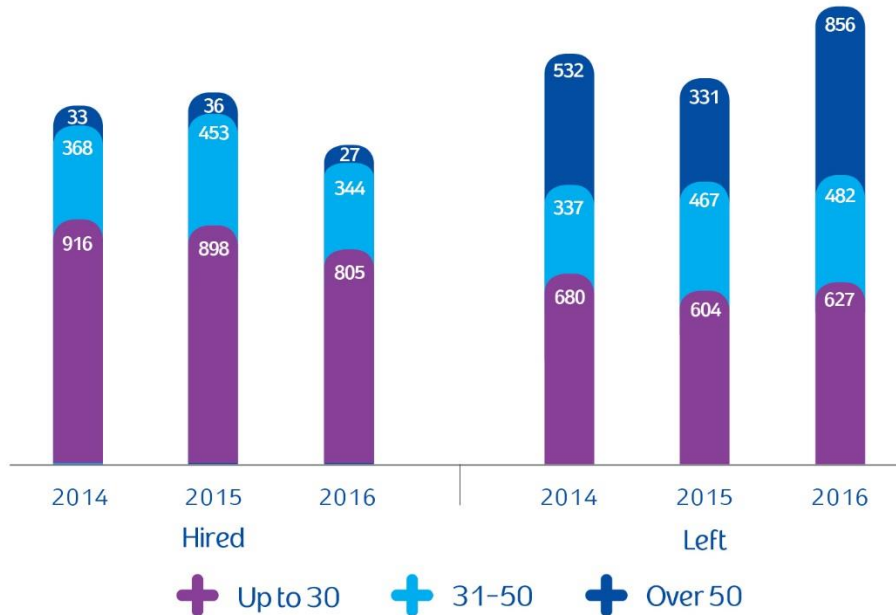
As from 2016 and in accordance with a collective agreement, the Bank releases all severance pay funds of employees who resign, regardless of how long they have worked for the Bank (on top of pension accruals that are already being released).

### Employee Turnover by Gender



Data for 2016 do not include Leumi Capital Market services and Bank Leumi USA

### Employee Turnover by Age



Data for 2016 do not include Leumi Capital Market services and Bank Leumi USA

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

Data on employee turnover by age and gender are specially processed for the CSR report, based on, and within the limits of, the information available in the Group's systems.

## Personal Development and Excellence

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

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

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



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

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

- + **Training courses and programs:** The training programs focus on the core banking fields and are in line with the business objectives such as credit, investment consulting, customer relations management, retail banking, service, and customer experience and sales. In addition, all employees undergo comprehensive training on regulation and compliance.
- + **Management training and leadership development:** The Training Sub-Division provides training to Leumi's managers as part of the first-line and mid-management training programs, and develops leadership concepts and capabilities in all managers, using various learning process methods.
- + **Measurement and assessment of effectiveness:** Processes for drawing conclusions are held on a regular basis, with the aim of improving the proposed training programs for employees and ensuring that they are in line with the business objectives.
- + **Learning via online channels:** Within this framework, Leumi enables its employees to efficiently learn professional content, at their own pace and according to their chosen means.
- + **Personal mentoring:** Personal mentoring processes with the aim of advancing employees and managers with professional and managerial development potential.

- + **Managerial reserve program:** As part of the promotion of excellence at Leumi, programs were written for the development of managers with high potential, in preparation for more complex duties further in their careers. These programs are managed by the Headquarters, Work Relations and Staff Administration Sub-Division.
- + **The One Hundred Forum:** The forum, which includes approximately one hundred heads of sub-divisions (senior managers), was established with the aim of nurturing managers, increasing their involvement in and influence on the Bank's activities, and building an expanded management forum with members of Leumi's management. The forum is managed by the Headquarters, Work Relations and Staff Administration Sub-Division.
- + **Leadership Forum:** The forum, which includes about six hundred branch managers and headquarters executives at the sub-division level, was established with the aim of increasing the involvement and managerial influence of these managers in leading business and organizational processes. Form members participated in a unique leadership program developed by the Training Department, in cooperation with the Herzliya Interdisciplinary Center.
- + **Promoting academic studies:** As part of its policy of nurturing excellence, the Group funds higher education for its employees who meet the requirements.

## Initiatives for Developing Excellence and Training Employees

### Leumi

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

### Leumi Card

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



## The Story of Leumi Card's "Growing from Within"

Employee development enables employees to strengthen and build capabilities, which they believe are important, and to diversify and enrich their roles. The employee development process also affects the employee's performances and his/her commitment to the organization. Leumi Card's employee development program was launched in 2015, but over the course of 2016 employee development was integrated into other organizational processes. The process was kicked off in 2015 with the Leumi Card's "Growing from Within" week: a whole week of lectures and workshops that focused on personal development and career. As part of the process, Leumi Card also changed its semi-annual assessment process with greater emphasis placed on each employee's personal development in accordance with the GROW model, that allows understanding the targets, aspirations and capabilities of the employee and the options available to him/her to develop in the future.

At the same time, Leumi Card created a management course for non-managers with the aim of providing employees with an additional personal development platform. The objective of the course was to equip employees with a set of skills and motivational drivers that will allow them to have a more significant and wide effect on the organization (on interfaces/colleagues/managers, etc.), both in their present role and in preparation for their next role. The management course for non-managers was a complementary process: If an employee expressed his/her motivation and aspirations in the assessment session, the course was designed to equip him/her with a management toolbox, which he/she can then use to move up within the organization and open up for himself/herself meaningful and challenging roles. The course included four meetings led by an instructor from Leumi Card. Examples of subjects learned in the course include adoption of management as a thinking pattern and the implementation of this concept in dealings with colleagues, managers and interfaces; self-management

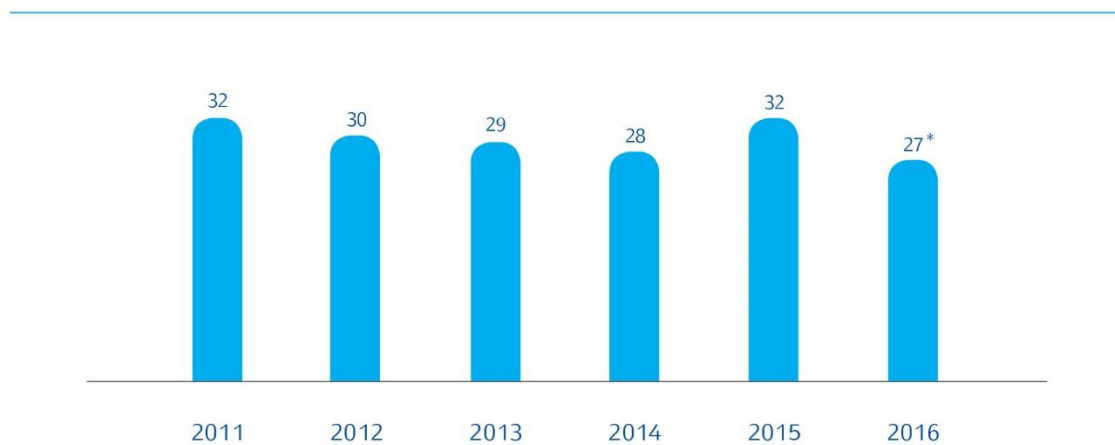
and proactivity in the role; promotive effective communication and motivating colleagues, managers and interfaces by using such communication.



## Training

In 2016, the total training days (8 hours per day of training) for employees at the Leumi Group stood at about 60,440 – an average of approx. 41 of training hours per employee. This figure includes online learning and other modes of learning. Some of the data in the information systems cannot be segmented by level and gender, as required by the GRI reporting requirements. Therefore, segmented data show lower averages than the total hours of training which actually took place.

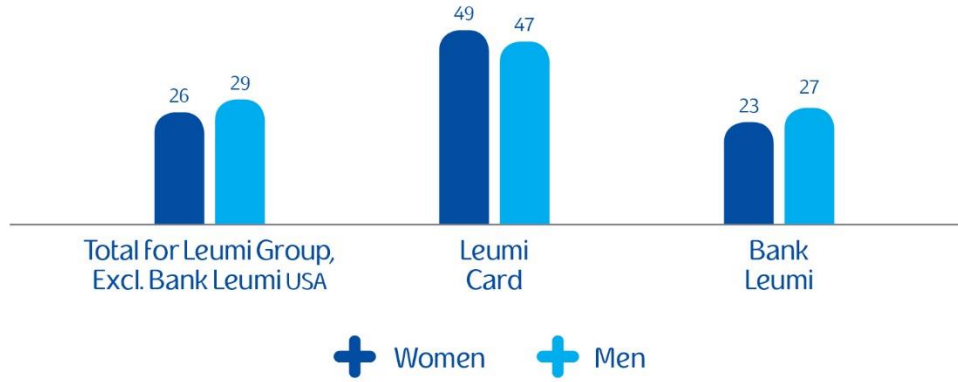
Average Hours of Training per Group Employee



\* Excl. Non-Segmented Data and Data for Bank Leumi USA

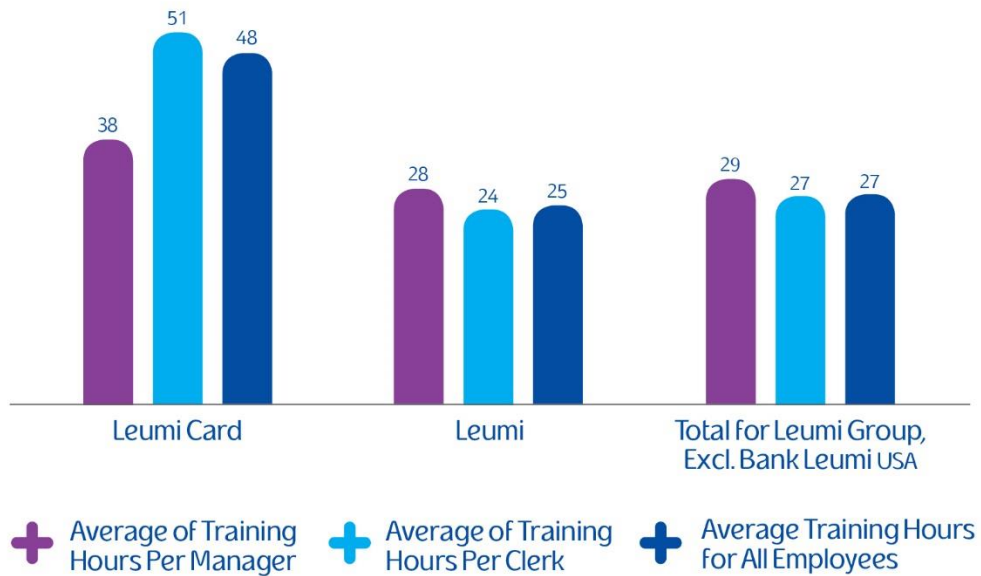
\*\* In 2016, each employee received 41 hours of training, incl. data not segmented by gender or rank

### Average Hours of Training by Gender, 2016



Excl. Non-Segmented Data

### Average of Training Hours Per Employee in 2016



Excl. Non-Segmented Data

\* The training data do not include Bank Leumi USA.

In 2016, all Group employees participated in some type of training (whether classroom or online). 42% of the managers participated in management training.

## Employee Feedback and Evaluation

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

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

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

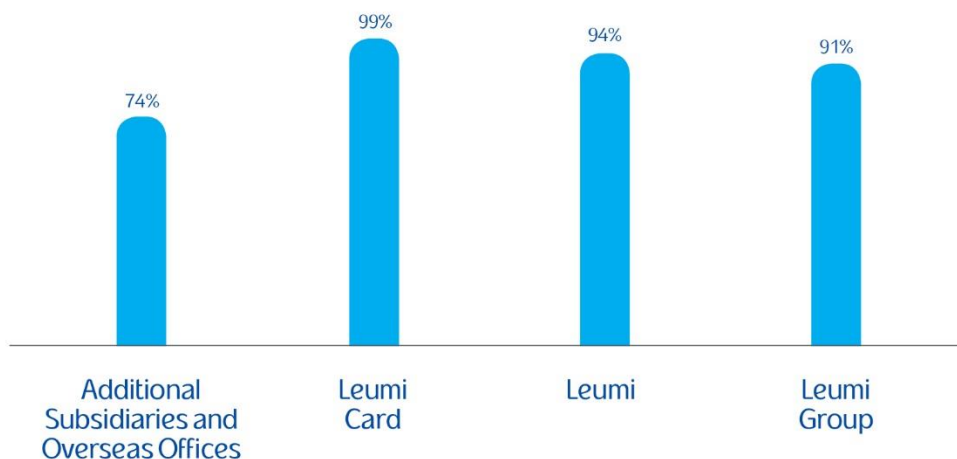
### Percentage of Group Employees who Received Feedback, by Gender and Rank in 2016

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### Percentage of Employees who Received Feedback, by Company, in 2016

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\*The percentage calculation of feedback recipients at Leumi Card is based on the percentage of feedback recipients out of the total number of participants in the annual assessment process, rather than a percentage of total employees, as calculated for the



rest of the Group. All company employees participate in the annual evaluation process, including representatives with at least one year's seniority at the Company, excluding VPs.

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

## Employee Satisfaction

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

In 2016, two Leumi Pulse surveys were conducted for a representative sample of all Bank units.

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

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

In 2016, Bank Leumi was ranked fifth in the Best Companies to Work For Ranking by CofaceBDI and The Marker, and as the number one organization in the financial system, thus maintaining its top rankings.

## Leumi Card

In 2016, CofaceBDI conducted an employee satisfaction survey, call center satisfaction survey, and company positions survey at Leumi Card.

Of all the service representatives who responded to the survey:



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

## Employee Participation and Increasing Transparency

### Leumi

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

- + **Live meeting with the CEO:** In 2016, two virtual meetings were held with the CEO. The conversation between the CEO and Bank Leumi employees was broadcast live. Employees who attended the meetings were invited to ask questions, and the CEO responded live.

+ **Meetings between employees and the CEO and division managers:** Over the year, initiated meetings were held between groups of employees and the CEO and division heads. These meetings make it possible to hold an open and direct dialogue between management and diverse groups of employees. Members of management also visited branches and districts, where they spoke with small groups of employees.



## The Story of Live Meetings with the Group's CEO

A large organization like Leumi, which employs thousands of employees across the country, must think of creative ways to maintain a real internal dialogue whereby messages are delivered in all directions, answers are given to any question and the concerns and hopes of all participants are taken into account – a dialogue that aspires to strengthen employees' identification with the organization. The live meetings with the Group's CEO constitute such a creative channel.

This unique format, in which the CEO answers employees' questions as part of a live broadcast which is viewed by all employees, was launched in 2015 and was improved since then. The main four objectives of this format are: creating a link between the employees and Leumi's strategy and narrative, establishing mutual organizational dialogue, strengthening the link between management and employees – and enhancing the group spirit and the employees' sense of belonging to the organization.

### How is it done?

Several days before the live broadcast, a designated portal is made available to the employees, where employees are invited to ask the CEO questions; employees are also invited to "like" other questions asked by colleagues. The questions that are eventually asked are those that got the most "likes" – and also those questions that were asked many times; as a result of this process, the CEO talks live on air about the issues that are of the greatest importance for Leumi's employees. In 2016, the website was accessed 4,000 times. Employees were also given a phone number, which they were invited to use and ask further questions during the live broadcast. And what questions do the employees ask? They ask about everything. They ask about the Bank's strategy, digital versus personal banking, retirement plans, changes in the Bank and their effect on the employees, promotion and terms of employment. In the first few meetings, questions

were asked anonymously; in 2016, the employees were invited to state their full name when asking questions. It is most interesting to note that the number of employees who asked questions has not decreased since then and the nature and level of sensitivity of those questions have not changed either.

Filming takes place in one of the Bank's facilities in front of an audience comprising Bank employees and hosted by a Bank employee. The meetings are broadcasted to 600 viewing points where employees come together to watch the meetings. Unit managers are invited to hold a meeting prior to the broadcast, in which they will link the unit's messages to those of the organization; refreshments are sent to each unit to make viewing even more pleasant. After it is broadcasted, the film is uploaded to the Bank's internal website where it can be viewed at any time. In the days following the broadcast, employees are asked to give their feedback on the broadcast; the 2016 feedback reflected a high level of satisfaction. Many employees noted that the meeting was interesting, made them feel proud and strengthened their sense of belonging to Leumi. "I feel immensely proud to be part of an organization, whose CEO can answer tough questions that do not have simple answers - knowing that her answers are broadcasted live to all employees."

The feedbacks also showed that employees wish to increase the number of filmed meetings and three such meetings are planned for 2017. As part of improving the format, the studio will look like an ordinary lounge and the meeting will host a small audience of ten employees at the most, so that the meeting will become even more intimate.



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

Leumi has an online system which allows employees (clerks and managers) to view available positions at the Bank and apply for them. The platform encourages employees to play an active role in their career management, increases transparency and is an expression of Leumi's view on promoting and developing employees. In 2016, about 1,000 employees were regular subscribers to updates on new jobs, and 93 employees assumed new positions, to which they applied through the platform.

## Security and Safety

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

1. **Fire safety and security:** The Fire Safety and Security Sub-Division is responsible for safeguarding the lives of employees, customers and suppliers, as well as of the Group's property. The sub-division is responsible for the operation of comprehensive security systems, combining advanced guarding and security technologies, and for providing an appropriate response to various emergency scenarios – for all those present at the Bank's various sites.
2. **Enhancing employee awareness:** The Fire Safety and Security Sub-Division is responsible for raising employee awareness to issues of security – such as robberies and break-ins, fire safety, emergency preparedness, earthquakes and fires, as well as training employees how to behave in emergencies and criminal incidents. A security and safety tutorial is distributed to the employees once a year. Additionally, guidelines and refreshers are provided, and evacuation drills are performed.
3. **Enhancing employee safety and health:** The Group companies treat safety in a comprehensive manner, implementing strict controls. Surveys of risks and hazards in buildings, carried out in the organization from time to time, are meant to ensure, on an ongoing basis, that the Group's facilities provide a safe working environment. In the event of a work accident, the Group's safety officers investigate it and report to the relevant personnel for the purpose of drawing conclusions and correcting maintenance and planning hazards, where necessary.

In 2016, the issue of safety was managed by Leumi's Properties Sub-Division via central mechanisms for promoting and ensuring occupational safety:

- + **The Safety Committee:** A committee comprised of representatives of professional units, employee committee representatives, and management representatives. The Committee holds eight meetings over the course of the year, at which irregular events are discussed. The Committee members receive updates about ongoing activity and special projects which have implications for employee safety and hygiene. The Committee is comprised of representatives from the professional units - 50% of whom are employee representatives and the rest are management representatives. The issues of safety are not included in the agreement with the Employee Committee.
- + **Conducting surveys and performing inspections in the units:** Leumi takes a proactive and prudent approach in all matters related to a safe working environment, and regularly initiates a series of safety and environmental inspections and surveys, including checking for the presence of pollutants, odor hazards, and more.
- + **Preventing occupational diseases:** The Bank takes care to prevent occupational diseases, conducts environmental and health risk surveys and monitors exposed environments. As such, three units in the Bank are defined as being noisy work environments. Employees who are exposed to noise that is slightly louder than that permitted under the standard are issued adapted equipment, and are trained and medically monitored.
- + **Compliance with international occupational health and safety standards and regulations:** Leumi complies with all laws, regulations and compulsory standards in the realm of health and safety at work, including a safety management plan. In addition, Leumi meet the ISO 18001 standard of the Standards Institution of Israel for occupational health and safety.

#### Initiatives to Promote Employee Security and Safety

- + Development of a "toolbox" for employees dealing with verbal and physical violence by customers.

- + To cope with robbery incidents, deterrence, documentation and technical assistance devices have been installed in branches. In addition, employees of all branches are trained and provided with information on how to prevent robberies, to help them handle robbery incidents, in order to minimize damage and, first and foremost, protect and save lives.

## Leumi Card

**Promoting road safety:** Leumi Card ensures that every employee who is eligible for a company vehicle undergoes about five hours of theoretical and practical drivers' training, which includes training on a simulator that simulates driving while the vehicle is skidding or rolling over. The employees undergo this training every three years. In 2016, 55 employees underwent such training. The company also publishes tips for safe driving on the daily e-mail and organizational portal.

## The Rate of Absenteeism due to the Employees' Illness or Work Accidents in the Leumi Group

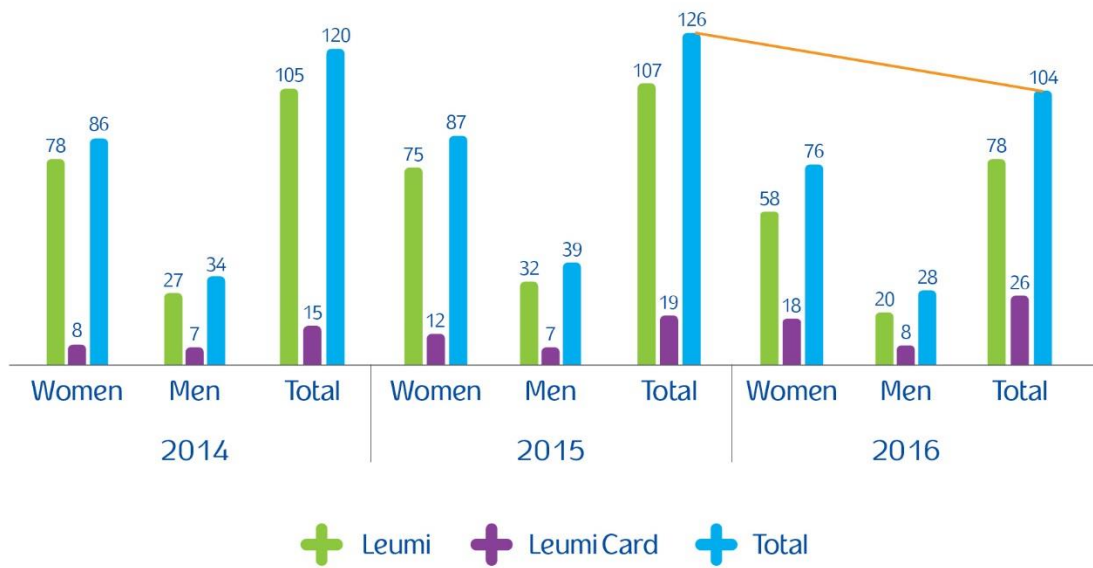
Company		2014	2015	2016
Leumi	Employee illness - excl. work accidents	3%	3%	3%
Leumi	Work accidents (including road accidents)	0.1%	0.1%	0.05%
Leumi Card	Employee illness - excl. work accidents	4%	4%	4%
Leumi Card	Work accidents	0.1%	0.2%	0.1%
Other subsidiaries and overseas offices <sup>24</sup>	Employee illness - excl. work accidents	1%	0.0%	0.1%

<sup>24</sup>Calculation of work days in Israel



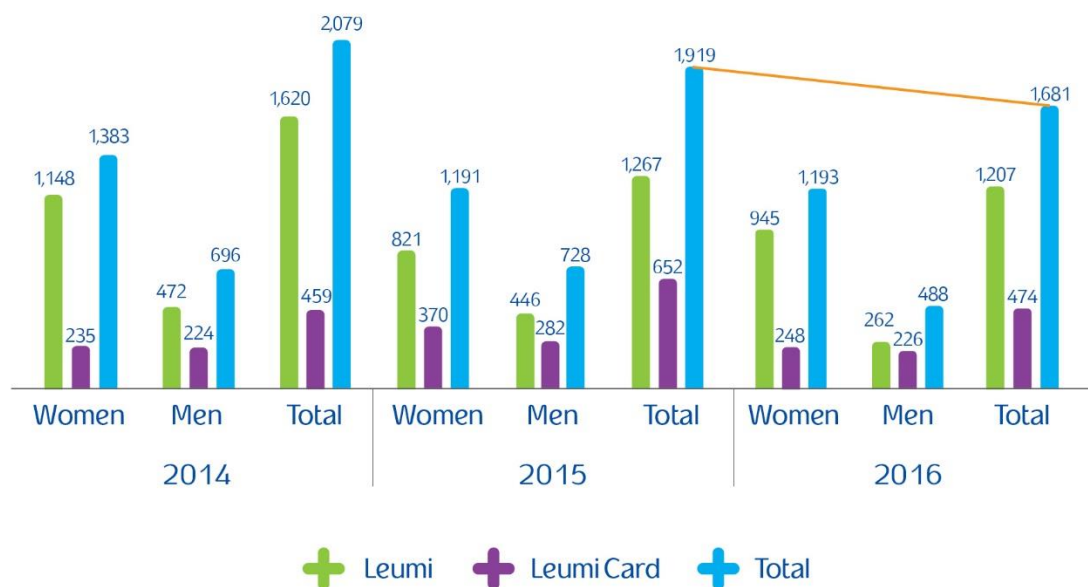
Company		2014	2015	2016
Other subsidiaries and overseas offices <sup>25</sup>	Work accidents (including road accidents)	0.03%	0.00%	0.0%
Total	Employee illness – excl. work accidents	3%	3%	3%
Total	Work accidents (including road accidents)	0.07%	0.06%	0.06%

No. of Work-Related Accidents (Incl. Car Accidents)



<sup>25</sup>Calculation of work days in Israel

## No. of Absence Days as a Result of Work-Related Accidents (Incl. Car Accidents)



There were no fatalities from work accidents.

\* 2015 data were re-added

\* The data do not include absent days employees who left the Company during the year.

## Health and Welfare

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

## Initiatives to Promote Employee Health and Welfare

- + **Preventative medicine:** Bank Leumi allows eligible employees to undergo comprehensive medical tests for the early detection of diseases and their prevention. It also offered flu shots ahead of the flu season. The bank also offers health insurance through the workers' committees.
- + **Occupational physician:** Bank Leumi has an in-house occupational physician available for its employees. His duties include advising employees returning to work after a prolonged illness.
- + **Sports:** Bank Leumi offers its employees a variety of sports activities and benefits, such as discounted subscriptions to fitness clubs, workplace sports teams, and participation in marches and competitions. A fitness room and a gym have been built for employees' use at the Leumi Service Center in Lod.
- + **System-wide healthy lifestyle program:** As part of an employee healthy lifestyle pilot at several branches in northern Israel, a number of meetings were held on healthy nutrition, physical exercise, ergonomics, and stress reduction. Employees and their nuclear families inputted their personal performance data into a special app to monitor their progress and switch to a healthier lifestyle. In 2016, after the pilot was finalized, it was decided not to pursue the program, due to little interest by the employees.
- + **Blood drives:** Bank Leumi holds blood drives at its branches nationwide and encourages employees to donate blood.

## Employee Welfare Initiatives

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

- + **A team of social workers** assists employees in personal, family, health, economic, and job distress. In the past two years, great emphasis has been placed on helping employees and human resources managers moving between units at the Bank.
- + **Alleviating conditions of stress and anxiety** during emergencies (security situations, robberies, fire, and violence at branches).

- + A **welfare fund** is designed to help employees facing financial hardship because of a serious illness, health and social emergencies.
- + **Family economics management workshops and assistance** for employees with extraordinary economic hardships. For employees in need of this assistance, the Bank offers the services of a consulting firm specializing in family economics, in cooperation with the Bank's credit center – so as to find optimal solutions for the short and long term.
- + **Special support groups** for large families, bereaved families, children of deceased Bank Leumi pensioners, and more.
- + **Support for families with children through various growth stages** from first grade through adolescence, and until they join the IDF.
- + **Support for pensioners:** Cultural and recreational activities for Bank Leumi pensioners.
- + **Subscriptions to cultural institutions:** Bank Leumi offers employees and retirees subsidized subscriptions to cultural institutions, such as museums, theaters, cinematheques, opera, and dance.

### Saluting IDF Reservists

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

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

In 2016, some 430 Bank Leumi employees served approximately 6,000 days of IDF reserve duty.

In 2016, a gift package was sent to the employees' home, with a thank-you letter from the Head of the Human Resources Division.

Special benefits are also awarded to employees who are recognized as handicapped IDF veterans, who are eligible to ten additional vacation days for rehabilitation and recovery. Bank Leumi allows these employees to redeem unused vacation days or accumulate them beyond the annual quota allocated to each employee, up to a maximum of 10 days.

## Leumi Card

### Employee Health Initiatives

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

### Employee Welfare Initiatives

The Company makes available to its employees and their families a range of services, including subsidized discrete psychological counseling, mortgage consulting, a fund for employees in crisis, employer participation in financing daycare and summer camp for employees' children, biennial health checks (according to age and seniority criteria), the financing of employees' health insurance and discounted health insurance for their families.

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

### Saluting IDF reservists

In 2016, as in previous years, Leumi Card saluted its employees serving in IDF reserve duty, both through public acknowledgement on various channels, a paid vacation day for employees serving more than seven continuous days of reserve duty, and through a company gift.

## Meeting Objectives – Creating Value for Employees

### Diversity and equal opportunity

Company	Objective as at end of 2016	Status	Explanation
Leumi	Encourage recruitment of employees from diverse population segments by Leumi.	Done	In 2016, 18% of Bank Leumi's newly hired employees were from diverse populations.

### Developing excellence and training employees

Company	Objective as at end of 2016	Status	Explanation
Leumi Card	Implementing the CRM system upgrade. Participation of employees in Leumi Campus activities.	Not performed	The process was postponed to 2017
Leumi Card	Training employees for positions that require specific skills.	Done	The Company's employees participated in the divisional training programs throughout the
Leumi Card	Training employees for positions that require	Done	The Company's employees participated in Leumi
The Trust Company	Professional and personal enrichment workshops.	Done	

## Collaboration and dialogue with the employees

Company	Objective as at end of 2016	Status	Explanation
Leumi	Conducting two pulse surveys.	Done	
Leumi Card	Focusing on personal development of employees in the annual assessment process.	Done	In 2016, the semi-annual process focused on a personal development meeting. The process and the form were adapted to the development meeting. Managers underwent training on the topic ahead

## Security and safety

Company	Objective as at end of 2016	Status	Explanation
Leumi	Reducing the number of employee accidents by 3% compared with 2015.	Done	In 2016, 78 accidents were reported, compared with 107 in 2015
Leumi	Having all contractors undergo training every two years.	Done	2 training courses were held for 80 contractors.

Company	Objective as at end of 2016	Status	Explanation
Leumi	Having relevant employees undergo safety certifications required by the regulations for safety trustees, emergency medical technicians (EMTs) and altitude workers.	Done	11 working in heights permits were renewed for work. Covering the surveys at the branches by a five-year plan.
Leumi	Having safety supervisors at the branches and headquarters conduct 50 comprehensive safety surveys.	Done	Surveys were conducted as planned.

## Future Objectives

### Developing excellence and training employees

Company	Objective as at end of 2017	Main actions planned
Leumi Card	Implement a CRM system upgrade	<ul style="list-style-type: none"> <li>+ Create training programs for all population segments, including presentations and training aids.</li> <li>+ Train instructors and implementers from the units.</li> <li>+ Train employees.</li> </ul>



Company	Objective as at end of 2017	Main actions planned
		+ Support managers and implementers when activating the system.
Leumi Card	Train employees for positions that require specific skills – Implementation of 85% of the activities defined in the divisional training programs. Average 17 hours of training per employee per year.	+ Lead a process to identify training needs with the division managers. + Prepare a training program for each division, including activities, budget, suppliers and schedules. + Define and lead the program’s learning initiatives.
Leumi Card	Train employees for positions that require general skills – Participation of 30% of employees in Leumi Campus activities.	Communicate and encourage participation of employees and managers in Leumi Campus activities in 2017.
The Trust Company	Provide training on various subjects to Company employees	Average of 120 training hours for all employees

### Collaboration and dialogue with the employees

Company	Objective as at end of 2017	Main actions planned
Leumi Card	Launch an in-house employee app	Implement and expand the app.

## Work-life balance

Company	Objective as at end of 2017	Main actions planned
The Trust Company	Use of 85% of the employees' leave days balance	Monitor employees' use of leave days.

## Security and safety

Company	Objective as at end of 2017	Main actions planned
Leumi	Reduce the number of employee accidents (excl. car accidents) by 3% compared with 2016.	Annual safety tutorial, issue branch safety trustees summary of conclusions on work accidents, upload content to corporate blog.
Leumi	<ul style="list-style-type: none"> <li>+ Conduct training for 30 contractors during 2017</li> <li>+ Have relevant employees undergo safety certifications required by the regulations for safety trustees, emergency medical technicians (EMTs) and altitude workers.</li> <li>+ Have safety supervisors at the branches and headquarters conduct 40 comprehensive safety surveys.</li> </ul>	<ul style="list-style-type: none"> <li>+ Conduct a contractors' conference on Keshev for contractors who have missed the required training courses, according to a table listing the officers and by request from the professional units.</li> <li>+ Cover the surveys at the branches by a five-year plan.</li> </ul>
Leumi	Complete training of safety trustees in branches with more than 25 employees..	Conduct intensive training courses for representatives

Company	Objective as at end of 2017	Main actions planned
Leumi	Activate a multi-year ergonomic training program: conduct training at headquarters and 20 branches.	Conferences for headquarters staff, local guidance at the branches by ergonomics consultants

## Leumi Card Employee Data 2016

Segmentation		Indicator	Women	Men	Total
Employment		Full time employees	572	328	900
		Part-time employees	327	183	510
		<b>Total for employees</b>	<b>899</b>	<b>511</b>	<b>1,410</b>
		Total no. of regular employees with tenure, probationary, with personal contracts	896	511	1,407
		No. of temporary workers	3	0	3
		<b>% employed under a collective agreement</b>	<b>94%</b>	<b>90%</b>	<b>94%</b>
Age and rank	Senior management (ranks 17- 22)	Up to age 30	0	0	0
		Aged 31-50	2	7	9
		Aged 51+	1	0	1
	Mid-management (ranks 13- 16)	Up to age 30	0	0	0
		Aged 31-50	53	41	94
		Aged 51+	4	10	14
	First line management (ranks 8- 12)	Up to age 30	17	3	20
		Aged 31-50	59	38	97
		Aged 51+	1	2	3
	Clerks	Up to age 30	365	175	540
		Aged 31-50	363	211	574
		Aged 51+	34	24	58
	Total	<b>Up to age 30 - total</b>	<b>382</b>	<b>178</b>	<b>560</b>
		<b>Aged 31-50 - total</b>	<b>477</b>	<b>297</b>	<b>774</b>
		<b>Aged 51+ - total</b>	<b>40</b>	<b>36</b>	<b>76</b>

Segmentation	Indicator	Women	Men	Total
Training	Total	44,278	24,061	68,339
	training hours	49	47	48
	per employee	50.5		
	per clerk	38.5		
Feedback	% receiving feedback	99%		
	% of women among senior managers	30%		
	% of women among mid-managers	53%		
	% of women among first-line managers	64%		
	% of women among clerks	65%		
Contract workers	% of women among all employees	65%		
	No. of contract workers hired as employees by the Bank	40		
	Hired	Up to age 30		
		374		

Segmentation	Indicator	Women	Men	Total
Employee turnover in 2015		Employees aged 31-50		78
		Employees aged 51+		4
	Left	Up to age 30		340
		Employees aged 31-50		115
		Employees aged 51+		3

# Creating Value for the Community



## Investing in the Community

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

The Leumi Group expresses its vision of investing in the community through two key channels:

- + **Donations and sponsorships** are granted to NGOs and organizations promoting a range of social and community causes. Members of the Donations and Sponsorships Committees are appointed by the President and CEO, and evaluate applications for support meticulously and thoroughly, in accordance with predefined criteria. The Donations Committee is managed at the Training Sub-Division of the Human Resources Division, while the Sponsorships Committee is managed by the Marketing Sub-Division. The Group does not grant donations earmarked for political parties, or for promoting political aims.
- + **Employee volunteering:** The employees' volunteer work is carried out in cooperation with local authorities and NGOs, focusing on activities to reduce social gaps and promote disadvantaged populations, with emphasis on children and youth at risk.



The Group's total expenditure on investment in the community in 2016 reached NIS 33,668,714, which constitutes 0.75% of its pre-tax net profit. In this framework, the Group donated to and sponsored about 375 organizations. NIS 26.4 million of this amount constitute donations, and the remainder – sponsorships. This amount includes the total donations and sponsorships given by Leumi as part of the Leumi Tomorrow NGO, Donations and Social Sponsorships Committees and other donations by all of the Group's subsidiaries. In addition, the Group invested NIS 0.9 million in the employee

### Donations and Social Sponsorships

Most of Leumi's Group's investment in the community is carried out through the Leumi Tomorrow – the Centennial Fund for Endowing Israel's Future Generation (hereinafter – the Centennial Fund). The Centennial Fund is a registered NGO working for the advancement of children and youth across Israel. The NGO is fully funded by donations from the Leumi Group and its employees, and managed by a committee which includes some of the Group's senior executives. The NGO is headquartered at the Human Resources Division's Training and Community Sub-Division.

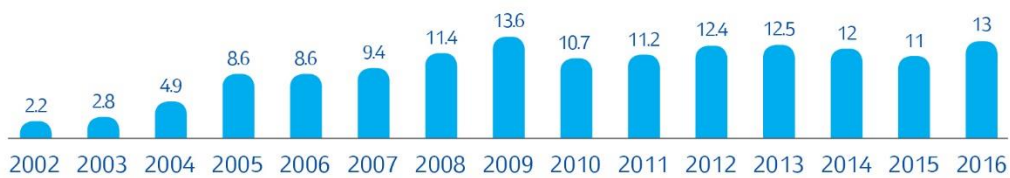
The organization promotes three main areas:

- + Leadership development and promoting values education and social involvement.
- + Increasing the number of high-school graduates eligible for a matriculation certificate and making academic education accessible to youth.
- + Increasing the number of recruits for quality service in the IDF.

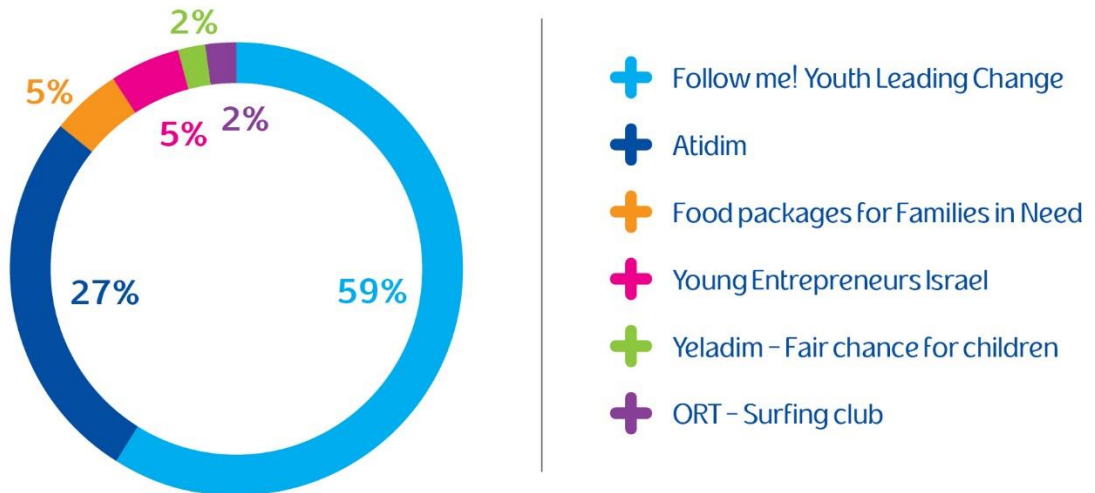
The programs are held throughout Israel, among a range of population sectors, and through long-term cooperation with NGOs. In addition, the NGO assists populations in need and distributes food parcels ahead of Pesach and Ramadan.

Since its establishment in 2002 until the end of 2016, Leumi Tomorrow has invested a total of **NIS 144 million** in non-profit organizations and social organizations working for future generations, out of which approximately NIS 13 million were invested in 2016. In 2016, some 28,000 youth from families of weak socio-economic backgrounds and various population sectors, supported by the Centennial Fund, took part in activities in about 100 communities across the country.

Annual Donations by Leumi Tomorrow -  
The Centennial Fund for Endowing Israel's Future Generation | Total of Approx. NIS 144 million



Breakdown of Donations by Leumi Tomorrow –  
The Centennial Fund for Endowing Israel's Future Generation, in 2016



For a list of companies that contributed to the Centennial Fund, please see the NGO's financial statements.

In addition to the donations made through the Centennial Fund, the Leumi Group makes donations through a donations committee and social sponsorships through the sponsorship committee.

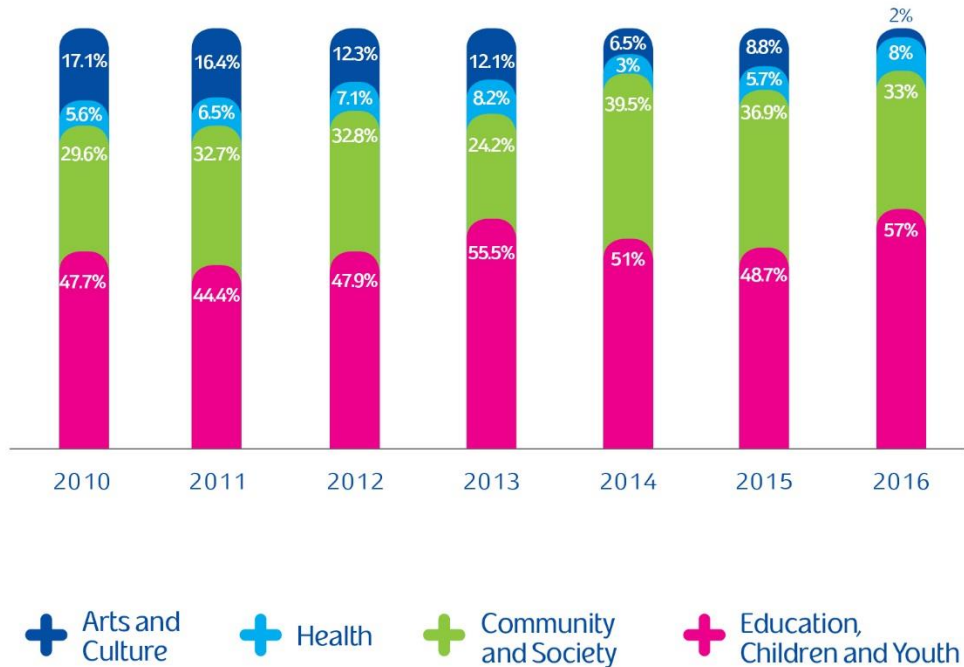
Since 2010, Leumi Group has made donations and provided social sponsorships for the community totaling NIS 216,700,000.

## Total Investment in the Community – Leumi Group (NIS) 2010–2016

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## Breakdown of Leumi Group's Investment in the Community, by Field



### Volunteering by Employees

The social involvement of its employees is a key element in the Group's notion of its responsibility towards the community. The employees view it as their mission, investing their time and skills in social causes.

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

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

The employees' volunteer work is carried out in cooperation with local authorities and NGOs, focusing on activities for the next generation. The activity includes social and values enrichment, as well as financial education (in after school programs, kindergartens, schools, youth groups, hostels, boarding schools, and hospitals); improvement of living conditions (food distribution, renovation, collecting equipment); improvement of study achievements (help with homework, mentoring, and lectures); and other areas (food harvesting, food distribution, support of Holocaust survivors, activity in clubs for the elderly).

In 2016, 4,044 Leumi Group employees took part in volunteer activities and, contributed 35,212 hours of volunteer work.

#### Management of Volunteer Work at Leumi

The volunteer work at Leumi is managed by the Corporate Social Responsibility and Employee Volunteering Unit established in 2016 as part of the Human Resources Division's Training Sub-Division. The unit is responsible for establishing contacts with social organizations, initiating projects, overseeing the activity and supporting the volunteers. The field work is operated by a network of social leaders across Israel, with about 20 divisional social leaders and 350 leaders in the districts, sub-divisions and branches across the country.

The leaders have at their disposal a budget, technological tools (online forms, an information website and ideas for activities) and a system for reporting work hours and volunteering activities. The social leaders are responsible for identifying needs, creating and liaising with social organizations, managing the unit's volunteering budget and implementing the activity program. Activities to recognize the leaders and volunteers are held at the divisional and Bank levels. Most of the employees' volunteer work is carried out outside working hours.

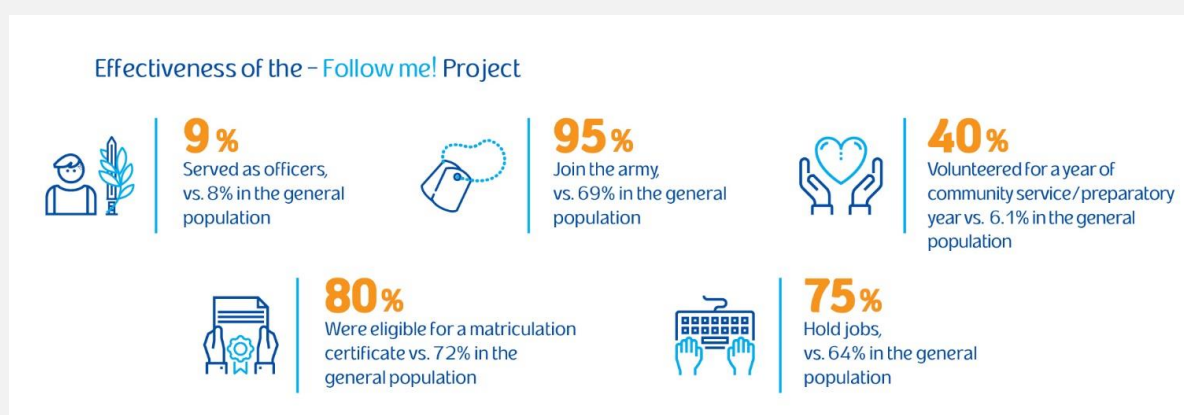
## Main Social Projects Supported by the Leumi Group in 2016

### Cooperation with the Aharai! NGO

**Aharai! – Youth Leading Change** is an NGO that seeks to integrate teenagers and young adults at risk in Israeli society, by education for values and leadership development, and offering tools. The non-profit organization operates about 350 groups throughout Israel, in which about 6,000 teenagers a year from all sectors participate, in approximately one hundred communities across Israel: Groups for leadership and preparation for the army, hiking courses, matriculation learning centers, empowerment for youth of Ethiopian origin, military preparedness courses, community service communes, Nahal groups and an alumni organization.

The Aharai – Youth Leading Change NGO has been the Leumi Group's strategic partner for 15 years. The Group is the NGO's main donor and supports its activities in the periphery; professionals from Leumi advise the NGO's managers and help them improve the NGO's infrastructure and handle its growth; the Bank's CEO heads the NGO's Friends Association. More than 900 Leumi employees volunteered in Aharai projects in 2016.

From the Aharai! program graduates survey conducted in 2016:



**Atidim Friends NGO:** Leumi supports two programs run by the NGO:

- + **The Kedem Atidim program** promotes scientific excellence and empowerment among high-school students in peripheral areas. Some 17,000 youth participate in the program in 70 communities across Israel.
- + **The N.A.M. (an acronym in Hebrew for Outstanding Arab Youth) program**, which seeks to advance outstanding youths from the Arab sector in the North towards higher education in prestigious tracks at the Technion and their recruitment to quality jobs. In 2016, some 58 students participated in the program.
- + **Young Entrepreneurs:** The NGO was adopted by the Leumi Group since its founding twenty years ago. About 2,000 teenagers participate in the program from all over the country and all sectors. The young entrepreneurs are exposed to production processes and gain experience in marketing and sales, financial management and reporting. At the end of the program, they dissolve the company, distribute profits, or decide to donate the proceeds to the community. In addition to the financial support, Leumi employees invest their own time and energy in providing ongoing guidance and training on financial and business matters to the young entrepreneurs.
- + **Yeladim Fair Chance for Children:** An NGO that helps children at boarding schools, providing them with the same opportunities as children who live with their families. The donation has funded the establishment of seven therapeutic gardens in various boarding schools as part of the Flourishing Gardens venture, in which Bank Leumi employees volunteer with the boarding schools' children each week.
- + **ORT's surfing club:** The project focuses on empowering, developing leadership skills and social involvement of youth through volunteering with adults to reduce digital divides. About 300 middle school students from 15 schools across Israel meet once a week with the elderly and help them become better versed with the digital field, teaching them computer skills and useful applications.



- + **Passover food donations:** Since 2005, ahead of the Passover and Ramadan holidays, the Leumi Group and Leumi Tomorrow lead a campaign to distribute food packages to disadvantaged families throughout the country. Leumi employees take part in the campaign through monetary donations, and through the packing of the food parcels and distributing them to the families. In 2016, Leumi Tomorrow and Leumi employees distributed food packages to more than 2,950 families in need across Israel.
- + **Leumi for financial education:** Leumi volunteers infuse their professional knowledge into their ongoing volunteer work in the Pa'amonim NGO, which assists families in financial distress. In addition, within the framework of cooperation with the "Shiur Acher" NGO, Leumi volunteers give financial education classes in schools, expanding children's and youth's financial knowledge.
- + **Leumi with the Community in community centers:** Cooperation with the Israel Association of Community Centers, which enables Leumi employees to volunteer across Israel, with an emphasis on social and geographic peripheries.
- + **Machshava Tova:** Machshava Tova works to reduce social gaps through technology. As part of the cooperation, employees of the Leumi Technologies Division volunteer at the Machshava Tova Technology Center in Lod. The employees serve as mentors and lecturers on employment at the NGO's service, support the youth groups and run Summer Tech, a one-week technology summer camp, featuring presentations developed and delivered by the Bank's knowledge experts.
- + **Friends for Health:** An NGO that supports patients and handicapped people in distress. Since 2010, the organization has managed a special support fund donated by Bank Leumi. The Bank's donations helped about 250 patients in 2016.
- + **"Adopt a Fighter" – The Association for the Wellbeing of the Soldier:** Bank Leumi has adopted four units as part of this program: The School of Field

Intelligence, the Central Knights Battalion, the commando Duvdevan Unit, as well as the 12th Battalion of the Golani Brigade.

- + **“Latet Atid” (“Giving a Future”)**: A program to help poor women entrepreneurs achieve economic independence. The program offers a support system, including loans at preferential terms, personal business advice, group training, and networking.
- + **“Pa’amonim”**: The NGO assists individuals, families, organizations and populations in a variety of life situations, who are interested in undergoing mentoring and financial counseling and who need to acquire knowledge, tools and new habits in this area. The assistance is provided by issuing information and tools for independent work and individual or group financial assistance, for a period of several months, in the field of financial conduct. The organization also operates financial education programs throughout Israel, offering presentations, study programs and group workshops.
- + **The Lod Development Fund**: An organization engaged in developing the city of Lod in various ways. Bank Leumi’s donations, beginning in 2013, focus on student activities in the city, in an effort to generate change. Participating students live in Lod during their studies, volunteering for the residents, and favorably influencing the population.

### Donations and Volunteering by Leumi Card Employees

Leumi Card is also engaged in promoting and nurturing the future generation, focusing on children and youth at risk. The company seeks to create opportunities and reduce social gaps in an effort to enable children and young adults to maximize their skills and integration into society. The following are the key programs in which the company’s resources were invested in 2016:

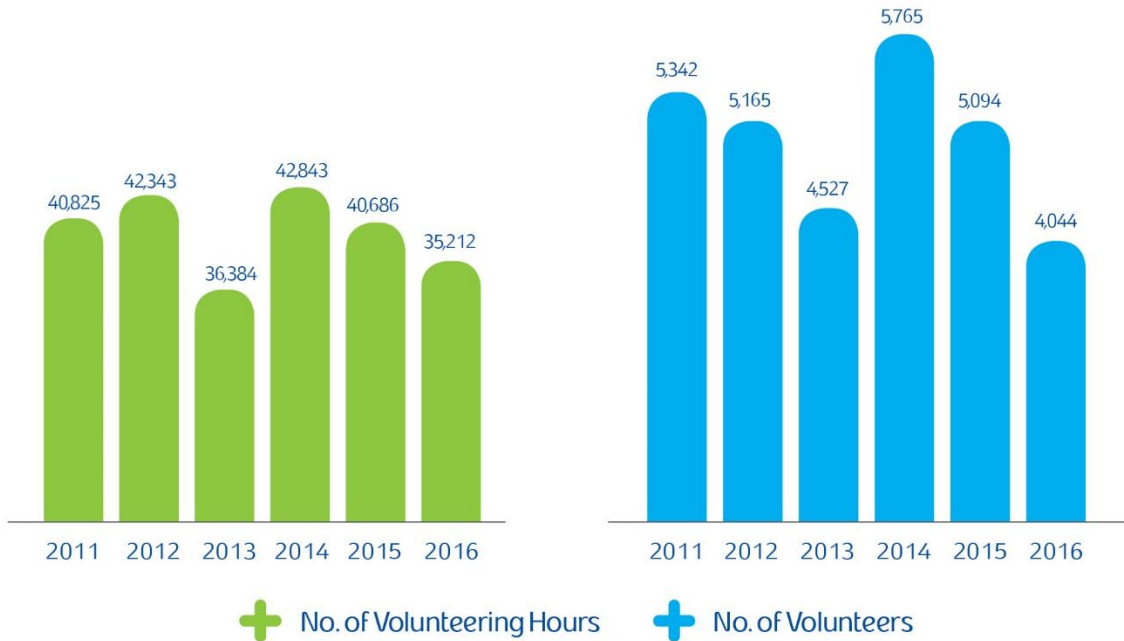
- + **Adoption of the “Makor Haim” school**: An elementary school in the Pardes Katz neighborhood, which Leumi Card has adopted in the past three years; the company’s volunteer employees engage in various activities: celebrating the holidays with the students; cultural and enrichment

activities outside the school; and celebrating milestones such as bat mitzvahs and the end of the school year. Leumi Card also pays some of the tuition of the school's outstanding students participating in Tel Aviv University's Science-Seeking Youth Program.

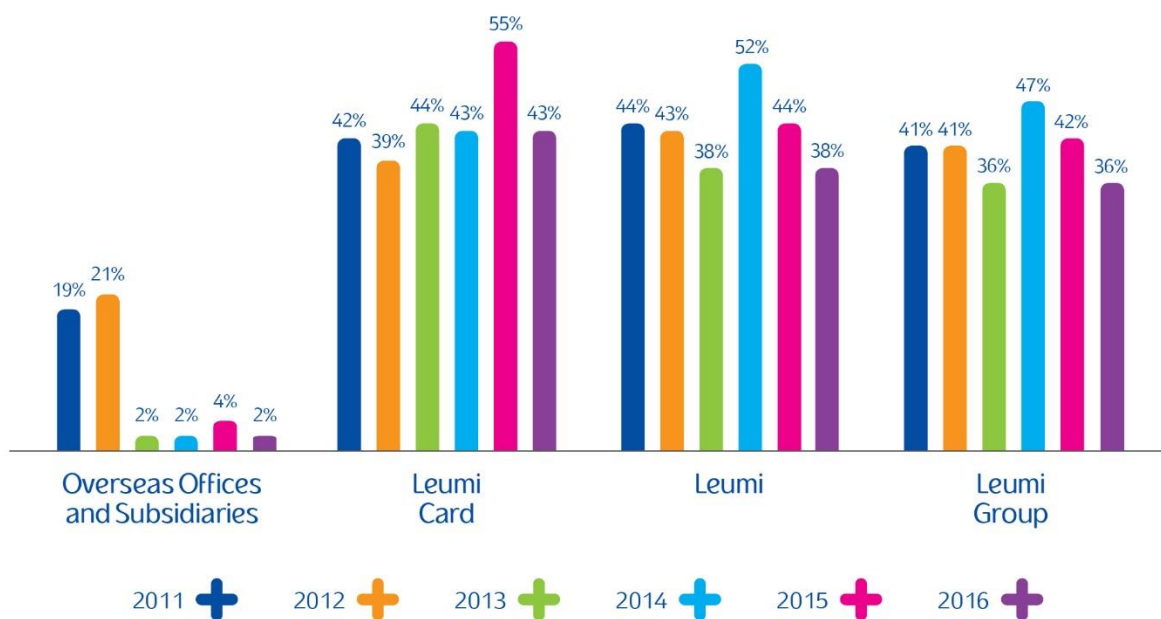
- + **The "Gesher La'atzmaut" project of "Yeladim - Fair Chance for Children"** is a program that supports graduates of boarding schools and foster homes aged 18 to 24, who and have no family to return to. The project offers housing and support and helps members integrate into the community. In addition to Leumi Card's monetary donation to the project, volunteer employees meet the graduates once a week, teaching them life skills or helping them with their studies.
- + **Adopting the "Komemiyut" School:** An elementary school in the Pardes Katz neighborhood, comprising 200 students. Leumi Card's flagship product in the school is "Book - a Success Story", an experiential project which aims to encourage reading among children: Under the project, taking place for the fifth consecutive year, fifth graders at the school come to the company's offices once a week, for lunch and a personal book-reading encounter with a volunteer employee serving as an "older brother" (each student has a permanent employee accompanying him/her throughout the year).
- + **"Ahuzat Sarah" Boarding School:** A boarding school for children removed from their homes by court order. Leumi Card's flagship project at the boarding school is the adoption of the Israel Trail. Leumi Card funds the project, and each month, its employees join a hike on the Israel Trail with children of the boarding school celebrating their Bar Mitzva/Bat Mitzva.
- + **The IDF Magellan Unit:** During the year, Leumi Card employees volunteer regularly in peak activities and ongoing and permanent volunteer activities with the Unit's soldiers.
- + **Paid summer work for employees' children:** Children of employees aged 14-18 are offered summer jobs in Leumi Card's adopted NGOs. This platform is of great value to both employees and their children, due not

only to the paid work but to the value provided to society, as well as the NGOs who are given free manpower and assistance.

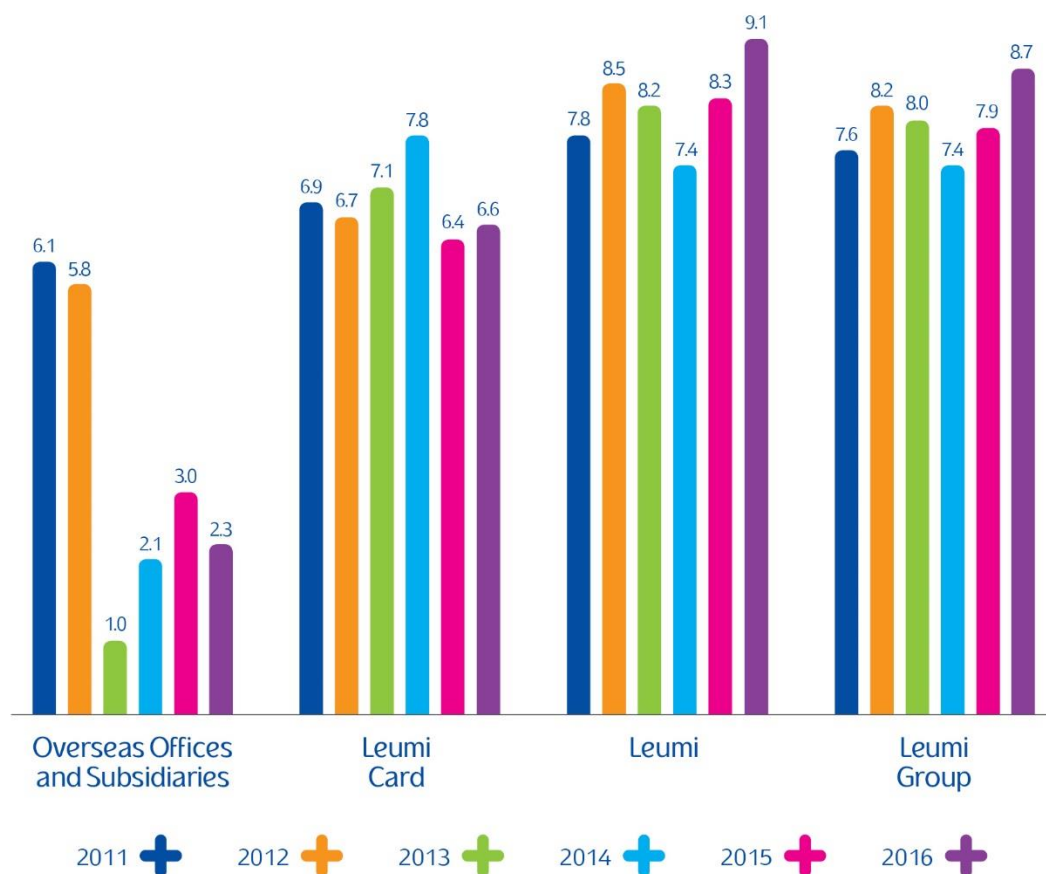
Total No. of Volunteers and Volunteering Hours by Leumi Group



Percentage of Volunteering Out of Total Employees Over Time



## Average Hours per Volunteer Over Time



## Measuring the Effectiveness of Investment in the Community

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

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

At Leumi Card, community involvement activities are monitored throughout the year. Discussions are held with the volunteers and with the communities in which the activities are held, concerning the degree of the activities' success and their impact on the target

population. In accordance with feedback, and where necessary, improvements are made in the activity programs.

## Meeting Objectives - Creating Value for the Community

### Investing in the Community

Company	Objective as at end of 2016	Status	Explanation
Leumi	Provide professional guidance to the “Aharai - Youth Leading Change” NGO due to enhancement of the strategic cooperation.	Done	
Leumi	Establish a forum for investing in the community that will manage Leumi’s main financial investments in the community (the Leumi Tomorrow NGO; the Donation Committee and the Sponsorship Committee) - in order to integrate and streamline the activities.	Done	

## Volunteering by employees

Company	Objective as at end of 2016	Status	Explanation
Leumi	Have at least 600 employees volunteer with "Aharai!"	Done	In 2016, about 1,000 employees volunteered at Aharai!
Leumi	New partnership with the Israel Association of Community Centers.	Done	
Leumi Card	Launch the "Book - a Success Story" project in the 2016-2017 school year.	Done	In 2017, the "Book - a Success Story" project was conducted for the seventh consecutive year. In addition, regular volunteers were recruited for the annual mentoring project
Leumi Card	Maintain a volunteer rate of 40% of the company's employees.	Done	During 2016 over 40% of the employees participated in various volunteer activities. Throughout the year, joint projects with several new NGOs were launched, and new volunteer activities were added to existing NGOs.
The Trust Company	Maintaining a volunteer rate of at least 80% of the company's employees.	Done	90% of the Company's employees have participated in volunteer activities.

## Future Objectives

### Investing in the community

Company	Objective as at end of 2017	Main actions planned
Leumi	Strengthening cooperation between donations and volunteer activities in order to enhance the shared value	
Leumi Card	Launch another "Book - a Success Story" project in the 2016-2017 school year.	Recruiting regular volunteers for weekly tutoring activities; adding value-added peak group activities (in addition to personal mentoring).

### Volunteering by employees

Company	Objective as at end of 2017	Main actions planned
Leumi	At least 3,400 employees will participate in at least one volunteer activity in 2017.	
	At least 1,000 volunteers participated in "Aharai!"	Extend participation in the "Sweets for Soldiers" project, increasing the number of adopted groups
Leumi Card	Launch another "Book - a Success Story" project in the 2017-2018 school year.	Recruit regular volunteers for weekly tutoring activities; add peak group activities (in addition to personal mentoring), to provide added-value to the volunteers and students.



Company	Objective as at end of 2017	Main actions planned
Leumi Card	Maintain a volunteer rate of 40% of the company's employees.	Manage relations with volunteers on the ground and recruit new volunteers, refresh the volunteer program and provide support through intra-organizational communications.
The Trust Company	Reach a volunteer rate of 90% of the company's employees in 2017.	

# Integrating Environmental and Social Considerations in our Supply Chain



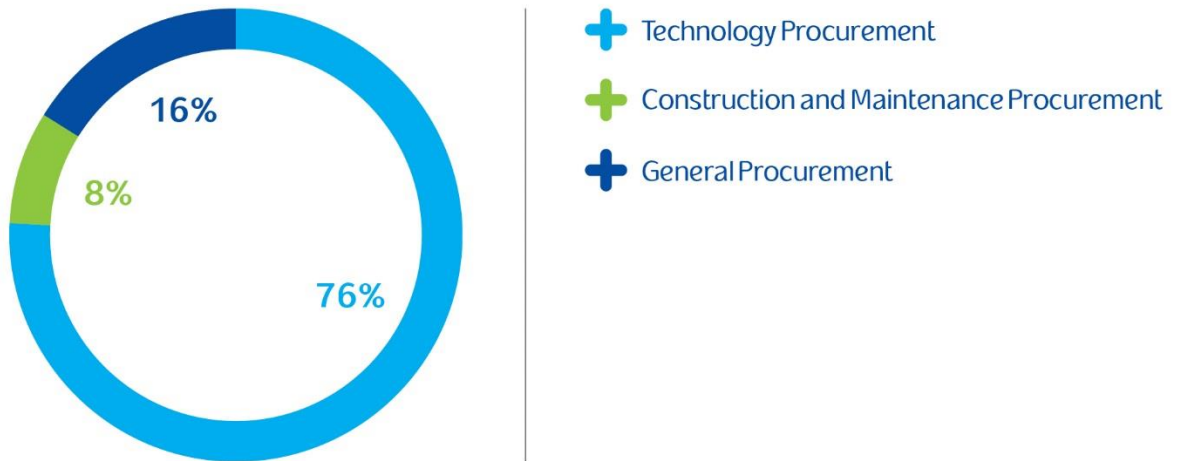
## Supply Chain

Leumi's procurement activity includes the ongoing purchase of projects, equipment, products and services, as needed. Most of the procurement activity is carried out in a centralized manner for all of Bank Leumi's units, including for some of the subsidiaries. The Bank Leumi Procurement Sub-Division is responsible for identifying suitable suppliers, screening vendors, requests for proposals, conducting negotiations, contracting suppliers and managing the ongoing relations with them. Procurement at Leumi is divided into technology procurement (hardware, software, product maintenance, and consultants and communications), general procurement (office equipment, security and safety, deliveries, mailing, miscellaneous) and construction and maintenance procurement. The Group also works with several suppliers that provide products specific to the banking industry, such as ATMs and machines for counting banknotes. More than 93% of Leumi's purchases are from local suppliers registered in Israel. The Leumi Group strives to maintain long-term, proper, and responsible relations with suitable suppliers, while maintaining an open dialogue with them in all areas of activity.

### Procurement Data

- + In 2016, the Group contracted more than 4,800 suppliers (including direct purchases by the units).
- + About 68 new suppliers started working with the Bank's Procurement Sub-Division during the year.

## Distribution of Procurement at Bank Leumi in 2016



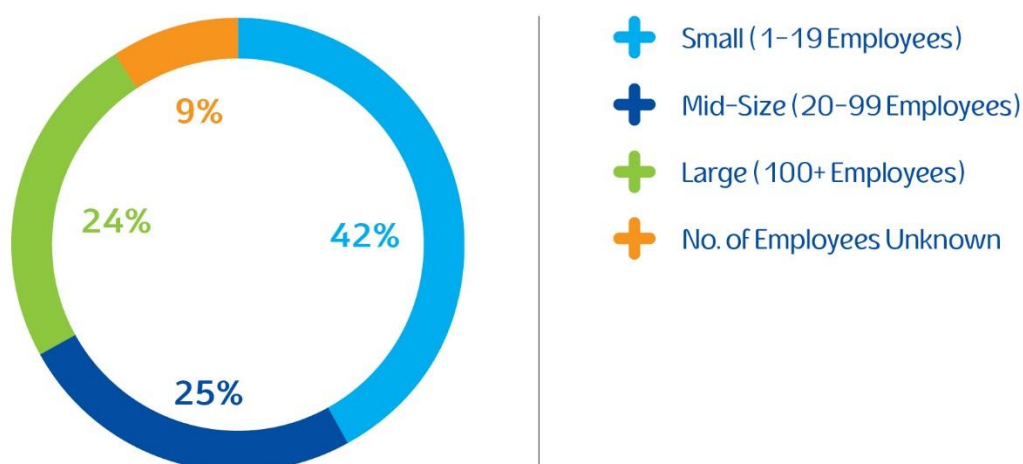
- + The new suppliers were screened according to employment environment criteria (terms of employment, safety, etc.).
- + As applicable, and depending on the type and extent of engagement, Leumi's contracts with its suppliers include clauses regarding commitment to employee rights.
- + All Leumi's construction and maintenance suppliers were screened according to environmental criteria.

### Mapping of Supplier Characteristics

As part of the many efforts and resources invested in assimilating responsible procurement practices in Leumi's Procurement Sub-Division, a comprehensive mapping of the characteristics of the Bank's various suppliers was carried out in 2016, in order to examine the possibility of increasing purchases from small and diverse businesses.

Following is a breakdown of the number of active suppliers in Leumi's Procurement Sub-Division, by size:<sup>26</sup>

Breakdown of Suppliers of Bank Leumi's Procurement Division, by Size



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

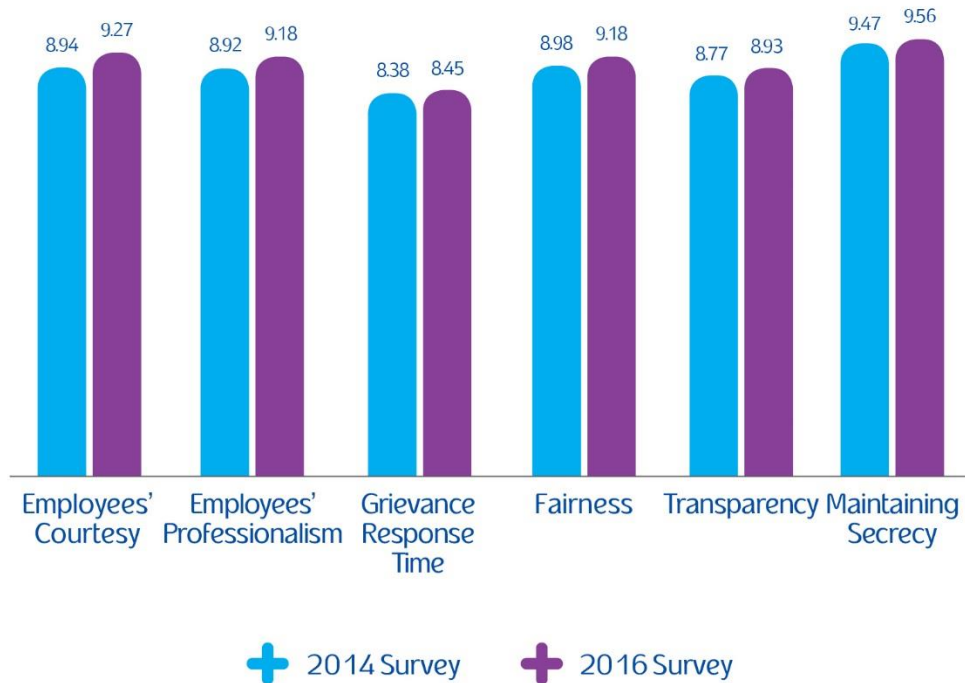
<sup>26</sup> According to the definitions of the [Ministry of Economy and Industry](#), the following is a breakdown of the businesses' size by number of employees: self-employed, small business (1-4 employees), small business (5-19 employees), mid-size business (20-100 employees)

## Responsible Conduct with Suppliers

- + **Fair and ethical conduct when dealing with suppliers:** In 2013, a charter was formulated based on the Leumi Way, outlining the Group's conduct with its suppliers, with an emphasis on equality, transparency, sensitivity to conflicts of interest, exercising discretion, confidentiality, fairness, professionalism and protecting the environment.
- + **Monitoring payments to suppliers:** As a rule, Leumi's policy of paying its suppliers is "EOM + 30" (payment of up to 30 days after the end of the month in which the supplier issued the invoice).
- + **Monitoring payments to suppliers:** At the request of the suppliers and at the Bank's discretion, Leumi sometimes brings forward payments to suppliers. For example:
  1. Making down payments where large projects are concerned: In large projects, suppliers are paid against receipt of deliverables. Sometimes, and when necessary, the Bank allows a down payment before receiving the initial deliverable in order to help the supplier finance initial costs.
  2. Independent consultants are paid within 10 days of invoicing.
  3. Prepayments are made in case of a supplier experiencing liquidity problems and by special request.
- + **Dialogue with suppliers:** Leumi operates a secure supplier portal, allowing the exchange of contract documents and invoices for payment in an efficient, rapid, and transparent manner between Leumi and its suppliers. In addition, Leumi operates a web page for suppliers on the Leumi website, with general information on contracting with the Bank and other issues.

- + Where material transactions are concerned, the Bank strives to manage the price quote processes through an online system, which allows for the submission of questions and providing a uniform response to all the suppliers participating in the procurement process in a quick and uniform manner. In addition, the phase of selecting the winning supplier is conducted while maintaining separation between aspects of quality and cost, with emphasis on fairness.
- + Some of the procurement procedures – such as real-time tenders – take place online, in order to increase transparency.
- + Leumi's Procurement Sub-Division manages procurement processes using mechanisms that help maintain fairness and transparency, such as a FAQ mechanism for suppliers participating in the purchasing process.
- + Supplier satisfaction and ethics survey: To ensure that the Convention vis-a-vis Suppliers is applied and implemented, in 2016 the Procurement Sub-Division of the Finance Division contracted an external company to conduct an external anonymous survey among approximately 130 suppliers (by size and industry), in order to measure satisfaction among the suppliers with regard to the relationship with the Procurement Sub-Division's staff, and whether the Sub-Division's guiding values are practiced. Following are the results of the survey, which show increased satisfaction in all the criteria:

## Supplier Satisfaction Survey



Note: In 2014, 170 suppliers responded to the survey.

## Enhancing Positive Impact on the Community through Procurement

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

Currently, supplier CSR evaluation includes three main topics:

- + **The supplier's employment practices:** Fair and lawful employment.



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

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

Bank Leumi's Procurement Sub-Division is responsible for managing relations with suppliers. Suppliers are selected and evaluated in cooperation with other units at the Bank. Below are the relevant procurement processes and actions applied by the Group:

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

- + **Weighted assessment of suppliers:** Bank Leumi uses various methods for assessing suppliers, which help assess their performance and uses the data as a tool to assess suppliers in procedures which are exercised from time to time.
- + **Giving construction suppliers an opportunity to participate in the procurement process:** New suppliers are invited to present their operations before the construction suppliers search committee, which convenes from time to time, with the objective of giving numerous and diverse suppliers an opportunity to provide services to Bank Leumi. The committee examines new suppliers based on their suitability to the Bank's requirements. Following the committee's approval, the supplier is entered into the Bank's automated supplier database, from which suppliers are chosen through various procurement processes.
- + **Procurement from local suppliers at "price-list transactions":** Bank Leumi has about 100 "price-list suppliers", which provide services or equipment (building or maintenance) according to the Bank's price list. This method enables Leumi to procure specific services from mid-sized local suppliers.
- + **Meetings with key suppliers:** Procurement Sub-Division representatives meet with representatives of key suppliers. In the meetings, the parties discuss their satisfaction from the joint work. In addition, the supplier is asked about its corporate responsibility practices.

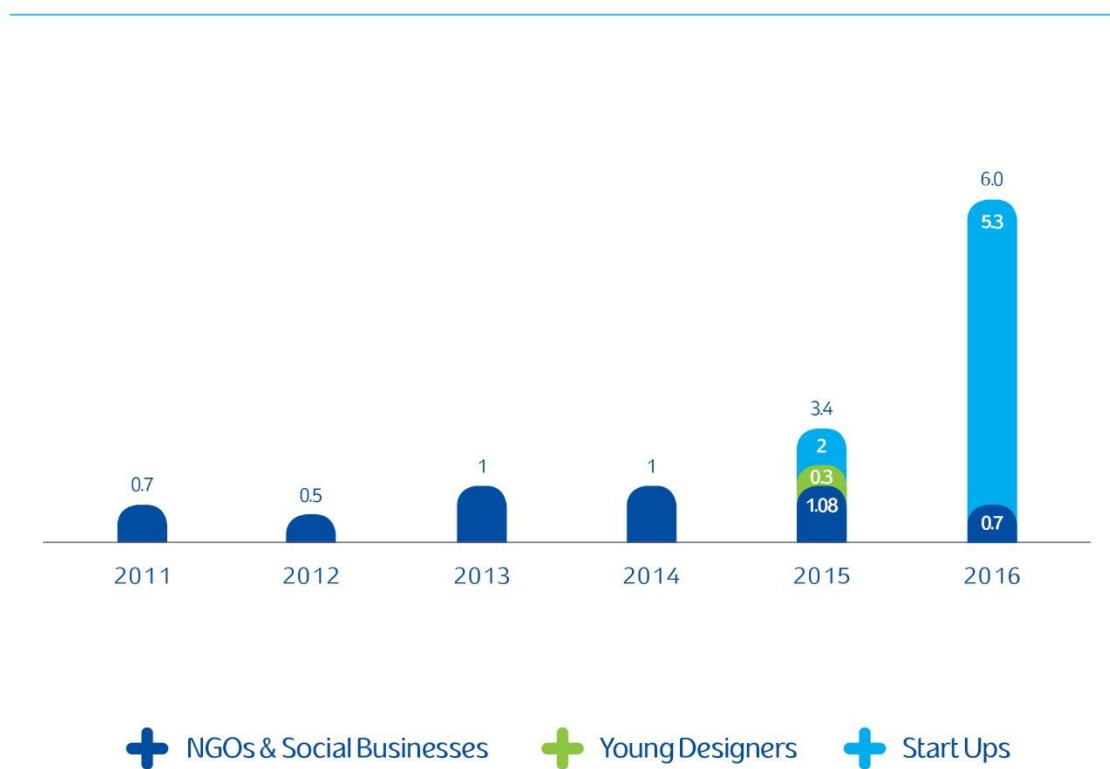
The Leumi Group also seeks to expand its positive impacts on the community by promoting local procurement by contracting suppliers which employ people with disabilities, suppliers which employ people from the ultra-orthodox community, and suppliers that operate in the periphery.

## Promoting Social Procurement

In 2016, Bank Leumi's Central Procurement Unit purchased products and services from Israeli NGOs and from social businesses and start-ups, at a value of NIS 6 million, with the objective of supporting and developing these businesses.

In addition, Leumi purchases services from companies which promote the hiring of people from underemployed sectors, primarily the ultra-orthodox. In 2016, Leumi's purchases from these companies totaled approximately NIS 4.7 million.

Social Procurement 2011-2016 (in NIS Millions)



## Initiatives to Enhance Positive Impact on the Community through Procurement

### Leumi

- + **Establishing criteria for environmentally-friendly procurement:** In 2015, the recommended environmental criteria for construction, maintenance, and electronic products procedures were updated with the objective of reducing the Bank's environmental impact. The list mentions cleaning detergents, product

packaging, biodegradation rate of the materials, use of recycled or easily recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more.

- + In 2016, Leumi continued its collaboration with Maala, as part of which Leumi asked suppliers to fill out Maala's questionnaire for medium-sized businesses, in order to check their compliance with corporate responsibility norms and to promote this issue among the suppliers. In 2015–2016, six suppliers joined the Maala rating, after they have been approached by Leumi. Its collaboration with Maala allows Leumi to promote the implementation of corporate responsibility within Israeli society and among the Bank's suppliers.
- + In 2016, Leumi made a donation towards the establishment of the WESOURCE venture of the NGOs Jasmine and Zionism 2000, in order to set up an online pool of diversified social suppliers. The objective of the pool of suppliers is to make it easier for large organizations to increase the scope of procurement from social businesses, small businesses, NGOs and businesses who employ underemployed populations.
- + In 2016, the Bank defined guidelines for the promotion, where possible, of relevant procurement issues – procurement from local suppliers, small and medium suppliers, NGOs, etc. When making procurement decisions in certain areas, the Bank applies social–environmental criteria and gives precedence to suppliers, which meet these criteria. For example, in the case of transactions with construction and maintenance suppliers, the Bank gives precedence to small and medium suppliers nationwide, including the periphery; when purchasing sales promotion products, the Bank gives precedence to social NGOs and green criteria are included within relevant specifications.

## Leumi Card

**Employment conditions oversight:** During 2016, monthly meetings were held between representatives of the placement firms with their workers at Leumi Card to enable them

to identify and address issues in real-time, as well as to enable the placement firms to provide answers to questions by their workers.

In addition, as part of routine activity, the satisfaction of contract workers with their employers' conduct was sampled.

## Meeting Objectives for 2016

### Impact on the community through procurement

Company	Objective		Status	Explanation
Leumi Card	Collaborate with Maala on examining suppliers' compliance with corporate social responsibility criteria.	Have potential suppliers fill out a questionnaire on their compliance with corporate responsibility criteria.	Done	In 2016, six of Leumi's suppliers joined the Maala's rating. In addition, a letter of inquiry, with a link to an application form, was sent to about 25 other key suppliers.
Leumi Card	Promote aspects of corporate social responsibility in procurement processes.	Review the Suppliers' Code as an appendix. Instill code in the company with the help of procurement coordinators and managers.	Done	The Suppliers Code was added to the Procurement Procedure as an appendix in late 2016. This appendix is implemented at the discretion of each procurement manager and according to the characteristics of each particular purchase.

## Future Objectives

Area	Objective description	Planned actions
Have mid-sized suppliers join Maala's ratings	Collaboration with Maala to have Leumi's suppliers join Maala's rating of mid-sized businesses.	Have potential suppliers fill out a questionnaire on their compliance with corporate responsibility criteria.
Suppliers' training	Encourage small-size suppliers to enroll in the Small Business School	Inform suppliers about the Small Business School.
Set objectives for socially-conscious procurement	Implement a program to promote corporate social responsibility in procurement.	



# Creating Environmental Value



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

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

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

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

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

The Building and Maintenance Sub-Division of Leumi's Real Estate Division is responsible for systematic annual measurement and the management of environmental issues by the Bank (at the Headquarters and branch level) and for providing guidance to the subsidiaries in this area. As part of these efforts, a large amount of data is gathered, such



as on power consumption, fuel consumption, water consumption, paper consumption, and about recycling of paper and of electronic waste.

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

- + Installation of control systems for power consumption.
- + Installation of an innovative computerized system that allows optimal use of the air conditioning system.
- + Installation of energy-saving lighting systems.
- + Implementation of green building elements in new construction and renovation of existing branches.
- + Operation of an employee shuttle system between the two main headquarters buildings.
- + Installation of automated systems for control of water consumption (including the overall management of water consumption, identifying leaks and abnormal consumption).

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

Bank Leumi and Leumi Card are certified for Environmental Management Standard ISO 14001 (in 2012 and 2009, respectively). As part of managing this issue, quarterly discussions are held regularly by the Group on its environmental impacts, accompanied by external parties (a consultancy company and the Standards Institution of Israel). Leumi is also certified for Energy Systems Management Standard ISO 50001, Safety Standard ISO 18001, and Quality Standard ISO 9001. Furthermore, in 2014 the Bank was the first financial institution in Israel to be certified for the Green Label for Service by the Standards Institution of Israel and the Ministry of Environmental Protection. The certifications for the standards were renewed in 2016.

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

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

undergo training and refresher courses on environmental issues from time to time.

- + **Earth Day:** As part of an effort to raise its employees' awareness of environmental protection, Leumi celebrated International Earth Day with a festive event at Kiryat Leumi Services in Lod. Ahead of the event, Leumi held a drawings competition on environmental protection among the employees' children. During the event, employees and their children were invited to participate in a variety of activities on the topic, including pedaling bicycles that produce electricity and art activities using recycled materials; the event also featured booths selling ecological products, some of which are manufactured by people with disabilities. Approx. 800 employees and children participated in the event.

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

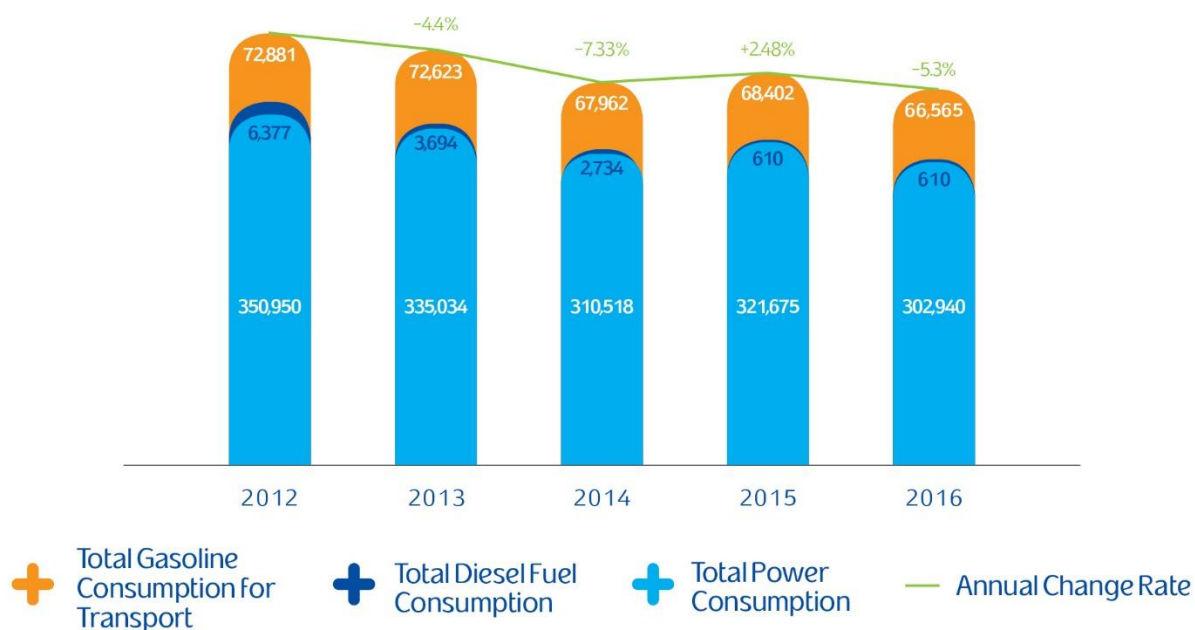
Leumi is also working to reduce indirect impacts resulting from energy consumption. In this context, the Bank offers digital solutions that allow customers to receive service without having to visit the branch. This helps to reduce the distance driven by customers in order to receive service at the branches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

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

## Energy Consumption

In 2016, Leumi Group's total energy consumption was 370,115 gigajoules.

Segmentation of Energy Consumption (GJ) by Source 2010–2016

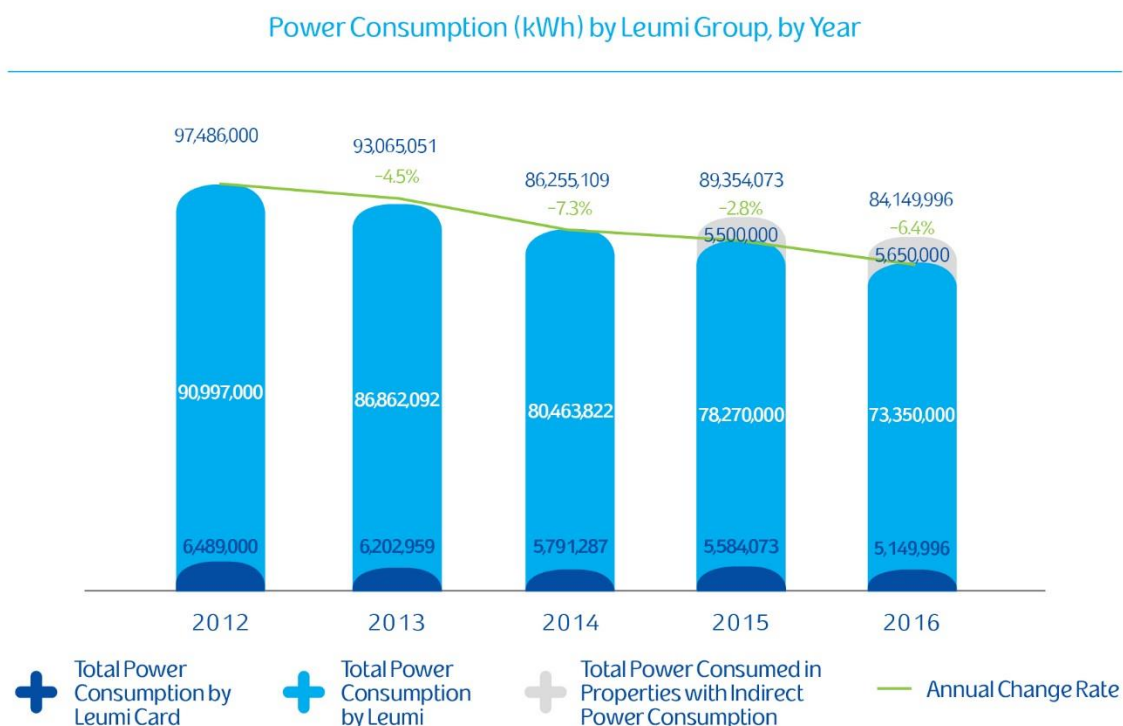


### Power Consumption

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

As of 2015, the measuring and reporting of power consumption data were improved, and now include power consumption in the branches and in properties in which the

electric charge is paid directly to the property management companies.<sup>27</sup> There was a 5.8% decrease in the Group's power consumption from 2015 to 2016.<sup>28</sup>



The total electricity consumption includes 85,000 kWh that were produced by photovoltaic cells and sold back to the Israel Electric Corporation.

### Energy Intensity

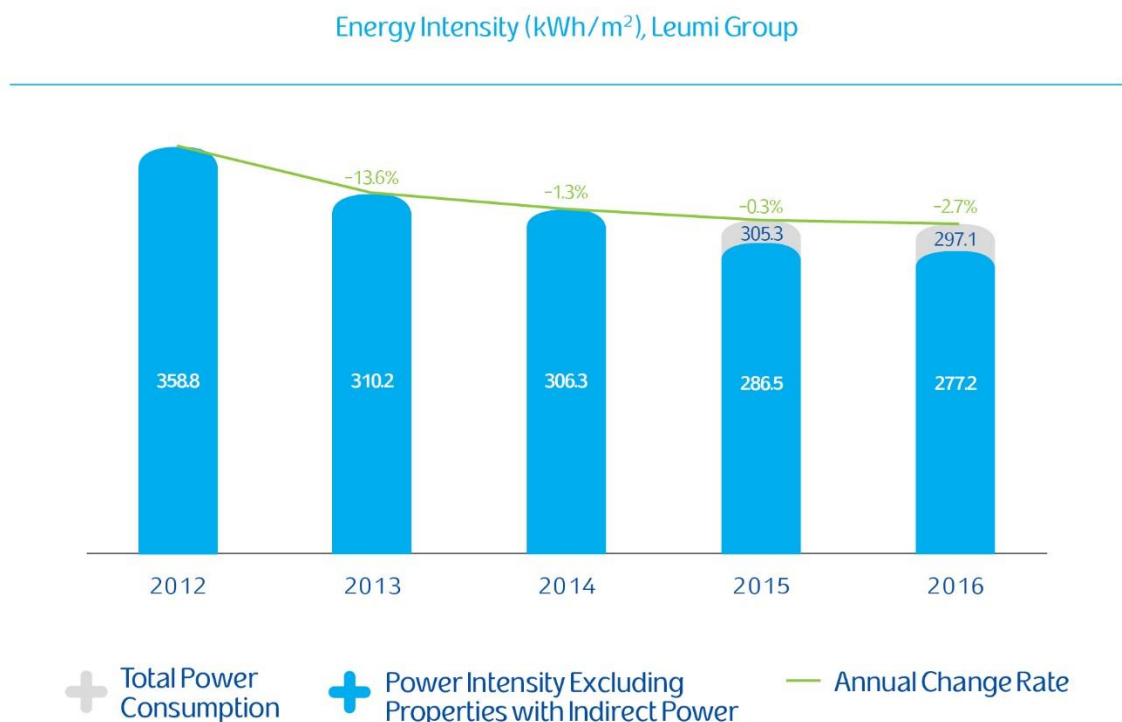
The Leumi Group began to measure its energy intensity to test the effectiveness of measures taken to reduce the consumption of electricity and fuel. The intensity is

<sup>27</sup>The Bank makes every effort to gather regular power consumption data on all its properties and branches in which the electric charge is paid directly to the property management companies. The total consumption in these properties may vary from time to time, depending on the availability of the information. These changes should not be viewed as an increase or decrease in the Bank's total power consumption.

When comparing data on direct consumption only, excluding properties in which electricity is consumed indirectly, there was a 6.4% decrease in the Group's consumption in 2016 vs. 2015.

measured by area (m2).<sup>29</sup> Between 2012 and 2016, there was a decrease in energy intensity, explained by the steps taken to increase energy efficiency.

2



## Initiatives to Reduce Energy Consumption

### Leumi

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

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

**Replacement of lighting fixtures by cost-effective ones:** In 2016, steps were also taken in this area in branches and headquarters buildings. Obsolete and inefficient lighting

<sup>29</sup>A total of 283,226 square meters in 2016.

fixtures were replaced with new, more efficient fixtures. Furthermore, several LED-type lighting fixtures were installed, which are characterized by high-energy efficiency and a very long-life span.

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

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

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

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

## Leumi Card

**Carbon offset:** As part of setting goals to reduce energy consumption, and taking into account that it leases space in shared buildings, the Company decided to invest in carbon offsetting. Such offsetting can be achieved by financing projects to reduce greenhouse gas emissions outside the organization. Leumi Card chose to support one of the entities that the Company has adopted as part of its investment in the community. The selected initiative is funding of an installation of a solar roof in Kfar Ofarim, a home for autistic adults in Ramat Hasharon. The solar roof generates approx. 25,000 kWh annually, resulting in reduced consumption of electricity from the Israel Electric Corporation and reduction of the facility's power consumption. The meter has been defined by the Israel Electric Corporation as a "net meter", enabling the facility to save power consumption in the next 20 years.

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

## Fuel Consumption

Most of Leumi Group's fuel consumption is made by its fleet of vehicles. In 2016, 2,033,221 liters of gasoline and 16,954 liters of diesel fuel were consumed.

## Initiatives to Reduce Fuel Consumption

### Leumi

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



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

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

### Leumi Card

**Use of energy efficient vehicles:** As part of the Company's efforts to reduce its fuel consumption, during 2015–2016, fuel-efficient car models replaced some of the Company's vehicles. This move led to an 8% savings in the Company's fuel consumption.

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

## Carbon Footprint

As part of its environmental policy, and in addition to monitoring its resource consumption, the Group regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion, distance traveled, etc.). Data is reported by Bank Leumi under several reporting platforms: the international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental

Protection's voluntary Greenhouse Gas Emissions Registry in Israel, the annual Corporate Social Responsibility Report and the Maala rating.

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

- + **Direct emissions** In accordance with the reporting standard<sup>30</sup> of greenhouse gas emissions, the Leumi Group's direct impact (Scope 1) of greenhouse gases stem mainly from the combustion of gasoline by the organization's vehicle fleet, from the combustion of diesel fuel generators used for emergencies, and from emissions of refrigerant gases from the air conditioning systems in the Group's facilities.
- + **Indirect emissions:** (Scope 2) stem from power consumption. Indirect emissions depend on the composition of fuels and the technologies with which the electricity is produced.
- + **Other indirect emissions:** Indirect emissions (Scope 3) that are related to the organization's activity, but do not result from it. These emissions include, inter alia, the consumption of various products and services.

The carbon footprint of the Leumi Group in 2016 was 38,009 tons of CO<sub>2</sub>eq.<sup>31</sup> This figure includes, for the first time, emissions for all three scopes.<sup>32</sup> The comparable carbon footprint data for 2015 indicate a 11% decrease (for Scopes 1 and 2 only) in the carbon footprint.

Bank Leumi's Scope 3 total emissions for 2016 indicate a 6% decrease in the carbon footprint over 2015, due to a significant decrease in indirect emissions (Scope 2), which represent about 80% of the Group's carbon footprint in Israel. The reduction of the Group's carbon footprint is due to the major transition to consumption of electricity produced by natural gas and energy efficiency measures. About 83.3% of the electricity

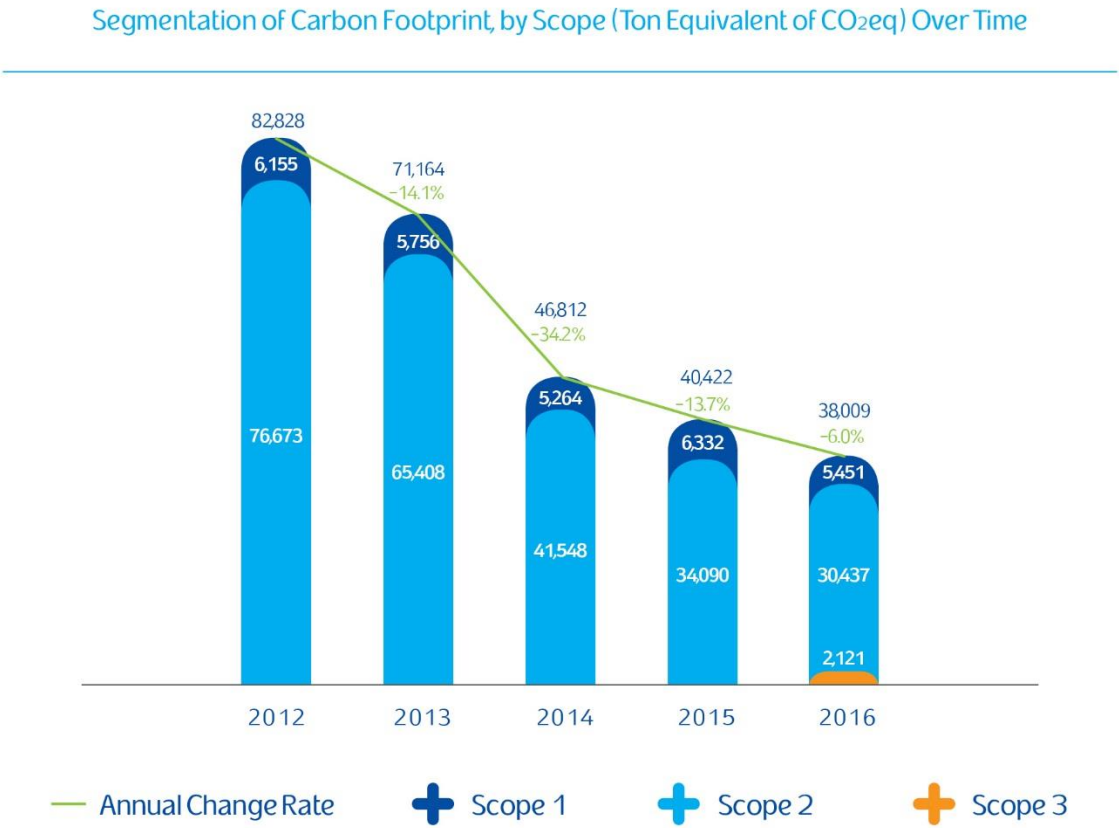
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GHG Protocol for quantifying and managing emissions: <http://www.ghgprotocol.org/about-ghgp>.

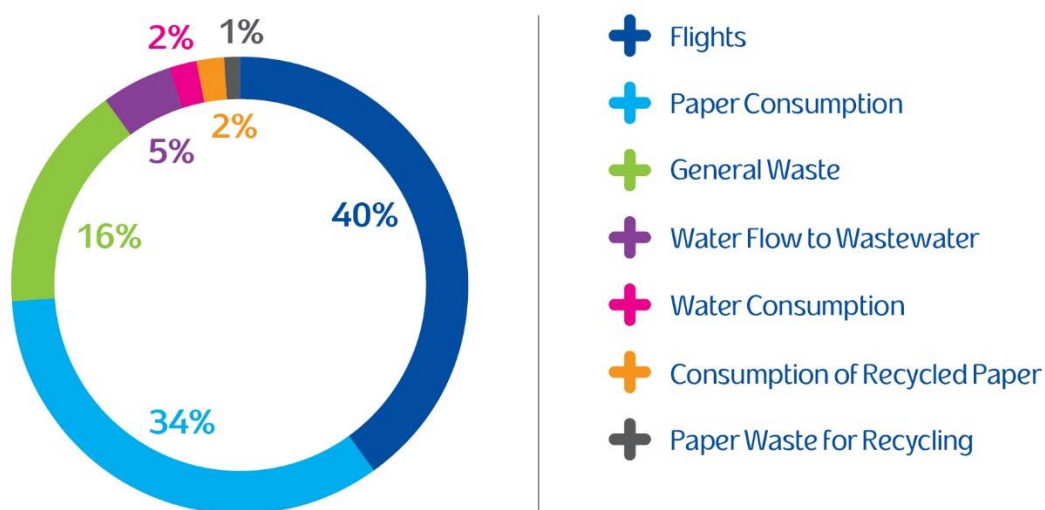
<sup>31</sup>The carbon footprint components were calculated using the Greenhouse Gas Emissions Calculator of the Ministry of Environmental Protection, published in June 2017.

<sup>32</sup>In 2016, Scope 3 indirect emissions were measured in Bank Leumi alone.

consumed by Leumi in 2016 was produced by independent power producers using efficient technologies and natural gas.



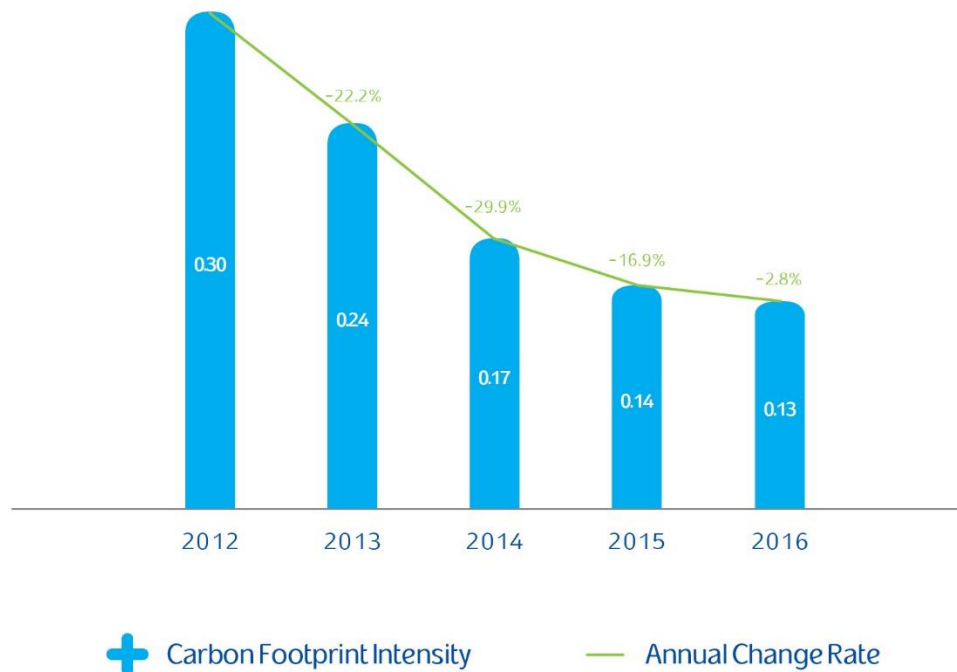
### Segmentation of Indirect Emissions (Scope 3)



### Carbon Footprint Reduction

As mentioned above, the Leumi Group invests significant efforts in identifying measures that would result in greater efficiency and energy savings which would have direct impact on the Group's carbon footprint and on climate change. These efforts are mainly reflected in steps such as the transition to using electricity produced by natural gas. The results of the process are evident in the consistent decline in carbon footprint intensity (ton of CO<sub>2</sub>eq per square meter) for the Leumi Group. Between 2012 and 2016, the Group's carbon intensity (total CO<sub>2</sub>eq/m<sup>2</sup>) was reduced by 56%.

Total Carbon Footprint (Ton of total CO<sub>2</sub>eq/m<sup>2</sup>) by Leumi Group Over the Years



## Recycling and Responsible Evacuation

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

In 2016, paper consumption by Bank Leumi<sup>33</sup> and Leumi Card totaled 769 tons and 9.4 tons, respectively – a 25.5% decrease over 2015. Paper recycling exceeded paper consumption because of archive reduction and the closing of branches.

### Leumi

- + **Paperless Bank Project:** In 2016, Bank Leumi continued the "Paperless Bank Project", with the objective of substantially reducing its paper consumption, and to transition various activities involving paper to the digital realm.

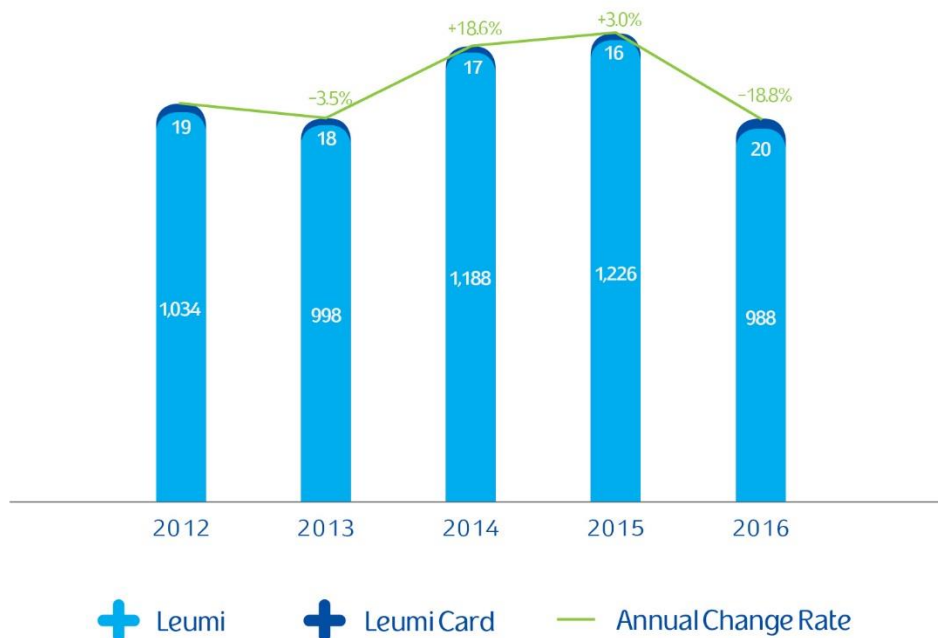
<sup>33</sup>In 2015, the data included printing paper (A4 and A3) only. Since 2016, envelopes are also measured.

- + **Use of recycled paper:** In 2016, the use of fully recycled printing paper was extended to include all of Kiryat Leumi Services, a process which will expand in the coming years to additional units.

### Leumi Card

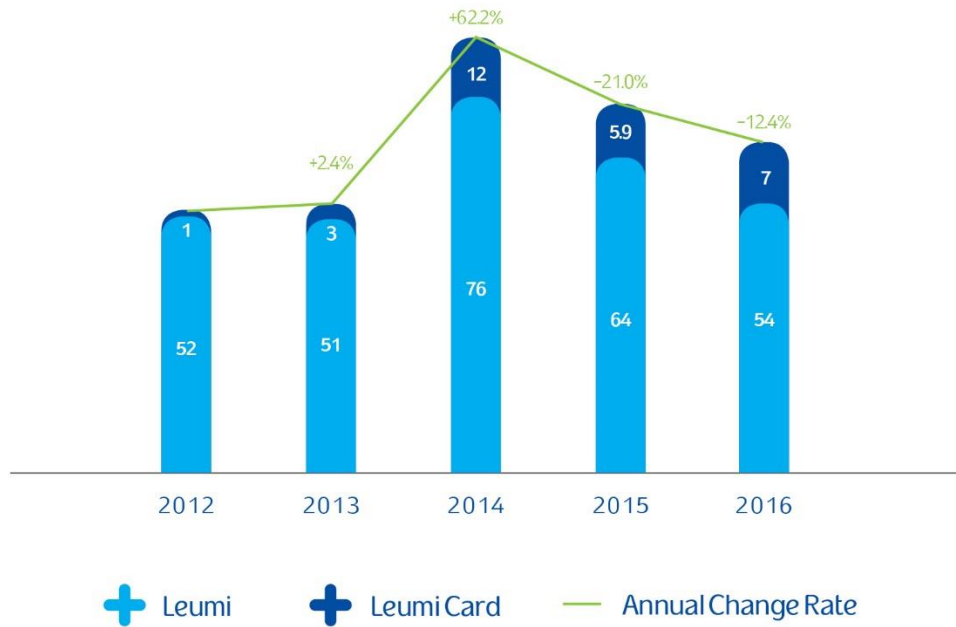
Leumi Card has treated waste in accordance with the working procedures defined in the ISO 14001 Standard since 2009. The company's waste is recycled and evacuated for eco-safe disposal. The organization has placed special containers for the collection of paper, batteries, beverage containers, toners,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

Total Paper Recycling (Ton) Over Time



Under the Bank's guidelines, all office paper is collected for shredding and recycling.

### Total Evacuation of Electronic Waste for Recycling (Tons) Over Time



Under the Bank's guidelines, all electronic waste is collected for recycling.

### Meeting Objectives

Company	Objective as at end of 2016	Status	Explanation
Leumi	Overall reduction of 1% in power consumption compared to 2015.	Done	There was a 6.3% decrease in the Group's power consumption from 2015 to 2016.

Company	Objective as at end of 2016	Status	Explanation
Leumi	Ongoing rapport with all environmental trustees.	Partially done	Publish a quarterly environmental newsletter; launch and operate a blog entitled "Safe in the Environment" and hold training courses on environmental subjects for the environmental trustees in the Bank's branches.
	Increase the use of recycled paper by 10% compared with 2015.	Done	In 2016, recycled paper was put into use in all units of Kiryat Leumi Services, compared to a pilot in three branches that was carried out in 2015.
Leumi Card	Passing the annual inspection conducted by the Standards Institution of Israel.	The Standards Institution's inspection was carried out	In late June 2016, the Standards Institution of Israel conducted an inspection to assess compliance with the requirements of the Standard.



Company	Objective as at end of 2016	Status	Explanation
	Conduct an “awareness week” on reducing environmental impacts by employees in the workplace and private homes.	Delayed to 2017 due to constraints	Conduct an “awareness week” on reducing environmental impacts by employees in the workplace and private homes.
	Create dedicated content on environmental activities for the organizational portal.	Delayed to 2017 due to constraints	
	Hold employee training on environmental protection.	The tutorial on environmental protection was updated	Each year, the environmental protection tutorial is updated; in addition, each new employee is required to perform the tutorial as part of his/her onboarding process.
	Continue to oversee and monitor the 2,000-km procedure to reduce fuel consumption in leisure time.	Done	As of February 2009, the company’s fleet vehicles are limited to 2,000 kilometers in leisure time. Any deviation from the quota is paid by the employee.

## Future Objectives

Company	Objective as at end of 2017	Main actions planned
Leumi	Overall reduction of 2% in power consumption compared to 2016.	Refit old air conditioning systems, replace light bulbs, use control systems, automatic deactivation of IT systems, lighting and air conditioning.
	Conduct a risk survey	The Bank conducts an energy survey every five years, in order to identify focal points for improvement. The last survey was conducted in 2012; therefore, a new survey will be conducted during 2017.
	Train 90% of the environmental trustees in the branches	Enhance communications on environmental issues with the branches and all employees.
	Reduce paper consumption by 4% compared to 2016	Purchase printers capable of two-sided printing; encourage employees to reduce printing; encourage customers to join the Green Mail service, etc.
	Increase the use of recycled paper by 3% compared with 2016.	Implement the use of recycled paper in additional headquarters units
Leumi Card	Passing the annual inspection conducted by the Standards Institution of Israel.	Compliance with ISO 14001 procedures and protecting the environment in all organizational activities.

Company	Objective as at end of 2017	Main actions planned
	Conduct an “awareness week” on reducing environmental impacts by employees in the workplace and private homes.	Edit content and hold an “awareness week”.
	Create dedicated content on environmental activities for the organizational portal.	Create dedicated content for the organizational portal.
	Hold employee training on environmental protection.	Update content and distribute the tutorial at the beginning of the year.
	Continue to oversee and monitor the 2,000-km procedure to reduce fuel consumption in leisure time.	Monitor and control the use of leisure time fuel consumption and notify non-compliant drivers.

# Corporate Governance



As a complex financial organization, the Leumi Group requires strong corporate governance and management mechanisms that allow for coordination, control, and optimal risk management. The Group has high standards for managing corporate governance beyond compliance, with the view that this area is material for its business success.

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

It is hereby being clarified that the Board of Directors mentioned in this chapter refers to Leumi’s board of directors, rather than to its subsidiaries and foreign offices, unless stated otherwise.

### Leumi’s Board of Directors

Leumi’s business and financial stability is the responsibility of Leumi’s Board of Directors, pursuant to Directive 301. The board of directors outlines Leumi’s strategy, including the Group’s risk appetite, and approves the policies that guides its ongoing operations; the board of directors oversees management’s actions and ensures that they are consistent with the policies it established; the board of directors verifies the existence of clearly defined areas of responsibility and clear reporting; the board of directors defines the roles, powers, and duties of the President and Chief Executive Officer and her reporting to the board of directors; the President and Chief Executive Officer is responsible for guiding and coordinating the activities of the members of management. In addition, the board of directors outlines the organizational culture, which requires the

implementation of high standards of professional conduct and integrity, and approves the Bank's Code of Ethics; the board of directors ensures that Leumi acts in compliance with the law and regulations. The member of management responsible for corporate social responsibility is the Head of the Human Resources Division. The management reports to the Board of Directors and its committees regarding the positions of stakeholders, such as the Bank's employees and customers.

The Board of Directors has approved the Code of Ethics and the Bank's vision, and in 2016, discussed the Code of Ethics under the directives of the Bank of Israel. In 2016, the Board discussed the Bank's donations policy and the Leumi Group's community investments budget.

### Board Members - Appointment and Qualifications

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

As of May 2017, Leumi's Board of Directors has 15 members, as follows: eight are external directors, as defined in Directive 301 (hereinafter: "EDs"), including four Edsors as defined in the Companies Law; the Board's Audit Committee has confirmed that the External Directors are independent, in accordance with the definition of "Independent Director" in the Companies Law. All directors are subject to the provisions of the law, including the Companies Law, the Banking Law (Licensing), 1981, the Banking Ordinance,

1941 and Directive 301, including in the matter of their appointment, qualifications, the majority required for their election, their term of office, and more. A candidate for the Board of Directors is required to comply with a due diligence process of his/her suitability, and his/her appointment is subject to approval by the Bank of Israel.

The composition of the Board of Directors complies with the requirements of Directive 301, pursuant to which, among other matters, the Board of Directors shall have adequate collective knowledge about each type of substantive activity that the Bank intends to carry out, and at least one fifth of the directors shall have proven experience in banking. In addition, the majority of the members of the Board of Directors have accounting and financial expertise and professional qualifications. In addition, the Bank complies with Section 239(d) of the Companies Law, which establishes the right of representation for both genders in the Board of Directors. In 2016, one of the directors was of Arab extraction. The directors do not report to the Chief Executive Officer.

In accordance with the Bank's articles of incorporation, the board of directors elects one of its members to serve as chairman of the Board of Directors. In accordance with the Companies Law, the Chairman of the Board or his/her relative may not serve as CEO, unless approved by a special majority in a general meeting. According to Directive 301, members of the Board shall abstain from participating in the ongoing management of the Bank and may not attend meeting of management or its committees, excluding discussions regarding the Bank's overall strategy.

In 2017, the Bank will hold a training program for the members of the Board on topics such as corporate social responsibility, risk management, accounting, technology and IT, as well as regulatory updates.

**The Audit Committee:** Seven directors currently serve on the Audit Committee, including four External Directors in accordance with the Companies Law, one of whom serves as the Committee's Chairperson. Two committee members are External Directors. All the External Directors are independent directors. In addition, all of the committee members have accounting and financial expertise.

**The Board of Directors' Resource Committee:** This Committee also serves as the Corporate Social Responsibility Committee; it discusses the Corporate Social Responsibility Report and the corporate social responsibility objectives of the Bank and

the Group for the coming years. It discusses the planning versus performance report of the corporate social responsibility objectives of the Bank and the Group, and the management of corporate social responsibility of the Bank and the Group.

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

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

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



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

Company	No. of directors	No. of external directors	No. of directors with accounting and financial expertise	No. of women on the Board	Up to age 30	Ages 31 – 50	Aged 51+	Main committee
Leumi	15	8	15	4	0	1	14	Audit, Risk Management, Remuneration, Credit
Leumi Card	8	3	7	3	0	1	7	Audit, Risk Management & Remuneration
Leumi Partners	4	-	3	1	0	1	3	Audit, Risk Management
The Trust Company	4		1	1	0	4	0	

Full details on the members of the Board of Directors can be found in Leumi's 2016 Financial Statements on the Israel Securities Authority's website, the Magna System: [www.magna.isa.gov.il](http://www.magna.isa.gov.il).

### The Board of Directors' Activity

During 2016, Leumi's Board of Directors continued to carry out its duties, including – but not limited to – formulating strategy, approving financial statements, approving of policy in various areas, and more. Leumi's Board of Directors held 42 plenum meetings and its committees held 92 meetings.

## Raising Issues for the Board of Directors' Agenda and General Meeting

The agenda for Leumi's Board of Directors is determined by the Chairman of the Board, in coordination with the President and Chief Executive Officer of the Bank, taking into account the relevant regulatory requirements.

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

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

## Preventing Conflicts of Interest

Leumi operates in accordance with the legal regulatory provisions regarding conflicts of interest, including the provisions of the Companies Law and Directives 301 and 312 of the Supervisor of Banks. In accordance with the provisions of the Companies Law, a director of the Bank has a fiduciary duty to the Bank and must act in good faith and for

the best interest of the Bank. Pursuant to these provisions, no person shall serve as a director in a bank, if their business or current occupations creates a permanent conflict of interest between them and the corporation. The Bank's procedures determine mechanisms for avoiding of conflicts of interest situations (even when they are not conflicts of interest of a permanent nature), such as the prohibition on releasing background material and the prohibition on participating in discussions and decision-making of the Board of Directors and its committees.

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

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

### Monitoring Performance and Risk Management

The Board of Directors oversees management's actions and monitors them by means of several mechanisms, including:

- + Every six weeks, the Board of Directors receives a monthly report on the Bank's financial position, submitted in writing by Leumi's President and Chief Executive Officer, and discusses it.
- + Following the Audit Committee's recommendation, the Board discusses the Bank's annual and quarterly financial statements and approves them.
- + Each quarter, the Board of Directors discusses a quarterly risk document which outlines the Bank's and Group's risk profile. In addition, each new significant product requires approval by the Board of Directors.
- + Every six months, the Board of Directors discusses the report of implementation of the decisions of the Board Plenum and Board's committees; the Board has at its disposal various tools for exercising proper supervision, including deliverables of

the internal audit and control functions (such as the Internal Auditor, Risk Manager, Compliance Officer), and external functions (such as the Independent Auditor).

- + The Board of Directors has defined a list of unusual events about which it wishes to receive reports. In accordance with the work plan approved by the Board of Directors, the Internal Audit Division carries out at a predetermined frequency, also examines implementation of the Board's resolutions on the matters being examined and the process for monitoring the Board of Directors' decisions.
- + Any material deviation from limits approved by the Board of Directors is brought before the Board of Directors for approval.
- + The Board of Directors exercises supervision and control mechanisms over the Leumi Group's subsidiaries.
- + The Risk Management Committee of the Board of Directors receives regular periodic reports on relevant issues, including from the Chief Risk Officer, and submits its recommendations on these issues to the Board of Directors' plenum. In addition, the Chief Risk Officer reports to the Committee effective immediately, and if necessary – to the board of directors as well – on any issue, finding, or deficiency under her purview that could materially affect Leumi's risk management and/or business. The Chief Risk Officer may decide on other issues that are to be brought for further discussion and examination by the Risk Management Committee.

### Assessing the Board of Directors' Performance

Every two years, Leumi conducts a process of self-assessment of its Board of Directors through questionnaires relating to various management aspects of its work and committees, including responsibility for the Bank's and the Group's strategy, the delegating of tasks to the committees, issues relating to management, the remuneration policy, and the Code of Ethics. As part of this control and internal governance, the Board of Directors reviews findings arising from the self-assessment questionnaires. In addition, the Board of Directors periodically updates the Board of Directors' working procedure, which is based, inter alia, on the applicable provisions of the law. This

procedure stipulates, inter alia, the duties of the applicable and its powers, and the Board's committees, the work methods of the Board of Directors and of its committees, including the reports brought before them, as well as matters and transactions that are to be brought for the approval of the Board of Directors.

### Remuneration of Officeholders

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

In February 2014, Bank Leumi's general meeting approved a remuneration policy for Bank's officeholders for the years 2013–2016 (hereinafter – the “Previous Remuneration Policy”), and in November 2016, the general meeting approved a remuneration policy for the Bank's officeholders for part of 2016 (the last quarter, from October 12, 2016 to the end of the year) and for 2017–2019 (hereinafter – the “New Remuneration Policy”) (the Previous Remuneration Policy and the New Remuneration Policy shall be jointly called hereinafter the “Remuneration Policy” (following the Board of Directors' approval and subject to the approval and recommendations of the Remuneration Committee). The remuneration policy is based on the provisions of Amendment 20 to the Companies Law regarding terms of service and employment of officeholders at a Bank and that stipulated in the Proper Conduct of Banking Business Directive No. 301A (hereinafter, Directive 301A) concerning remuneration policy in a banking corporation. In addition, the New Remuneration Policy is based on the Law of Officeholder Remuneration in Financial Corporations (Special Permit and Non-Tax-Deductible Expenses Due to Exceptional Remuneration), 2016 (hereinafter: the “Remuneration Limitation Law”). The remuneration policy is designed to reward officeholders in the Bank in accordance with the Bank's performance and profitability over time, including according to the Bank's and Group's long-term targets, and according to the actual contribution of the officeholders to achieving these performance targets. The remuneration policy includes, among other things, a reference to the salary

component, additional benefits, retirement terms and annual bonus component. The new remuneration policy is also intended, first and foremost, to retain officerholders at the Bank and recruit senior employees with the experience and capabilities to manage a large-scale, complex financial corporation, despite the limitations imposed by the Remuneration Limitation Law.

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

Further information on the Previous Remuneration Policy of officeholders can be found in Appendix A of the Bank's immediate report dated April 5, 2014, regarding the convening of a special meeting which approved the remuneration policy (reference: 2014-01-003985). Further information on the New Remuneration Policy of officeholders can be found in Appendix C of the Bank's immediate report dated October 21, 2016, regarding the convening of a special meeting which approved the remuneration policy (reference: 2016-01-066408).

# External Assurance and Index





Somekh Chaikin

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31.7.17

**Independent Limited Assurance Report to the users/readers of Bank Leumi Of Israel Ltd. 2016 Corporate Responsibility Report**

We were engaged by the management of Bank Leumi Of Israel Ltd. (further referred to as "The Bank") to provide limited assurance regarding the information presented on The Bank's 2016 Corporate Responsibility Report for the year ended 31.12.2016 (further referred to as "The Report").

Management is responsible for A. the preparation and the presentation of the report in accordance with the Sustainability Reporting Guidelines (G4) of the Global Reporting Initiative (GRI) as described in pages 238-261 of the Report, and the information and assertions contained within it B. for determining The Bank's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues for reporting C. for establishing and maintaining appropriate performance management and internal control systems from which the information is derived, to be free from omissions and material misstatements whether due to fraud or error.

Our responsibility is to provide a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

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A limited assurance engagement, regarding data and information included in the corporate responsibility report, consists of making interviews and inquiries, primarily of persons responsible for the preparation of information presented in the report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Examination of the material aspects in the report, for the purpose of performing a limited assurance, based on public information sources, knowledge of The Bank business and other comparative information of similar organizations.
- Inquiries of management to gain an understanding regarding the material aspects to the stakeholders of Bank Leumi Of Israel Ltd.
- Interviews with senior management and relevant staff at The Bank group level and selected business unit level concerning corporate responsibility strategy and policies for specified parts, and the implementation of these across The Bank business.
- Interviews with relevant staff at The Bank corporate and business unit level responsible for providing the information in the Report.
- Visits to The Bank's sites in Tel-Aviv (Beit Leumi, Beit Meni, Beit Lin, Lilinblum st.), Bnei Brak and Lod (Brosh building, Keshev), on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria regarding the report.
- Comparing the information regarding the material aspects presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the report.
- Where relevant, conducting interviews regarding the calculation, aggregation and methods used to collect and report the information in the report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the corporate responsibility performance of Bank Leumi Of Israel Ltd..

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A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to the evidence-gathering and review of supporting information procedures performed. As a result, the level of assurance obtained regarding Bank Leumi Of Israel Ltd.'s corporate responsibility report is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

We believe that the procedures we have performed and the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Conclusion**

Based on the limited assurance procedures performed and the evidence we have obtained, described in this report, nothing has come to our attention to indicate that Bank Leumi Of Israel Ltd.'s 2016 Corporate Responsibility Report is not presented, in all material respects, in accordance with the GRI-G4 and The Bank's reporting criteria.

Our limited assurance report is made solely to Bank Leumi Of Israel Ltd. in accordance with the terms of our engagement. Our work has been undertaken so that we might state to The Bank those specified parts we have been engaged to state in this limited assurance report and for no other purpose or in any other context. We do not accept or assume responsibility to anyone other than Bank Leumi Of Israel Ltd. and its subsidiaries for our work, for this limited assurance report, or for the conclusions we have reached.

Somekh Chaikin

Certified Public Accountants

Tel Aviv, Israel

31/07/2017

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## Corporate Social Responsibility Performance Table

Indicator	2014	2015	2016
<b>Economic performance</b>			
Total revenues (in NIS millions)	12,504	13,415	12,934
No. of branches	268	252	234
No. of employees	12,243	11,998	11,351
Operating expenses (in NIS millions)	9,371	8,836	8,580
Wage expenses (including pension contributions - in NIS millions)	5,253	5,544	5,422
Total credit granted to customers (in NIS millions)	311,551	319,247	334,549
Social procurement (in NIS millions)	1	3.4	6

### Social performance

<b>Customers</b>			
Credit to SMEs (in NIS billions)	76.7	82.4	71.8
Total credit granted to social projects (in NIS billions)	0.29	0.42	0.96
Total credit for environmental projects and products (in NIS billions)	0.43	1.43	0.52
No. of branches in the Arab sector	46	45	46
No. of branches in communities with a large religious and ultra-orthodox community	25	25	26
No. of branches in the geographic periphery	43	42	40
No. of fully accessible branches	66	211	209
% of accessible branches	25%	83.7%	89%

Indicator	2014	2015	2016
No. accessible ATMs (both via "talking ATMs" and by adjustment to short stature persons and persons in wheelchairs)	161	245	489
No. of customers surveyed to monitor satisfaction by Leumi and Leumi Card	112,300	112,100	90,000

### Employees

% of college graduates in the Group (%)	64%	65%	66%
Average no. of training hours per employee	28	32	41
% of women at the Bank	62%	62%	61%
% of women managers in the Bank's managers' cadre	52.1%	52.4%	52%
% of women on the Board of Directors	20%	29%	29%
Median wage gaps between men and women (in favor of men)	17%	16.8%	16.60%
% of hiring from under-employed populations out of total annual recruits	11%	8%	14%
% of Arab employees and from other minorities (%)	Not reported	6%	6%
No. of work-related accidents and on the job road accidents	121	131	104

### Community

Community contributions (in NIS millions)	29.4	32.6	33.7
No. of volunteering employees	5,765	5,094	4,044
Annual no. of volunteering hours	42,842	40,686	35,212
Average no. of volunteering hours per volunteer	7.43	7.99	8.71
Average no. of volunteering hours per volunteer	3.50	3.39	3.10

Indicator	2014	2015	2016
<b>Business ethics</b>			
No. of inquiries to the ethics hotline	45	30	17
% of employees who have completed the tutorial on compliance and money laundering (Leumi)	83%	91%	100%

#### Environmental performance\*

Power consumption in properties, excl. indirect consumption - total (kWh)	86,255,109	83,854,073	78,499,996
Total power consumption (kWh)	86,255,109	89,354,073	84,149,996
Power consumption (Kwh) per m2	306	305.29	297.11
Total carbon footprint (ton equivalent of CO2eq)	46,812	40,422	37,121

\* Leumi and Leumi Card employees only

## GRI-G4 Content Index

This report successfully completed the GRI Materiality Disclosure Service



Aspect no.	Aspect	Reporting	Page	UNGC
<b>PROFILE ASPECTS</b>				
<b>Strategy</b>				
G4-1	A statement from the most senior decision-maker of the organization (such as CEO or chairman) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Full	6	There is no specific COP requirement
G4-2	Description of the organization's key impacts, risks, and opportunities	Full	6, 11, 38	There is no specific COP requirement
<b>ORGANIZATIONAL PROFILE</b>				
G4-3	Name of the organization and its organizational profile	Full	6, 11	There is no specific COP requirement
G4-4	Description of the primary brands, products, and services	Full	11	There is no specific COP requirement
G4-5	Geographic location of the organization's headquarters	Full	16	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the topics covered in the report	Full	16	There is no specific COP requirement
G4-7	Nature of ownership and legal form	Full	12	There is no specific COP requirement
G4-8	Markets served by the company (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Full	16	There is no specific COP requirement
G4-9	Scale of, and information about, the reporting organization	Full	11, 16	There is no specific COP requirement
G4-10	No. of employees by type of employment, type of contract and geographical area, by gender	Full	114	6
G4-11	Percentage of total employees covered by collective bargaining agreements	Full	128	3

Aspect no.	Aspect	Reporting	Page	UNGC
G4- 12	Description of the main components of the organization's supply chain	Full	187	There is no specific COP requirement
G4- 13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	Full	15	There is no specific COP requirement
G4- 14	Explanation regarding the implementation of the precautionary approach according to the Rio Declaration on Environment and Development	Full	200	7
G4- 15	List of externally developed economic, social or environmental principles, or other initiatives to which the organization subscribes	Full	33	1-10
G4- 16	List of memberships of associations, organizations and national or international advocacy organizations	Full	68	1-10
<b>MATERIAL ASPECTS AND BOUNDARIES</b>				
G4- 17	List of all entities included in the organization's consolidated financial statements	Full	11, 16, 18	There is no specific COP requirement



Aspect no.	Aspect	Reporting	Page	UNGC
G4-18	Description of the process for defining the report content and the material Aspect boundaries	Full	20, 27, 31	
G4-19	List of the material Aspects identified in the process for defining the report content	Full	27, 31	
G4-20	Definition of the material Aspects in the organization and the Aspects' boundaries	Full	27, 31	
G4-21	Definition of the material Aspects outside the organization and the Aspects' boundaries	Full	27, 31	
G4-22	Explanation of any restatements of information provided in previous reports and their consequences	Full	19	
G4-23	significant changes from previous reporting periods in the Scope and Aspect boundaries	Full	19	
<b>STAKEHOLDER ENGAGEMENT</b>				
G4-24	List of stakeholder groups engaged by the organization	Full	34	There is no specific COP requirement
G4-25	Detailed process for identification and selection of stakeholders with whom to engage	Full	34	

Aspect no.	Aspect	Reporting	Page	UNGC
G4-26	Description of the organization's approach to stakeholder engagement and to the process of identifying reporting topics	Full	34	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns	Full	34	
<b>REPORT PROFILE</b>				
G4-28	Reporting period	Full	20	There is no specific COP requirement
G4-29	Statement that this is the first report or date of the most recent previous report	Full	20	
G4-30	Reporting cycle (annual or biennial)	Full	20	
G4-31	Contact point for questions regarding the report or its content	Full	21	
G4-32	The 'in accordance' option the organization has chosen	Full	19	
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report.	Full	21	

Aspect no.	Aspect	Reporting	Page	UNGC
<b>CORPORATE GOVERNANCE</b>				
G4-34	The governance structure of the organization	Full	15, 221	There is no specific COP requirement
G4-35	The process for delegating authority for economic, environmental and social topics from the board of directors to senior executives and other employees.	Full	222	
G4-36	Whether the organization has appointed an executive-level position with responsibility for economic, environmental and social topics, and whether he/she reports directly to the board of directors	Full	31, 222	
G4-37	Description of the processes for consultations between stakeholders and the board of directors	Full	222, 228	
G4-38	Composition of the board of directors	Full	225	
G4-39	Whether the chairman of the board is also an executive officer (beyond the board of directors)	Full	227	

Aspect no.	Aspect	Reporting	Page	UNGC
G4-40	The processes for determining the composition, qualifications, and experience required of board members for the board of directors' committees	Full	222	
G4-41	Processes for the board of directors to ensure conflicts of interest are avoided	Full	226	
G4-42	Board members' and senior executives' roles in the development, approval, and updating of the organization's vision, values, strategies, policies, and goals related to environmental and corporate social responsibility	Full	222	
G4-43	The measures taken by the organization to develop and enhance the board of directors' knowledge of corporate social responsibility topics	Full	223	
G4-44	The processes for evaluation of the board of directors' performance with respect to corporate social	Full	228	

Aspect no.	Aspect	Reporting	Page	UNGC
	responsibility areas – economic, environmental and social			
G4-45	The board of directors’ role in the identification and management of economic, environmental and social performance, including relevant risks and opportunities	Full	227	
G4-46	The board of directors’ role in reviewing the effectiveness of the organization’s risk management processes in corporate social responsibility areas	Full	227	
G4-47	Frequency of the board of directors’ review of the identification and management of performance regarding corporate social responsibility	Full	31, 227	
G4-48	The executive manager in the organization who approves the organization’s sustainability report	Full	222	
G4-49	Description of the process for communicating critical	Full	221	

Aspect no.	Aspect	Reporting	Page	UNGC
	concerns to the board of directors (in the economic, social and environmental fields)			
G4-50	Description of the nature and total number of critical concerns that were communicated to the board of directors and the mechanism used to address and resolve them	Full	227	
G4-51	Description of the relation between the remuneration of the directors and senior executives and the company's performance	Full	228	
G4-52	Description of the process for determining remuneration in the organization	Full	229	
G4-53	How stakeholders' views are taken into account regarding remuneration of the Bank's executives	Full	229	
G4-54	The ratio of the annual total compensation for the organization's highest-paid individual and the median annual total compensation for all employees	Full	125	

Aspect no.	Aspect	Reporting	Page	UNGC
G4-55	The ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees	Full	125	
<b>ETHICS AND INTEGRITY</b>				
G4-56	Description of the organization's values, principles, standards and norms of behavior	Full	50	10
G4-57	The internal and external mechanisms for seeking advice on ethical or lawful behavior	Full	51	10
G4-58	The organization's internal and external mechanisms for reporting concerns about unethical or unlawful behavior	Full	61	10
<b>PERFORMANCE INDICATORS FOR MATERIAL ASPECTS</b>				
<b>ECONOMIC PERFORMANCE</b>				
G4-DMA	Management approach – economic performance	Full	38	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
G4-EC1	Direct economic value generated by the Bank	Full	39	There is no specific COP requirement
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Full	200	7
G4-EC3	The Bank's obligations in respect of retirement, compensation and pension plans	Full	39	There is no specific COP requirement
G4-EC4	Financial support, grants and assistance the company received from government during the reporting period	Full	39	There is no specific COP requirement
<b>MARKET PRESENCE</b>				
G4-DMA	Management approach - market presence	Full	38	There is no specific COP requirement
G4-EC5	Range of standard entry level wage compared to local minimum wage by gender and locations of operation	Full	125	6
G4-EC6	Proportion of senior management hired from local communities	-	119	6
<b>INDIRECT ECONOMIC IMPACTS</b>				



Aspect no.	Aspect	Reporting	Page	UNGC
G4-DMA	Management approach – indirect economic impacts	Full	38	There is no specific COP requirement
G4-EC7	Development and impact of investments in infrastructure and services provided mainly for the public’s benefit through trade arrangements, contributions in kind (in products) or pro bono (in services) activity	Full	40	There is no specific COP requirement
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Full	39	There is no specific COP requirement
<b>PROCUREMENT PRACTICES</b>				
G4-DMA	Management approach – procurement practices	Full	187	There is no specific COP requirement
G4-EC9	Details regarding the policies, procedures and actual percentage of expenditure on procurement from local suppliers in significant locations of operation	Full	187	There is no specific COP requirement
<b>ENERGY</b>				
G4-DMA	Management approach – energy	Full	200	7,8,9

Aspect no.	Aspect	Reporting	Page	UNGC
G4-EN3	Energy consumption within the organization	Full	204	7,8
G4-EN4	Energy consumption outside of the organization	N/R	The organization does not measure energy consumption outside of the organization	8
G4-EN5	The organization's energy consumption intensity	Full	206	8
G4-EN6	The organization's energy consumption reduction	Full	206	8,9
G4-EN7	Reductions in energy consumption through the organization's products or services	Full	103	8,9
<b>EMISSIONS</b>				
G4-DMA	Management approach - emissions	Full	200	7,8,9
G4-EN15	Direct emissions of greenhouse gases - Scope 1 (fuels)	Full	211	7,8
G4-EN16	Indirect emissions of greenhouse gases - Scope 2 (electricity).	Full	211	7,8

Aspect no.	Aspect	Reporting	Page	UNGC
G4-EN17	Weight of other indirect emissions of greenhouse gases – Scope 3 (flights).	Full	211	7,8
G4-EN18	The organization's greenhouse gas emission intensity	Full	213	8
G4-EN19	Reduction of greenhouse gas emissions	Full	211	8,9
G4-EN20	Emissions of ozone-depleting substances	N/R	The Group does not measure emissions of ozone-depleting substances because they are negligible	7,8
G4-EN21	NOx, SOx, and other significant air emissions	N/R	The Group does not measure air emissions because they are negligible	7,8
<b>PRODUCTS AND SERVICES</b>				
G4-DMA	Management approach – environmentally-friendly products and services	Full	103	7,8,9
G4-EN27	Extent of impact of environmental products and services	Full	103	7,8,9

Aspect no.	Aspect	Reporting	Page	UNGC
G4-EN28	Responsible handling of packaging	N/R	Most of the Group's activity revolves around marketing and services that do not include packaging materials	8
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>				
G4-DMA	Management approach – supplier environmental assessment	Full	187	8
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Full	188	8
G4-EN33	Significant negative environmental impacts in the supply chain and actions taken	Full	192	8
<b>OCCUPATIONAL HEALTH AND SAFETY</b>				
G4-DMA	Management approach – occupational health and safety	Full	150	There is no specific COP requirement
G4-LA5	Percentage of total workforce represented in joint management-worker health and safety committees	Full	151	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
G4-LA6	Rates of injury, occupational diseases, and absenteeism, and total number of work-related fatalities, by region and by gender (including contract workers)	Full	152	There is no specific COP requirement
G4-LA7	Risk of occupational diseases	Full	151	There is no specific COP requirement
G4-LA8	Health and safety topics covered in formal collective bargaining agreements	Full	151	There is no specific COP requirement
<b>TRAINING AND EDUCATION</b>				
G4-DMA	Management approach – training	Full	136	6
G4-LA9	Average hours of training per year per employee	Full	141	6
G4-LA10	Programs for development that support the continued employability of employees	Full	136	There is no specific COP requirement
G4-LA11	Percentage of employees receiving regular performance and career development reviews	Full	144	6
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>				
G4-DMA	Management approach – diversity and equal opportunity	Full	120	6
G4-LA12	The board of directors’ composition and breakdown	Full	225	6

Aspect no.	Aspect	Reporting	Page	UNGC
	of employees (by gender, age, minority, education)			
<b>GENDER EQUALITY</b>				
G4-DMA	Management approach – gender equality	Full	120	6
G4-LA13	Processes to ensure gender equality and prevention of gender-only discrimination (including men’s versus women’s salaries); ratio of salary of women to men in each employee category	Full	125	6
<b>SUPPLIERS ASSESSMENT FOR LABOR PRACTICES</b>				
G4-DMA	Management approach – assessment of suppliers’ work environment	Full	187	There is no specific COP requirement
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Full	193	There is no specific COP requirement
G4-LA15	Significant (and potential) impacts of the supply chain in relation to the employment environment and actions taken	Full	193	There is no specific COP requirement
<b>NON-DISCRIMINATION</b>				
G4-DMA	Management approach – non-discrimination	Full	120	6
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Full	63, 84	6

Aspect no.	Aspect	Reporting	Page	UNGC
<b>SUPPLIER HUMAN RIGHTS ASSESSMENT</b>				
G4-DMA	Management approach – supplier human rights assessment	Full	187	2
G4-HR 10	Percentage of new suppliers that were screened using human rights criteria	Full	187	2
G4-HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Full	193	2
<b>LOCAL COMMUNITIES</b>				
G4-DMA	Management approach – local communities	Full	168	1
G4-SO 1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Full	181	1
G4-SO 2	Operations with significant actual and potential negative impacts on local communities	Full	69	1
G4-FS 13	Service points for disadvantaged populations by geographical area and type	Full	101	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
G4-FS14	Initiatives for making financial products more accessible to disadvantaged populations	Full	69, 91	There is no specific COP requirement
<b>ANTI-CORRUPTION</b>				
G4-DMA	Management approach – anti-corruption	Full	58	10
G4-SO3	Anti-corruption policies and actions, the percentage and number of units assessed for risks related to corruption	Full	59	10
G4-SO4	Communication and training on anti-corruption policies and procedures	Full	62	10
G4-SO5	Corruption incidents during the reporting period	Full	58	10
<b>SUPPLIER ASSESSMENT FOR IMPACT ON SOCIETY</b>				
G4-DMA	Management approach – supplier assessment: Community	Full	194	There is no specific COP requirement
G4-SO9	Percentage of new suppliers that were screened using impacts on society criteria	Full	193	There is no specific COP requirement
G4-SO10	Handling significant negative impacts on society (corruption, bribes, lobbying)	Full	192	There is no specific COP requirement
<b>GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>				



Aspect no.	Aspect	Reporting	Page	UNGC
G4-DMA	Management approach – grievance mechanisms in the community	Full	168	There is no specific COP requirement
G4-SO11	The organization’s formal mechanisms for handling grievances about community activity	Full	181	There is no specific COP requirement
<b>PRODUCT AND SERVICE LABELING</b>				
G4-DMA	Management approach – product and service labeling: Policy for designing and selling fair financial products and services, initiatives for enhancing the financial understanding of various target audiences (FS 15 & FS 16)	Full	86	There is no specific COP requirement
G4-PR3	The Bank’s commitment to publish fair and full information about all of the Bank’s products and services	Full	67	There is no specific COP requirement
G4-PR4	Number of cases of non-compliance with voluntary regulations and codes regarding labelling of services or products, but category of the cases’ results	Full	63	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
G4-PR5	The organization's conduct regarding customer satisfaction	Full	80	There is no specific COP requirement
<b>MARKETING COMMUNICATIONS</b>				
G4-DMA	Management approach - marketing communications	Full	67	There is no specific COP requirement
G4-PR6	Sale of banned or disputed products	Full	56	There is no specific COP requirement
G4-PR7	Description of the Bank's marketing policy: Boundaries of marketing, sponsorships and advertising, including complaints on the issue	Full	71	There is no specific COP requirement
<b>CUSTOMER PRIVACY</b>				
G4-DMA	Management approach - customer privacy	Full	74	There is no specific COP requirement
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Full	85	There is no specific COP requirement
<b>COMPLIANCE WITH SERVICE AND PRODUCT REGULATION</b>				
G4-DMA	Management approach - compliance with service and product regulation	Full	56	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
G4-PR9	Policies and activities to ensure compliance with laws regarding marketing communications, monetary value of significant fines for non-compliance with laws and regulations regarding the provision and use of services	Full	56	There is no specific COP requirement
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Full	56	There is no specific COP requirement
<b>PUBLIC POLICY</b>				
G4-DMA	Management approach - public policy	Full	68	There is no specific COP requirement
G4-S06	Total value of political contributions by country and recipient/beneficiary	Full	168	There is no specific COP requirement
<b>ANTI-COMPETITIVE BEHAVIOR</b>				
G4-DMA	Management approach - anti-competitive behavior	Full	68	There is no specific COP requirement
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and	Full	63	There is no specific COP requirement

Aspect no.	Aspect	Reporting	Page	UNGC
	monopoly practices and their outcomes			
<b>SECTOR SPECIFIC ASPECT: PRODUCT PORTFOLIO</b>				
G4-DMA	Management approach – product portfolio	Full	86	8
G4-FS6	The value of the organization’s product and service portfolio	Full	40	There is no specific COP requirement
G4-FS7	The value of products designed to promote social objectives or that includes social considerations	Full	100	There is no specific COP requirement
G4-FS8	The value of products designed to promote environmental goals or that include environmental considerations	Full	105	8
<b>SECTOR SPECIFIC ASPECT: AUDIT</b>				
G4-DMA	Management approach – Audit: coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures (former FS9)	Full	31	8
<b>INVESTMENT</b>				
G4-DMA	Management approach – investment	Full	47	1, 2

Aspect no.	Aspect	Reporting	Page	UNGC
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Full	47	1, 2
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Full	47	1, 2

## Principles of the UN Global Compact

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

### Human Rights

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

### Labor

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

### Environment

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

### Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.